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FRIDAY, 9 OCTOBER 2020

TO: ALL MEMBERS OF THE DYFED PENSION FUND COMMITTEE

I HEREBY SUMMON YOU TO ATTEND A **VIRTUAL MEETING** OF THE **DYFED PENSION FUND COMMITTEE** WHICH WILL BE HELD AT **2.00 PM, ON FRIDAY, 16TH OCTOBER, 2020** FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA

Wendy Walters

CHIEF EXECUTIVE

| | |
|---------------------------------|--|
| Democratic Officer: | Martin S. Davies |
| Telephone (direct line): | 01267 224059 |
| E-Mail: | MSDavies@carmarthenshire.gov.uk |

NOTE:-

If you require Welsh to English simultaneous translation during the meeting please telephone 0330 336 4321 Passcode: 86550338#

(For call charges contact your service provider)

Wendy Walters Prif Weithredwr, *Chief Executive*,
Neuadd y Sir, Caerfyrddin. SA31 1JP
County Hall, Carmarthen. SA31 1JP

| |
|---|
| DYFED PENSION FUND COMMITTEE 3 MEMBERS |
|---|

PLAID CYMRU GROUP (1)

- 1 Councillor Elwyn Williams (Chair)

LABOUR GROUP (1)

- 1 Councillor Deryk Cundy

INDEPENDENT GROUP (1)

- 1 Councillor Jim Jones

NOMINATED SUBSTITUTE (1)

Councillor Dai Thomas

A G E N D A

- 1. APOLOGIES FOR ABSENCE.**
- 2. DECLARATIONS OF PERSONAL INTERESTS.**
- 3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 24TH JUNE, 2020.** 5 - 10
- 4. AUDIT OF FINANCIAL STATEMENTS REPORT 2019-20.** 11 - 30
- 5. BUDGET MONITORING 1 APRIL 2020 - 30 JUNE 2020.** 31 - 36
- 6. CASH RECONCILIATION AS AT 30 JUNE 2020.** 37 - 42
- 7. BREACHES REPORT 2020-21.** 43 - 48
- 8. RISK REGISTER 2020-21.** 49 - 52
- 9. OPERATOR UPDATE.** 53 - 64
- 10. EXCLUSION OF THE PUBLIC.**

THE REPORTS RELATING TO THE FOLLOWING ITEMS ARE NOT FOR PUBLICATION AS THEY CONTAIN EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 14 OF PART 4 OF SCHEDULE 12A TO THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) (WALES) ORDER 2007. IF, FOLLOWING THE APPLICATION OF THE PUBLIC INTEREST TEST, THE COMMITTEE RESOLVES PURSUANT TO THE ACT TO CONSIDER THESE ITEMS IN PRIVATE, THE PUBLIC WILL BE EXCLUDED FROM THE MEETING DURING SUCH CONSIDERATION.
- 11. INDEPENDENT ADVISOR PERFORMANCE & RISK TO 30 JUNE 2020.** 65 - 74
- 12. SECURITIES LENDING.** 75 - 98
- 13. NORTHERN TRUST PERFORMANCE REPORT 30 JUNE 2020.** 99 - 110

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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

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DYFED PENSION FUND COMMITTEE 16/10/2020

Audit of Financial Statements Report 2019-20

The committee to receive the Audit of Financial Statements Report (ISA260) 2019-20

Recommendations / key decisions required:

The Committee to receive the Audit of Financial Statements Report (ISA260) 2019-20.

Reasons:

The Dyfed Pension Fund Committee reviews and comments on the Audit of Financial Statements Report (ISA260) 2019-20 before it is presented for approval to the Audit Committee who are charged with governance to accept the Report.

Relevant scrutiny committee to be consulted: NA

Exec. Board Decision Required : NA

Council Decision Required : NA

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- NA

Directorate: Corporate Services

Name of Head of Service:
Chris Moore

Report Author: Chris Moore

Designations:

Director of Corporate Services,
Carmarthenshire County Council

Tel Nos. 01267 224120

E Mail Address:

CMoore@carmarthenshire.gov.uk

EXECUTIVE SUMMARY

DYFED PENSION FUND COMMITTEE

16/10/2020

AUDIT OF FINANCIAL STATEMENTS REPORT 2019-20

The Auditor General is responsible for providing an opinion on whether the financial statements of the Dyfed Pension Fund give a true and fair view of their financial position at 31 March 2020 and of its income and expenditure for the year ended.

This report sets out for consideration the matters arising from the audit of the financial statements of Dyfed Pension Fund for 2019-20, that require reporting under ISA 260.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report:

Signed: C Moore

Director

| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
|---|------------|-------------|-------------|------------------------|-----------------------|-----------------|
| NONE | YES | NONE | NONE | NONE | NONE | NONE |

Legal

The Audit Committee is charged with the responsibility of approving the ISA 260

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: C Moore

Director

- 1. Scrutiny Committee NA
- 2. Local Member(s) NA
- 3. Community / Town Council NA
- 4. Relevant Partners NA
- 5. Staff Side Representatives and other Organisations NA

**EXECUTIVE BOARD PORTFOLIO
HOLDER(S) AWARE/CONSULTED**

NA

**Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:**

THERE ARE NONE

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Audit of Accounts Report – Dyfed Pension Fund

Audit year: 2019-20

Date issued: October 2020

Document reference: 2072A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

We intend to issue an unqualified audit report on your Accounts. There are some matters to report to you prior to their approval.

Audit of Accounts Report

| | |
|---|---|
| Introduction | 4 |
| Impact of COVID-19 on this year's audit | 4 |
| Proposed audit opinion | 6 |
| Significant issues arising from the audit | 6 |

Appendices

| | |
|---|----|
| Appendix 1 – Final Letter of Representation | 8 |
| Appendix 2 – Proposed audit report | 11 |
| Appendix 3 – Summary of corrections made | 15 |

Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with the Director of Corporate Services and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £23.7 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
 - Key Management Personnel Salaries - £1,000
 - Related Parties - £10,000
- 6 Although we have completed the majority of our audit work at the time of drafting this report, we have yet to complete:
 - the final review of our audit file; and
 - our final review of the revised 2019-20 financial statements;
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You were required by law to prepare accounts and it is of testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful for the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 Due to the impact of the COVID-19 pandemic this year, we received the Pension Fund's draft statement of accounts on 12 June 2020, which was slightly after the original planned date of 29 May 2020.
- 10 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

Exhibit 1 – impact of COVID-19 on this year’s audit

| | |
|------------------------------|--|
| Timetable | <ul style="list-style-type: none"> • The agreed date for providing the draft statement of accounts for audit was 29 May 2020. • We received the draft accounts on 12 June 2020. • We agreed that the Pension Fund audit would commence upon the completion of our local Council audits. • The audit was substantially completed by 25 September 2020. |
| Electronic signatures | <p>The current plan is for the Audit Committee to approve the 2019-20 financial statements at its virtual meeting on 16 October 2020. The Section 151 officer will then arrange for manual signatures to be obtained prior to the audit opinion being issued.</p> <p>There are no current plans to use electronic signatures, however, should the Council decide they should proceed on this basis then we can accept the use of electronic signatures and electronic transfer of files during the approval and signing process.</p> |
| Audit evidence | <p>As in previous years, we received the majority of audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> • officers provided electronic working papers in accordance with our agreed Audit Deliverables Report; • officers provided audit evidence to the audit team via e-mail or the shared folder accessible by auditors through the Council laptops; • officers were available by video conferencing for discussions, and for the sharing of on-screen information/evidence; and • Audit Wales also secured remote read-only access to the Agresso ledger system which enabled the audit team to run reports and view evidence and hence reduce the burden on officers to provide this information. |
| Other | <ul style="list-style-type: none"> • Video conferencing has enabled the audit team to correspond effectively with officers throughout the audit. • Video-conference-based Audit Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance. |

- 11 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

Proposed audit opinion

- 12 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 13 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 14 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.
- 15 Our proposed audit report is set out in **Appendix 2**. This audit report includes an emphasis of matter paragraph. The aim of this paragraph is to draw the attention of the reader of the accounts to Note 11 in the financial statements.
- 16 Note 11 includes reference to material uncertainty clauses disclosed in year-end valuation reports for a pooled property fund and the Strategic Alternative Income Fund (SAIF). The total value of these funds as at 31 March 2020 is £296 million and £53 million respectively.
- 17 The audit opinion is not modified in respect of this matter.

Significant issues arising from the audit

Uncorrected misstatements

- 18 There are no misstatements identified in the financial statements which remain uncorrected.

Corrected misstatements

- 19 There were initially misstatements in the accounts that have now been corrected by management. The most significant of these amendments are drawn to your attention in **Appendix 3**.

Other significant matters encountered and resolved during the audit

- 20 In the course of the audit, we considered a number of matters relating to the accounts. **Exhibit 2** includes commentary on the more significant matters we encountered and worked with management to resolve.

Exhibit 2 – Significant matters encountered and resolved during the 2019-20 audit

| Significant matters encountered and resolved during the 2019-20 audit | | |
|---|--|--|
| Material uncertainty in relation to property assets | We have requested that the Council sets out in Note 11 additional narrative to disclose the material uncertainty in relation to property asset investments. | The Council has included the additional narrative disclosure. We have also drawn the reader's attention to this disclosure in an emphasis of matter paragraph in our audit report. The audit opinion is not modified in respect of this matter. |
| Year-end investment valuations | Given the impact of COVID 19 and the potential of significant market volatility around the year-end, we reviewed all investment valuations to ensure these were based on actual figures. This allowed us to confirm that the fair value of investment assets in the 2019-20 financial statements was reasonable. | No adjustments were required to be made to the 2019-20 financial statements. |
| Impact of McCloud Pension remedy proposals on disclosures in the Actuarial Statement | Our audit plan highlighted the impact of the McCloud judgement as a potential audit risk for this year's audit. An estimate for this potential liability was compiled prior to the proposed remedy being known and is included in the Actuarial Statement in the 2019-20 financial statements. On 16 July 2020 the UK government proposed its remedy, and this had the potential to significantly impact this estimate. | We corresponded with management and their actuary to assess whether the estimate for this potential liability was in line with the proposed remedy. We have received confirmation from the actuary that their assumptions were similar to the subsequently proposed remedy. Therefore, we were able to conclude that the estimate included in the 2019-20 financial statements disclosures was reasonable. |

Appendix 1

Final letter of representation

[Audited body's letterhead]

Auditor General for Wales
Audit Wales
24 Cathedral Road
Cardiff
CF11 9LJ

[Date]

Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of Dyfed Pension Fund for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom UK 2019-20; in particular the financial statements give a true and fair view in accordance therewith; and
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council/Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 16 October 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Director of Corporate Services

Date:

Signed by:

Chair of the Audit Committee

Date:

Appendix 2

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the Members of Carmarthenshire County Council as administering authority for Dyfed Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Dyfed Pension Fund for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004. Dyfed Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for **the** audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – effects of the COVID-19 pandemic on the valuation of property fund and alternative assets

I draw attention to Note 11 of the financial statements, which describes the impact of a material uncertainty disclosed in the fund managers year-end valuation reports for the UK property fund and alternatives fund they manage on behalf of the Dyfed Pension Fund. The Fund has disclosed this material uncertainty and my audit opinion is not modified in respect of this matter.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the statement of accounts. The other information comprises the narrative report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the narrative report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Dyfed Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Adrian Crompton
Auditor General for Wales
October 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 3: summary of corrections made

| Value of correction | Nature of correction | Reason for correction |
|---|--|---|
| 2019-20 £6.99 million 2018-19 £4.53million | <p>Indirect investment management fees included transaction and implicit costs but did not result in any cash movement between the pension fund and investment managers.</p> <p>These fees were correctly included in investment management fee expenditure. However, the double entry was a credit to investment income in the fund account rather than a movement to the net asset value in the balance sheet.</p> <p>Adjustments have been made to both the 2018-19 and 2019-20 figures to rectify the accounting for these transactions. These adjustments did not alter the net expenditure nor net investments assets figures in the financial statements.</p> | To ensure compliance with CIPFA guidance around transparency of investment management fees. |
| Various presentational amendments | Various other minor presentational amendments were made to the narrative report and draft statement of accounts. There was no overall impact on the net expenditure or net investment assets of the Fund. | To ensure accuracy and completeness of the financial statements. |



Audit Wales
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and
telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a
galwadau ffôn yn Gymraeg a Saesneg.

DYFED PENSION FUND COMMITTEE
16/10/2020

Budget Monitoring 1 April 2020 – 30 June 2020

To provide the Dyfed Pension Fund Committee with an update on the latest budgetary position as at 30 June 2020

Recommendations / key decisions required:

The Committee to receive the latest Dyfed Pension Fund Budget Monitoring report and consider the budgetary position.

Reasons:

To provide the Dyfed Pension Fund Committee with an update on the latest budgetary position as at 30 June 2020.

| | |
|---|----|
| Relevant scrutiny committee to be consulted | NA |
|---|----|

| | |
|-------------------------------|----|
| Exec. Board Decision Required | NA |
|-------------------------------|----|

Council Decision Required NA

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- NA

| | | |
|---|--|---|
| Directorate: Corporate Services Name of Head of Service: Chris Moore Report Author: Chris Moore | Designations: Director of Corporate Services, Carmarthenshire County Council | Tel Nos. 01267 224120 E Mail Address: CMoore@carmarthenshire.gov.uk |
|---|--|---|

EXECUTIVE SUMMARY

DYFED PENSION FUND COMMITTEE

16/10/2020

BUDGET MONITORING 1 APRIL 2020 - 30 JUNE 2020

The position as at 30 June 2020 was an under spend compared to budget of £3.2m on cash items.

Expenditure

The net effect of Benefits Payable and Transfers Out is an under spend of £1.5m. This is mainly due to an increase of 3% built in at budget setting for pensioners, actual increase for the year to date is 1.5%. Management expenses are underspent by £420k.

Income

The net effect of Contributions, Investment Income and Transfers In is an increase of £1.3m. This is mainly due to an increase in Investment Income of £1.5m.

Total expenditure is estimated at £99.1m and total income estimated at £102.3m resulting in a positive cash flow position of £3.2m.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report:

Signed: **C Moore**

Director

| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
|---|-------------|------------|-------------|------------------------|-----------------------|-----------------|
| NONE | NONE | YES | NONE | NONE | NONE | NONE |

Finance

Overall, the Fund needs to maintain a positive cash flow balance to meet its obligations. The cash flow projection was positive by £3.2m as at 30 June 2020.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: **C Moore**

Director

1. **Scrutiny Committee** NA
2. **Local Member(s)** NA
3. **Community / Town Council** NA
4. **Relevant Partners** NA
5. **Staff Side Representatives and other Organisations** NA

EXECUTIVE BOARD PORTFOLIO
HOLDER(S) AWARE/CONSULTED : NA

Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:

THERE ARE NONE

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| Dyfed Pension Fund | | | | | | | | | |
|--|---------------------------------|------------------|------------------|-----------------------------------|----------------------|--------------------|----------------------|-------|--|
| Budget Monitoring | | | | | | | | | |
| 1st April 2020 - 30th June 2020 | | | | | | | | | |
| | Budget Type | Actual 2019-2020 | Budget 2020-2021 | Total income/ expenditure to date | Forecast Commitments | Forecast 2020-2021 | End of year variance | | Assumptions/Comments |
| | Controllable / Non Controllable | £ '000 (a) | £ '000 (b) | £ '000 (c) | £ '000 (d) | £ '000 (e) | £ '000 (f) | % | |
| Expenditure | | | | | | | | | |
| Benefits Payable | Both | 89,766 | 89,869 | 21,872 | 66,477 | 88,349 | -1,520 | -1.7 | 3% included at budget setting for new pensioners, actual increase year to date is 1.5% |
| Pensions Payable | Controllable | 72,858 | 76,369 | 18,497 | 56,352 | 74,849 | -1,520 | | |
| Commutation and lump sum retirement benefits | Non Controllable | 14,708 | 12,000 | 3,000 | 9,000 | 12,000 | 0 | | |
| Lump sum death benefits | Non Controllable | 2,200 | 1,500 | 375 | 1,125 | 1,500 | 0 | | |
| Payments to and account of leavers | Non Controllable | 3,597 | 2,620 | 657 | 1,963 | 2,620 | 0 | 0.0 | |
| Management Expenses | | 7,775 | 8,549 | 2,683 | 5,446 | 8,129 | -420 | -4.9 | |
| Computer Software | Controllable | 338 | 361 | 37 | 324 | 361 | 0 | | |
| Printing charges | Controllable | 13 | 20 | 6 | 14 | 20 | 0 | | |
| Subscriptions, Legal fees, Conf Exps, Med Exps | Controllable | 63 | 70 | 29 | 44 | 73 | 3 | | |
| Fund Managers | | | | | | | | | |
| BlackRock | Controllable | 1,703 | 1,443 | 353 | 1,072 | 1,425 | -18 | | Reduction in Market valuations. |
| Schroders | Controllable | 763 | 882 | 182 | 500 | 682 | -200 | | Reduction in Market valuations of property investments. July 2020 -March 2021 forecast based on August 2020 valuation |
| Wales Pension Partnership | Controllable | 2,600 | 3,510 | 581 | 2,769 | 3,350 | -160 | | Corporate Bonds not pooled until July 2020. |
| Partners Group | Controllable | 856 | 806 | 200 | 601 | 801 | -5 | | |
| Custodian | | | | | | | | | |
| Northern Trust | Controllable | 30 | 31 | 1 | 31 | 32 | 1 | | |
| Actuary | | | | | | | | | |
| Mercer | Controllable | 221 | 100 | 19 | 81 | 100 | 0 | | |
| Performance Manager | | | | | | | | | |
| Northern Trust / PIRC / CEM | Controllable | 10 | 26 | 0 | 26 | 26 | 0 | | |
| Independent Advisor | Controllable | 21 | 30 | 0 | 30 | 30 | 0 | | |
| Other | | | | | | | | | |
| Euraplan, LSE, Pension Board | Controllable | 21 | 23 | 0 | 35 | 35 | 12 | | |
| Central recharges | Non Controllable | 1,108 | 1,219 | 1,268 | -100 | 1,168 | -51 | | Vacant posts within pensions administration |
| Audit fees | Controllable | 28 | 28 | 7 | 19 | 26 | -2 | | |
| Controllable Expenditure | | 79,525 | 83,699 | 19,912 | 61,898 | 81,810 | -1,889 | | |
| Non Controllable Expenditure | | 21,613 | 17,339 | 5,300 | 11,988 | 17,288 | -51 | | |
| Total Expenditure | | 101,138 | 101,038 | 25,212 | 73,886 | 99,098 | -1,940 | | |
| Income | | | | | | | | | |
| Contributions | | | | | | | | | |
| Employer | Controllable | -60,238 | -64,596 | -18,425 | -45,718 | -64,143 | 453 | -0.7 | Advance payments made resulting in discounted contributions; Ceredigion CC, Pembs CC and Dyfed Powys Police in 2020-21 |
| Member | Controllable | -20,194 | -21,148 | -5,346 | -16,041 | -21,387 | -239 | 1.1 | Increased member purchase of annuity (pension) from their AVC when matured. |
| Investment Income | Controllable | -16,822 | -13,794 | -3,235 | -12,049 | -15,284 | -1,490 | 10.8 | Includes BlackRock SAIF and Schroders dividend income, also WPP and Partners Group which is income reinvested. |
| Other Income | Controllable | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 | |
| Transfers in from other pension funds | Non Controllable | -6,839 | -1,500 | -392 | -1,108 | -1,500 | 0 | 0.0 | |
| Controllable Income | | -97,254 | -99,538 | -27,006 | -73,808 | -100,814 | -1,276 | | |
| Non Controllable Income | | -6,839 | -1,500 | -392 | -1,108 | -1,500 | 0 | | |
| Total Income | | -104,093 | -101,038 | -27,398 | -74,916 | -102,314 | -1,276 | | |
| Controllable Total | | -17,729 | -15,839 | -7,094 | -11,910 | -19,004 | -3,165 | | |
| Non Controllable Total | | 14,774 | 15,839 | 4,908 | 10,880 | 15,788 | -51 | | |
| Total | | -2,955 | 0 | -2,186 | -1,030 | -3,216 | -3,216 | | |
| Cash Transfer to Fund Managers | Cash | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Net Total of Cash Related Items | | -2,955 | 0 | -2,186 | -1,030 | -3,216 | -3,216 | | |
| Indirect Transactional Management Fees | Non Cash | 3,670 | 2,840 | 0 | 3,402 | 3,402 | 562 | 19.8 | CIPFA Management cost guidance issued to show indirect transactional fees indirectly paid by the funds |
| Investment Income | Non Cash | -3,670 | -2,840 | 0 | -3,402 | -3,402 | -562 | 19.8 | Contra entry to the Indirect transactional fees |
| Realised gain/loss | Non Cash | -30,270 | -50,000 | -28,626 | -129,374 | -158,000 | -108,000 | 216.0 | Non Controllable. No impact to cash. Gain as a result of Corporate Bond transition. |
| Net Total of Non-Cash Related Items | | -30,270 | -50,000 | -28,626 | -129,374 | -158,000 | -108,000 | | |

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DYFED PENSION FUND COMMITTEE 16/10/2020

Cash Reconciliation as at 30 June 2020

To provide the Dyfed Pension Fund Committee with an update on the cash position as at 30 June 2020

Recommendations / key decisions required:

The Committee to receive the latest Dyfed Pension Fund cash reconciliation report and consider the cash position.

Reasons:

To provide the Dyfed Pension Fund Committee with an update on the cash position as at 30 June 2020.

Relevant scrutiny committee to be consulted NA

Exec. Board Decision Required NA

Council Decision Required NA

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- NA

Directorate: Corporate Services

Name of Head of Service:
Chris Moore

Report Author: Chris Moore

Designations:

Director of Corporate Services,
Carmarthenshire County Council

Tel Nos. 01267 224120

E Mail Address:
CMoore@carmarthenshire.gov.uk

EXECUTIVE SUMMARY

DYFED PENSION FUND COMMITTEE

16/10/2020

CASH RECONCILIATION AS AT 30 June 2020

The position as at 30 June 2020 reports £20.9m cash held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report:

Signed: **C Moore**

Director

| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
|---|-------------|------------|-------------|------------------------|-----------------------|-----------------|
| NONE | NONE | YES | NONE | NONE | NONE | NONE |

Finance

A sufficient cash balance is required to be held by Carmarthenshire to ensure the Fund can meet its immediate cash flow requirements.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: C Moore

Director

1. Scrutiny Committee NA

2. Local Member(s) NA

3. Community / Town Council NA

4. Relevant Partners NA

5. Staff Side Representatives and other Organisations NA

EXECUTIVE BOARD PORTFOLIO
HOLDER(S) AWARE/CONSULTED : NA

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THERE ARE NONE

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Dyfed Pension Fund Cash Reconciliation

June 2020

| | | |
|---------------------------------------|-----------------|-----------------------|
| Balance b/f 1st April 2020 | | £6,853,602.71 |
| <i>Investment trades</i> | | |
| Sales | 58,909,112.92 | |
| Purchases | -69,591,840.59 | |
| | | -£10,682,727.67 |
| Contributions received | £30,929,234.52 | |
| Payments made | -£20,027,748.61 | |
| Dividend Income | £14,646,664.34 | £25,548,150.25 |
| | | £21,719,025.29 |
| Total Available for Investment | | £21,719,025.29 |
| <i>Represented by :</i> | | |
| Cash at Carmarthenshire | | £20,872,711.73 |
| Cash due to be received/deducted | | £0.00 |
| CCC Debtors | | £1,390,586.24 |
| CCC Creditors | | -£544,272.68 |
| | | £21,719,025.29 |
| | | £0.00 |

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DYFED PENSION FUND COMMITTEE 16/10/2020

Breaches Report 2020-2021

In accordance with the Dyfed Pension Fund Breaches Policy to note any breaches that have occurred in 2020-2021

Recommendations / key decisions required:

To note any breaches that have occurred in the Dyfed Pension Fund in 2020-2021.

Reasons:

In accordance with the Dyfed Pension Fund Breaches Policy.

Relevant scrutiny committee to be consulted: NA

Exec. Board Decision Required : NA

Council Decision Required : NA

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- NA

Directorate: Corporate Services

Name of Head of Service:
Chris Moore

Report Author: Chris Moore

Designations:

Director of Corporate Services,
Carmarthenshire County Council

Tel Nos. 01267 224120

E Mail Address:
CMoore@carmarthenshire.gov.uk

EXECUTIVE SUMMARY

DYFED PENSION FUND COMMITTEE

16/10/2020

BREACHES REPORT 2020-2021

Introduction

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 provides guidance on reporting these breaches. The Dyfed Pension Fund Breaches Policy was approved by the Dyfed Pension Fund Committee in March 2016.

Under the policy, breaches of the law are required to be reported to the Pensions Regulator where there is 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 is likely to be of material significance to the regulator in the exercise of any of its functions.

The up to date breaches report is attached. Since the last Committee meeting, there have been a number of instances where employee/employer contributions have not been received on time, no report has been sent to the Pensions Regulator.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report:

Signed: C Moore

Director

| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
|---|-------------|-------------|-------------|------------------------|-----------------------|-----------------|
| NONE | NONE | NONE | NONE | NONE | NONE | NONE |

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: C Moore

Director

1. Scrutiny Committee NA

2. Local Member(s) NA

3. Community / Town Council NA

4. Relevant Partners NA

5. Staff Side Representatives and other Organisations NA

EXECUTIVE BOARD PORTFOLIO
HOLDER(S) AWARE/CONSULTED

NA

Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:

THERE ARE NONE

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Breaches Report

Item 7.

| Breach Number | Year | Date of Breach / Likely Breach | Failure Type | A description of the breach (including relevant dates), its cause and effect, including the reasons it is, or is not, believed to be of material significance | Been reported to tPR before | RAG Status | Report to tPR | Actions taken to rectify the breach. A brief descriptions of any longer term implications and actions required to prevent similar types of breaches recurring in the future |
|---------------|---------|--------------------------------|---|---|-----------------------------|------------|---------------|---|
| 89 | 2019-20 | 22/4/20 | Contributions | An underpayment of contributions £435.34 has occurred during the year. Remittance advices were received late and often did not match the payments. The Accountant stated that it's the Employer's error but the Employer insists the responsibility of the Accountant. | No | Amber | No Report | Problems with differences between remittances and actual payments received and timing of payments has not been resolved. Accountant on Furlough Scheme at present. Underpayment for 19-20 still outstanding |
| 90 | 2020-21 | April 20 and May 20 | Automatic payment of refund after 5 years for post 2014 leavers | Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members. April - 9 members & total refunds = £627.51, May - 14 members & total refunds = £1289.69 | No | Amber | No Report | The National Technical Group has recommended to the SAB that the regulations in respect of refunds is amended and reflects the position prior to April 2014. |
| 91 | 2020-21 | 22/5/20 | Contributions | April contributions (£284.81) received 4 days late. Cause: Difficulties between Accountant and Employer over who is responsible for accuracy and timing of payments. Effect: Payment has now been received. | No | Amber | No Report | Problems with differences between remittances and actual payments received and timing of payments has not been resolved. Accountant on Furlough Scheme at present. Underpayment for 19-20 still outstanding |
| 92 | 2020-21 | 22/5/20 | Contributions | April contributions (£21,425.90) received 14 days late. Cause: Payment not made by Finance Department Effect: Payment has now been received. | No | Amber | No Report | There are no long term implications associated with this breach. Contributions now up to date. |
| 93 | 2020-21 | 22/5/20 | Contributions (EES ONLY) | April EES contributions (£472.23) received 12 days late. Cause: Payment not made by Finance Department Effect: Payment has now been received. | No | Amber | No Report | There are no long term implications associated with this breach. Contributions now up to date. |
| 94 | 2020-21 | 22/6/20 | Contributions | May contributions (£21,168.63) received 2 days late. Cause: Payment runs now made fortnightly instead of weekly due to homeworking. Will put future payments on earlier run. Payment has now been received. | No | Amber | No Report | There are no long term implications associated with this breach. Contributions now up to date. |
| 95 | 2020-21 | 22/7/20 | PSD | June quarter PSD payment of £150 not received. Also underpayment of £435.34 from 2019-20 still not received. Another email sent 27th July to Accountant. | No | Amber | No Report | Accountant has replied stating that she will ask for underpayment to be paid in next payroll run. They do not have much contact with Employer at moment due to Covid 19 closure. |
| 96 | 2020-21 | June 20, July 20 & August 20 | Automatic payment of refund after 5 years for post 2014 leavers | Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members. June - 15 members & total refunds = £2625.12, July - 22 members & total refunds = £1734.26, August - 44 members & total refunds = £9653.66 | No | Amber | No Report | The National Technical Group has recommended to the SAB that the regulations in respect of refunds is amended and reflects the position prior to April 2014. |
| 97 | 2020-21 | 22/8/20 | Contributions | July contributions (£21,673.12) received 2 days late. Cause: Payment runs now made fortnightly instead of weekly due to homeworking. Payment has now been received. | No | Amber | No Report | There are no long term implications associated with this breach. Contributions now up to date. |
| 98 | 2020-21 | 22/9/20 | Contributions & PSD | August contributions not yet received. Also, June quarter PSD payment of £150 not received as well as underpayment of £435.34 from 2019-20. Cause: Accountant has been on annual leave and difficulties between Accountant and Employer over who is responsible for accuracy and timing of payments is still ongoing | No | Amber | No Report | Awaiting further information from Accountant and Employer |

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DYFED PENSION FUND COMMITTEE 16/10/2020

| | | |
|---|--|---|
| Risk Register 2020-2021 | | |
| To ensure that all risks are correctly identified and assessed | | |
| Recommendations / key decisions required: To advise the Committee that the risk register for 2020-2021 has been reviewed to ensure risks are identified and assessed. | | |
| Reasons: To ensure all risks are correctly identified and assessed. | | |
| Relevant scrutiny committee to be consulted: NA | | |
| Exec. Board Decision Required : NA Council Decision Required : NA | | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- NA | | |
| Directorate: Corporate Services Name of Head of Service: Chris Moore Report Author: Chris Moore | Designations: Director of Corporate Services, Carmarthenshire County Council | Tel Nos. 01267 224120 E Mail Address: CMoore@carmarthenshire.gov.uk |

EXECUTIVE SUMMARY

DYFED PENSION FUND COMMITTEE

16/10/2020

RISK REGISTER 2020-2021

The Risk Register is a working document that highlights all the risks identified in relation to the functions of the Dyfed Pension Fund. This has been reviewed and there are no changes to the Risk Register presented to committee on the 2 March 2020. It will continue to be reviewed during the year.

The register includes:

- 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)

DETAILED REPORT ATTACHED?

NO

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report:

Signed: C Moore

Director

Policy, Crime &
Disorder and
Equalities

Legal

Finance

ICT

Risk
Management
Issues

Staffing
Implications

Physical
Assets

NONE

NONE

NONE

NONE

YES

NONE

NONE

Risk Management Issues

The register is used to identify any risks relating to the functions of the Dyfed Pension Fund and highlights what measures are in place to mitigate these risks. Failure to manage the risks correctly could result in the Fund not meeting its objectives.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: C Moore

Director

1. Scrutiny Committee NA

2. Local Member(s) A

3. Community / Town Council NA

4. Relevant Partners NA

5. Staff Side Representatives and other Organisations NA

EXECUTIVE BOARD PORTFOLIO
HOLDER(S) AWARE/CONSULTED

NA

Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:

THERE ARE NONE

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DYFED PENSION FUND COMMITTEE 16/10/2020

Operator Update

The Committee to receive an update from Link and Russell on the milestones and progress of the Wales Pension Partnership

Recommendations / key decisions required:

Link and Russell to provide an update on the milestone and progress of the Wales Pension Partnership.

Reasons:

Link and Russell to provide an update on the following key areas:

- Current Fund Holdings
- Fund Launch Progress
- Link / WPP Engagement Protocol

Relevant scrutiny committee to be consulted: NA

Exec. Board Decision Required : NA

Council Decision Required : NA

EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- NA

| | | |
|---|--|---|
| Directorate: Corporate Services Name of Head of Service: Chris Moore Report Author: Chris Moore | Designations: Director of Corporate Services, Carmarthenshire County Council | Tel Nos. 01267 224120 E Mail Address: CMoore@carmarthenshire.gov.uk |
|---|--|---|

EXECUTIVE SUMMARY DYFED PENSION FUND COMMITTEE 16/10/2020

OPERATOR UPDATE

A report from Link and Russell providing an update on the progress and milestones of the following Sub Funds:

- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets
- Tranche 5 – Private Markets strategy development

Also, an update on the Engagement Protocol, including key meeting dates.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report:

Signed: **C Moore**

Director

| Policy, Crime & Disorder and Equalities | Legal | Finance | ICT | Risk Management Issues | Staffing Implications | Physical Assets |
|---|-------------|-------------|-------------|------------------------|-----------------------|-----------------|
| NONE | NONE | NONE | NONE | NONE | NONE | NONE |

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: C Moore

Director

1. Scrutiny Committee NA

2. Local Member(s) NA

3. Community / Town Council NA

4. Relevant Partners NA

5. Staff Side Representatives and other Organisations NA

EXECUTIVE BOARD PORTFOLIO
HOLDER(S) AWARE/CONSULTED

NA

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List of Background Papers used in the preparation of this report:

THERE ARE NONE

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Wales Pension Partnership

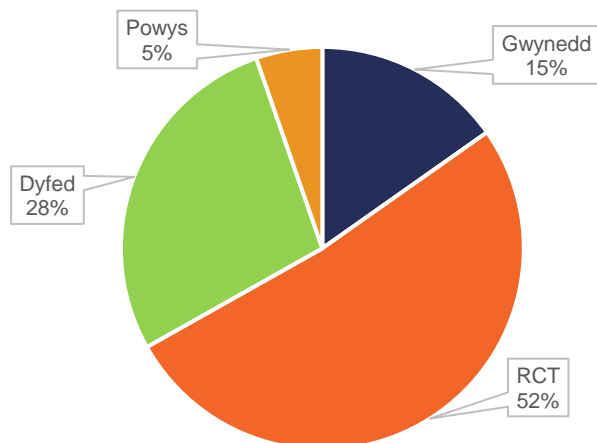
Joint Governance Committee

11th September 2020

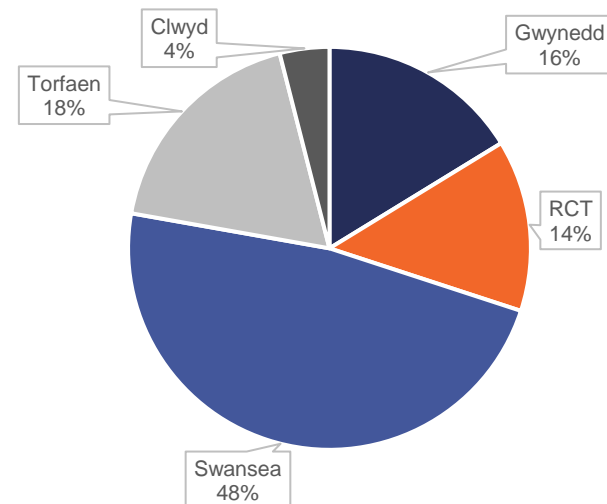
June 2020 LF Wales PP Fund Snapshot

Page 58

Global Growth Equity



Global Opportunities Equity



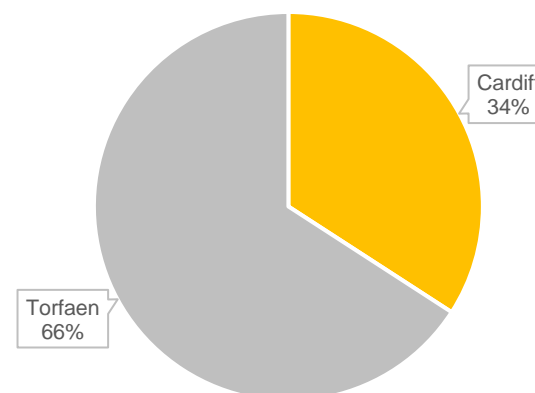
| Fund | AUM | Launch date |
|----------------------|----------------|---------------------------|
| Global Growth | £2,373,367,154 | 6 th Feb 2019 |
| Global Opportunities | £2,230,646,643 | 14 th Feb 2019 |
| UK Opportunities | £545,585,824 | 10 th Oct 2019 |

Note: All data as at 30th June 2020

Key:

- Dyfed
- Powys
- Gwynedd
- RCT
- Torfaen
- Clwyd
- Swansea
- Cardiff

UK Opportunities Equity



Fund Launch Progress Report

Tranche 3, 4 & 5 updates

Open Launch Activity

Page 60

Key Achievements & Updates

Key:

- On track
- Progressing with delays
- On hold / progressing with major delays

Fund Launches Progress

| | Overview | Status | Progress in period | Planned Launch date |
|---|---|--------|---|--|
| Tranche 3: Fixed Income sub-fund launch | <ul style="list-style-type: none"> Establishment of 5 Fixed Income sub-funds within the ACS FCA approval received and BlackRock appointed as transition manager | ■ | <ul style="list-style-type: none"> April launch date revised and agreed by all parties for 27th and 30th July 2020 as a result of COVID-19 Operational setups continue to track green BlackRock have re-engaged the legacy managers to obtain up to date data for the transition report Delay to Absolute Return Bond fund launch due to ineligible asset | 27 th and 30 th July 2020 September for ARB |
| Tranche 4: Emerging Markets sub-fund launch | <ul style="list-style-type: none"> Emerging Market fund to be created under the Enhanced Portfolio Implementation model with a carbon reducing overlay | ■ | <ul style="list-style-type: none"> JGC agreed manager structure proposal March 2020 Prospectus submission delayed being worked through with Russell Investments and Eversheds before review by WPP Submission to FCA planned | Q1 2021 |

Strategic developments

| | Overview | Status | Progress in period | Planned Launch date |
|---|--|--------|---|----------------------|
| Tranche 5: Private Markets strategy development | <ul style="list-style-type: none"> Development of a WPP Private Market strategy including a road map for the potential creation of a standalone Private Market sub fund | ■ | <ul style="list-style-type: none"> Private Markets session held on 23rd January 2020 incl. Russell Investments presentation on Impact Investing Russell Investments paper to outline launch proposal based on legacy asset and strategic plan of each participating Authority discussed within Working Group LFS / Hymans / Host Authority held call to discuss progress 5th August 2020 | January to June 2021 |

LFS Corporate Update & Engagement

LFS Corporate Update & Engagement

Page 62

Personnel change

- **Richard Thornton:** LFS have appointed Richard Thornton as Head of Relationship Management, Asset Owners and Eamonn Gough will report to Richard. Richard has been a prominent member of the Relationship Management team since 2005 and has worked with a number of strategic clients during this period, forming lasting relationships.
- **Duncan Lowman:** Having spent the last three and a half years as Head of Relationship Management, Duncan's role is shifting focus to working within our Business Development team, as well as retaining overall accountability for Relationship Management.
- **Sheetal Shetty:** Sheetal will also be moving roles within Link Fund Solutions to start working within our Investment Risk team. The Client Service Team will remain the key channel for Operational / Investor queries.

These moves emphasise the importance that Link Group places in supporting our employees to further their careers whilst continuing to maintain a strong relationship model with our clients.

Key Q2 and future WPP Engagement

Link attendance at OWG/JGC meetings in period:

- JGC 17th July 2020 (VC)
- OWG 24th July 2020 (VC)

Link attendance at OWG/JGC meetings in next quarter:

- JGC 11th Sep 2020 (VC)
- OWG 18th Sep 2020 (VC)

Link - Pension Committee attendance in period:

- Cardiff – 16th June 2020 (VC)

Link - Pension Committee attendance in next quarter :

- None arranged, 2020/21 dates to be confirmed

Other meetings in period

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly

Other meetings in next quarter

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly

LFS Engagement Protocol

Business as Usual

| Strategic Relationship Review | Frequency | Objective |
|--|--|---|
| | <ul style="list-style-type: none"> ▪ Bi-annual | <ul style="list-style-type: none"> ▪ Ensure strategic alignment between Host Authority and Link |
| WPP Attendees <ul style="list-style-type: none"> ▪ Chris Moore ▪ Anthony Parnell ▪ Two Section 151 / Deputy Section 151 officers | | Link Attendees <ul style="list-style-type: none"> ▪ Karl Midl, Managing Director ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Duncan Lowman, Head of Client Coverage |
| JGC Engagement | Frequency | Objective |
| | <ul style="list-style-type: none"> ▪ Quarterly | <ul style="list-style-type: none"> ▪ Engage with JGC on pertinent matters and strategic deliverables |
| WPP Attendees <ul style="list-style-type: none"> ▪ Joint Governance Committee (JGC) | | Link Attendees <ul style="list-style-type: none"> ▪ Karl Midl, Managing Director / Adam Tookey, Head of Product – as required ▪ Richard Thornton, Head of Relationship Management, Asset Owners / Duncan Lowman, Head of Client Coverage ▪ Eamonn Gough, Senior Relationship Manager ▪ Russell Investments |
| OWG Engagement | Frequency | Objective |
| | <ul style="list-style-type: none"> ▪ Every 2 Months | <ul style="list-style-type: none"> ▪ Identify and deliver on opportunities to improve and expand the relationship ▪ Provide update on open projects or issues ▪ Monthly KPI Review (Data supplied monthly) |
| WPP Attendees <ul style="list-style-type: none"> ▪ Officers Working Group (OWG) | | Link Attendees <ul style="list-style-type: none"> ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Eamonn Gough, Senior Relationship Manager ▪ Adam Tookey, Head of Product (as required) ▪ Ada Wabara, Relationship Manager (as required) ▪ Ad-hoc Link attendance from functional departments: Tax, Compliance, Product, etc. ▪ Russell Investments |

Link Engagement Protocol continued...

Page 64

Business as Usual

| Host Authority Update | Frequency | Objective |
|---|---|---|
| | <ul style="list-style-type: none"> ▪ Bi-Weekly | <ul style="list-style-type: none"> ▪ Regular Host Authority – LFS to discuss deliverables and business updates |
| WPP Attendees <ul style="list-style-type: none"> ▪ Anthony Parnell ▪ Tracey Williams | | <ul style="list-style-type: none"> ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Eamonn Gough, Senior Relationship Manager ▪ Ada Wabara, Relationship Manager (as required) |
| WPP Working Group | Frequency | Objective |
| | <ul style="list-style-type: none"> ▪ Bi-Weekly | <ul style="list-style-type: none"> ▪ Regular project call to discuss progress of deliverables |
| WPP Attendees <ul style="list-style-type: none"> ▪ Officers Working Group (OWG) ▪ Hymans | | <ul style="list-style-type: none"> ▪ Link Client Team ▪ Northern Trust ▪ Russell Investments ▪ Other consultants (e.g. bFinance) |
| Annual Shareholder Day | Frequency | Objective |
| | <ul style="list-style-type: none"> ▪ Annual | <ul style="list-style-type: none"> ▪ Open day for presentations on strategy and performance (with IM) |
| <ul style="list-style-type: none"> ▪ Open to all involved parties | | <ul style="list-style-type: none"> ▪ Link Client Team ▪ Northern Trust ▪ Russell Investments and other Investment Managers (e.g. Global Growth Managers) ▪ Other consultants as required (e.g. bFinance) |
| Pension Fund Committees | | Objective |
| | <ul style="list-style-type: none"> ▪ Annual | <ul style="list-style-type: none"> ▪ General update on the ACS and planned initiatives |
| <ul style="list-style-type: none"> ▪ Individual Pension Fund Committee meetings | | <ul style="list-style-type: none"> ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Eamonn Gough, Senior Relationship Manager ▪ Ada Wabara, Relationship Manager ▪ Russell Investments |

Agenda Item 11

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

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Agenda Item 12

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

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Agenda Item 13

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