

Dyfed Pension Fund Committee

Wednesday, 24 June 2020

PRESENT: Councillor D.E. Williams (Chair)

Councillors:

D.M. Cundy and D. Thomas (In place of T.J. Jones)

Also in attendance:

A. Brown, Independent Investment Adviser

The following Officers were in attendance:

C. Moore, Director of Corporate Services

A. Parnell, Treasury & Pension Investments Manager

B. Owen, Pension Investment Officer

E. Bryer, Democratic Services Officer

Virtual Meeting - 2.00 pm - 4.30 pm

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Cllr. Jim Jones. Councillor Dai Thomas attended the meeting as a Substitute Member.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 2ND MARCH, 2020

RESOLVED that the minutes of the meeting of the Committee held on the 2nd March, 2020 be signed as a correct record.

4. BUDGET MONITORING 1 APRIL 2019 - 31 MARCH 2020

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided the final budgetary position as at the 31st March, 2020. It was noted that there was an under spend compared to budget of £3.0m on cash items. Total expenditure was £101.1m and total income was £104.1m resulting in a positive cash flow position of £3.0m.

It was reported that with regard to Expenditure from the fund the net effect of Benefits Payable and Transfers Out was an over spend of £11.2m compared to budget. This was mainly due to deferred pensioner lump sum payments which had resulted in a higher than anticipated pension increase and also lump sum death benefit payments and lump sum retirement benefits. Compensatory Added Years (CAY), Prematurely Retired Teachers (PRT) and gratuity payments (£4.8m) had been included. Management expenses were overspent by £2.2m.

With regard to Fund income, the net effect of contributions, investment income and transfers in was an increase of £16.3m mainly attributable to an increase in investment income of £2.7m, an increase in transfers in of £5.3m together with a £8.3m increase in contributions which included Compensatory Added Years (CAY), Prematurely Retired Teachers (PRT) and gratuity payments (£4.8m).

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April 2019 to 31st March 2020 be received.

5. UNAUDITED STATEMENT OF ACCOUNTS 2019-20

The Committee considered the Dyfed Pension Fund Unaudited Statement of Accounts for 2019/20, 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 2019-20 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 2020 valued the total assets at £2.384bn, down from £2.575bn in 2018/19. This represented a decrease in net assets of £191m from 2018/19 to 2019/20 with fund expenditure, benefits payable and transfers were totalling £93m.

It was noted that the accounts did not take account of obligations to pay pensions and benefits which fall after the end of the financial year.

The Director of Corporate Services advised the Committee that the report had been presented to Audit Wales within the statutory deadline and that Audit Wales would report back their findings in due course.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Unaudited Statement of Accounts 2019/20 be received.

6. CASH RECONCILIATION AS AT 31ST MARCH, 2020

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 the 31st March, 2020 cash in the sum of £4.9m 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, as at 31st March, 2020 be received.

7. BREACHES REPORT 2020-2021

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 set 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 provided 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 they were not material so 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. WALES PENSION PARTNERSHIP (WPP) BUSINESS PLAN 2020 - 2023

The Committee received for consideration the Wales Pension Partnership Business Plan for the period 2020-2023 detailing how the Fund was to achieve its objectives and ensuring the allocation of sufficient resources to meet those objectives.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Business Plan for the period 2020-23 be approved.

9. WALES PENSION PARTNERSHIP (WPP) UPDATE

The Committee received an update report on the Wales Pension Partnership (WPP), on the progress and milestones of both the following Sub Funds together with the current fund holdings, fund launch progress and LFS corporate update and engagement.

- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets.
- Tranche 5 – Private Markets

Also, the Committee received an update on COVID-19 and the Engagement Protocol, including key meeting dates.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Update be received.

10. COUNTY COUNCIL NOTICE OF MOTION 9 OCTOBER 2019 TO DIVEST FROM FOSSIL FUELS

The Committee received a report detailing the Notice of Motion from the County Council meeting held on the 9th October 2019 to divest from fossil fuels that was to be considered by the Committee.

The report confirmed that The Dyfed Pension Fund Committee had a fiduciary duty to seek to obtain the best financial return that it could for its members. It was noted that this was a fundamental principle of the management of Pension Funds that has been established in law. However, as long-term investor responsible for looking after the interests of beneficiaries over many decades into the future, the committee recognised climate change as a significant risk factor for pension fund investments. The Committee were advised that the fund shared many of the concerns over climate and carbon issues and worked both at a fund and a collective level (whether via the Wales Pension Partnership (WPP) or with other LGPS Funds to further climate action.

The report highlighted that the Fund believed active engagement with investee companies instead of full divestment was the preferred option to bring about change whilst managing overall investment risk issues. It was also noted that the Dyfed Pension Fund had an increasing level of investment in renewable and low carbon energy production via pooled funds and would continue to make such investments where the risk/return profile fits the pension fund's investment strategy.

UNANIMOUSLY RESOLVED that the County Council Notice of Motion (9th October, 2019) to divest from fossil fuels be noted and the Dyfed Pension Fund Pension Committee continues to consider divesting from fossil fuels where the risk/return profile fits the pension fund's investment strategy.

11. EXCLUSION OF THE PUBLIC

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.

12. INDEPENDENT ADVISOR PERFORMANCE & RISK TO 31 MARCH 2020

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 11 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, 2020. The report also included the global market background and issues for consideration by the Committee.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 31st March, 2020 be noted.

13. NORTHERN TRUST PERFORMANCE REPORT 31 MARCH 2020

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 11 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, 2020 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, 2020 be received.

14. LOW CARBON INDICES

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 11 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, and received presentations on, the following reports from BlackRock and Baillie Gifford on Low Carbon Indices.

- BlackRock Low carbon equity tracker fund
- Baillie Gifford Global Alpha Paris Aligned

UNANIMOUSLY RESOLVED that the reports from BlackRock and Baillie Gifford on Low Carbon Indices be received.

CHAIR

DATE