

DYFED PENSION FUND COMMITTEE

Wednesday, 19 June 2019

PRESENT: Councillor D.E. Williams (Chair)

Councillors:

R.E. Evans and T.J. Jones

Also in attendance:

Mr E. Lambert, Independent Investment Adviser

Also in attendance as an observer:

Cllr D. Thomas (Substitute Member)

The following Officers were in attendance:

C. Moore, Director of Corporate Services

K. Gerard, Pensions Manager

A. Parnell, Treasury and Pension Investments Manager

B. Owen, Pension Investments Officer,

J. Laimann, Democratic Services Officer

Democratic Services Room, County Hall, Carmarthen, 10.00 – 11.40 a.m.

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

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 21ST FEBRUARY, 2019.

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 21st February 2019 be signed as a correct record.

4. BUDGET MONITORING ACTUALS 1 APRIL 2018 - 31 MARCH 2019

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 March 2019, forecast an under-spend of £635k in cash terms. With regard to expenditure, the net effect of benefits payable and transfers out represented a £3.4m over-spend mainly influenced by the uncontrollable nature of lump sum payments and transfers out of the fund. Management expenses were underspent by £0.2k. With regard to income, the net effect of contributions, investment income and transfers

in represented an increase in income of £3.9m. Overall, total fund expenditure was £89.8m and total income £90.4m representing a positive cash flow position of £0.6m.

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

5. STATEMENT OF ACCOUNTS 2018-19

The Committee considered the Dyfed Pension Fund Statement of Accounts for 2018/19, produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19, detailing the financial position, performance and financial viability for the year 2018-19 together with the results of stewardship of management i.e. – accountability of management for the resources entrusted to it and the disposition of its assets at the period end.

It was noted that the position of the fund, as at 31st March 2019 valued the total assets at £2.575bn, up from £2.44bn in 2017/18. This represented an increase in net assets of £135m from 2017/18 to 2018/19. With regard to Fund expenditure, benefits payable and transfers were totalling £87m and returns on investments £152m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Statement of Accounts 2018/19 be received.

6. CASH RECONCILIATION AS AT 31 MARCH 2019

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 March 2019, £5.2m 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.

With regard to Item 62 in the report, Committee Members were advised that the breach related to a requirement to pay automatic refunds after five years to scheme members that left after April 2014. Scheme members affected by this had been contacted to request their bank details but no response had been received. The LGPS Technical Group recognised this issue on a national scale, especially in relation to refunds of small amounts of money, and had recommended that the Scheme Advisory Board ask Ministers to amend the Regulation.

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

8. WALES PENSION PARTNERSHIP (WPP) UPDATE

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 and post-trade reports had been issued. Tracey Williams had been appointed as Senior Financial Services Officer for the Wales Pension Partnership. With regard to Communications, the Wales Pension Partnership website would be functional by the beginning of August. There would be a workshop on communications policy after the next Joint Governance Committee meeting in June. With regard to reporting, Mr Parnell advised that LINK had reallocated staffing in order to address previous challenges.

UNANIMOUSLY RESOLVED that the presentation be received.

9. DRAFT WPP RESPONSIBLE INVESTMENT POLICY

The Committee received for consideration the Wales Pension Partnership Draft Responsible Investment (RI) Policy. It was advised that this overarching policy contained principles that every fund would need to consider but had been drafted in a way that could accommodate the RI policies of individual funds. The draft policy would have to be considered by all eight participant funds and would go back to the JGC for signing off in September.

UNANIMOUSLY RESOLVED that the Draft Wales Pension Partnership Responsible Investment Policy be received.

10. 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.

11. GLOBAL CREDIT FIXED INCOME SUB FUND

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 10 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Committee considered a report on the proposed sub-funds and manager structures for the Wales Pension Partnership Global Credit Fixed Income Sub-Funds. The Treasury & Pension Investments Manager advised that, with regard to the proposed sub-fund structure, only the Global Credit Fund was relevant to the Dyfed Pension Fund. If the proposal was agreed, the Fund's corporate bonds would be transferred into the Global Credit Fund. The Independent Investment Adviser advised that the proposal should be supported.

UNANIMOUSLY RESOLVED that

11.1 The report be received;

11.2 The transfer of Corporate Bonds into the Wales Pension Partnership Global Credit Fund be agreed.

12. INDEPENDENT INVESTMENT ADVISER REPORT TO 31 MARCH 2019

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 10 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

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 March 2019.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 31st March 2019 be noted.

13. NORTHERN TRUST PERFORMANCE REPORT TO 31 MARCH 2019

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 10 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Committee considered the Northern Trust Performance report for the Dyfed Pension Fund as at 31st March 2019, 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 March 2019 be received.

CHAIR

DATE