

DYFED PENSION FUND COMMITTEE

Thursday, 21 February 2019

PRESENT: Councillor D. E. Williams (Chair)

Councillors:

R.E. Evans and T.J. Jones

Also in attendance:

Mr E. Lambert, Independent Investment Adviser

The following Officers were in attendance:

C. Moore, Director of Corporate Services

K. Gerard, Pensions Manager

A. Parnell, Treasury & Pension Investments Manager

B. Owen, Pension Investments Officer

M. Davies, Democratic Services Officer

J. Laimann, Democratic Services Officer

Democratic Services Committee Room, County Hall, Carmarthen. 10.00 - 11.50 am

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dai Thomas and Mr Randal Hemingway.

2. DECLARATIONS OF PERSONAL INTERESTS

Councillor	Nature of Interest
D.E. Williams	Member of the Dyfed Pension Fund
T.J. Jones	Member of the Dyfed Pension Fund
R. Evans	Member of the Dyfed Pension Fund

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 18TH SEPTEMBER 2018

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 18th September 2018 be signed as a correct record.

4. BUDGET MONITORING 1 APRIL 2018 - 31 DECEMBER 2018

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2018/19 financial year. It was noted that the current position, as at 31st December 2018, forecast an under-spend of £2,815k in cash terms. With regard to expenditure, the net effect of benefits payable and transfers out represented a £258k over-spend mainly influenced by the uncontrollable nature of lump sum payments and transfers out of the fund. Management expenses were underspent by £37k. With regard to income, the net effect of contributions, investment income and transfers in represented an under-spend of £3m. Overall, total fund expenditure was

forecast to be £86.7m and total income £89.5m representing a positive cash flow position of £2.8m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Monitoring Report be received.

5. DYFED PENSION FUND BUDGET 2019-2020

The Committee considered the Dyfed Pension Fund Budget for 2019-20. It was noted that the cash related expenditure for 2019-20 had been set at £87.8m and the cash related income at £87.8m, resulting in a net budget of £0 which provided the Fund with flexibility to utilise investment income based on cash flow requirements.

With regard to expenditure levels, the Committee noted that benefits payable had been estimated to be £79.5m which included provision for a 2.4% pensions increase, based on the September 2018 CPI together with a 2% net effect for new pensioner members. Management expenses had been estimated at £5.6m, of which £3m had been budgeted for investment manager fees. It was further noted that income contributions had been estimated at £72.1m, comprising £52.8m employer and £19.3m employee contributions, with employer rates based on the 2016 valuation plus 2% factored in for pay increases in 2019-20. Investment income had been estimated at £14m to maintain a cash neutral budget and ensuring the fund was not retaining a cash surplus which could be invested. The non-cash related budget had been set at £50m based on an estimate of the realised gains and losses for individual manager portfolio rebalances and sales and purchases within the property portfolios.

The Committee was informed that funds managed by Columbia Threadneedle and Baillie Gifford had been transferred into the Wales Pension Partnership in January/February 2019. It was advised that figures relating to the Dyfed Pension Fund costs to the Wales Pension Partnership were partly based on estimates and more reliable data would be available in the next financial year. Budget monitoring in relation to the Pool would be provided on a quarterly basis.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget for 2019-20 be approved.

6. CASH RECONCILIATION AS AT 31 DECEMBER 2018

The Committee considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund. It was noted that as at 31st December 2018, £8.7m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Cash Reconciliation report be received.

7. BREACHES REPORT

The Committee received for consideration the Breaches Report in relation to the Dyfed Pension Fund. The Committee noted that Section 70 of the Pension Act

2004 sets out the legal duty to report breaches of the law. In the Code of Practice No. 14, published by the Pensions Regulator in April 2015, paragraphs 241 to 275 provide guidance on reporting these breaches. The Dyfed Pension Fund Breaches Policy was approved by the Dyfed Pension Fund Panel in March 2016. Under the policy, breaches of the law were required to be reported to the Pensions Regulator where there was a reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with;
- the failure to comply was likely to be of material significance to the Regulator in the exercise of any of its functions.

The Committee noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time. However, all contribution payments were now up to date or expected to be received shortly and no report had been sent to the Pensions Regulator.

UNANIMOUSLY RESOLVED that the Breaches Report in relation to the Dyfed Pension Fund be noted.

8. RISK REGISTER

The Committee received for consideration a Risk Register which captured all the risks identified in relation to the functions of the Dyfed Pension Fund. The register, which was regularly monitored and reviewed, included information as follows:

- Details of all identified risks
- Assessment of the potential impact, probability and risk rating
- The risk control measures that are in place
- The responsible officer
- Target Date (if applicable)

The risks would continue to be reviewed on a quarterly basis and any amendments would be drawn to the Committee's attention.

UNANIMOUSLY RESOLVED that the Risk Register be approved.

9. MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT (MHCLG) CONSULTATION ON DRAFT STATUTORY GUIDANCE ON ASSET POOLING IN THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)

The Committee considered an MHCLG consultation on draft statutory guidance on asset pooling in the LGPS, appended with a note by Hymans Robertson LLP, consultants to the Wales Pension Partnership.

The Committee noted that the draft statutory guidance contained a provision that would expect pool members to make new investments through the pool from 2020. The Committee was advised that the Dyfed Pension Fund would have made the majority of its investments within the pool by 2020. It was suggested that the Committee could flag the potential negative impact of this provision on investments in its response letter. The Committee was advised that responses

were due by the 28th March and a draft response would be circulated to Committee Members and agreed by the Chair mid-March.

UNANIMOUSLY RESOLVED that the MHCLG consultation and Hymans paper be noted.

10. PRESENTATION BY THE HOST AUTHORITY ON MILESTONES AND PROGRESS UPDATE - WALES PENSION PARTNERSHIP

The Treasury & Pension Investments Manager provided the Committee with an update on the milestones and progress of the Wales Pension Partnership. The Committee noted that the launch and transition of assets into two Global Equity sub-funds (£3.5bn) had been completed. It was advised that initial indicators suggested that the trading had proceeded as expected and an evaluation comparing the pre-trade report to the post-trade report would be provided by the end of March 2019. The target launch date for Tranche 2 (UK and European Equities, around £700m) could potentially be delayed into April 2019. With regard to Tranche 3 (Fixed Income, around £3bn), the Committee was advised that sub-funds had yet to be agreed by the Wales Pension Partnership Joint Governance Committee, potentially delaying the launch to September 2019. This was due to the weather-related cancellation of the Joint Governance Committee's meeting in January 2019. Overall the pooling exercise was progressing well.

UNANIMOUSLY RESOLVED that the presentation be received.

11. ANY OTHER ITEMS OF BUSINESS THAT BY REASONS OF SPECIAL CIRCUMSTANCES THE CHAIR DECIDES SHOULD BE CONSIDERED AS A MATTER OF URGENCY PURSUANT TO SECTION 100B (4)(B) OF THE LOCAL GOVERNMENT ACT 1972

There were no items of urgent business.

12. EXCLUSION OF THE PUBLIC

UNANIMOUSLY RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information)(Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

13. INDEPENDENT INVESTMENT ADVISER REPORT AT DECEMBER 2018

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting as it would involve the disclosure of exempt information relating to the financial or business affairs of any particular person (including the Authority holding that information).

The Committee received the Independent Investment Adviser Report which provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3 year periods ending 31st December 2018.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 31st December 2018 be noted.

14. NORTHERN TRUST PERFORMANCE REPORT 31 DECEMBER 2018

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting as it would involve the disclosure of exempt information relating to the financial or business affairs of any particular person (including the Authority holding that information).

The Committee considered the Northern Trust Performance report for the Dyfed Pension Fund as at 31st December 2018 which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

UNANIMOUSLY RESOLVED that the Northern Trust Performance report for the Dyfed Pension Fund as at 31st December 2018 be received.

15. SECURITIES LENDING

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 12 above, to consider this matter in private, with the public excluded from the meeting as it would involve the disclosure of exempt information relating to the financial or business affairs of any particular person (including the Authority holding that information).

The Committee considered an application of securities lending for the Dyfed Pension Fund investments within the Wales Pension Partnership. The application included a Mercer report on securities lending and the Northern Trust proposal. The Committee was advised that adoption of the proposed trading solution was subject to approval from all eight LGPS funds in Wales and that the Committee would receive quarterly progress updates if the solution was adopted. The Independent Investment Adviser agreed with the principle of securities lending.

UNANIMOUSLY RESOLVED that the application of securities lending be approved, provided that the trading solution was regularly monitored and was only applied in the first instance to the Wales Pension Partnership's Global Growth Fund.

CHAIR

DATE