

WEDNESDAY, 10 FEBRUARY 2021

TO: ALL MEMBERS OF THE DYFED PENSION FUND PENSION BOARD

I HEREBY SUMMON YOU TO ATTEND A VIRTUAL MEETING OF THE **DYFED PENSION FUND PENSION BOARD** WHICH WILL BE HELD AT **2.00 PM, ON WEDNESDAY, 17TH FEBRUARY, 2021** FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA

Wendy Walters

CHIEF EXECUTIVE



PLEASE RECYCLE

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

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

**DYFED PENSION FUND PENSION BOARD
MEMBERSHIP**

| | |
|----------------------------|--|
| Gwyn Jones | Member Representative |
| Paul Ashley-Jones | Employer Member Representative |
| Cllr. Philip Hughes | Employer Member Representative |
| John Jones | Chair of the Board |
| Cllr Gareth Lloyd | Employer Member Representative |
| Mike Rogers | Pensioner Member Representative |
| Tommy Bowler | Union Member Representative |

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THE REPORTS RELATING TO THE FOLLOWING ITEMS ARE NOT FOR PUBLICATION AS THEY CONTAIN EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 14 OF PART 4 OF SCHEDULE 12A TO THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT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.
8. INDEPENDENT ADVISER PERFORMANCE & RISK REPORT AT 30 SEPTEMBER 2020 77 - 88
9. NORTHERN TRUST PERFORMANCE REPORT 30 SEPTEMBER 2020 89 - 100

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Dyfed Pension Fund Pension Board

Friday, 20 November 2020

PRESENT: J. Jones (Chair)

Committee Members:

| | |
|----------------------|-----------------------------------|
| Mr Gwyn Jones | – Member Representative |
| Mr Paul Ashley-Jones | – Employer Member Representative |
| Cllr Philip Hughes | - Employer Member Representative |
| Cllr Gareth Lloyd | - Employer Member Representative |
| Mr Mike Rogers | - Pensioner Member Representative |
| Mr Tommy Bowler | - Union Member Representative |

Also in attendance: Councillor Elwyn Williams – Chair of the Dyfed Pension Fund Committee.

The following Officers were in attendance:

C. Moore, Director of Corporate Services
R. Hemingway, Head of Financial Services
K. Gerard, Pensions Manager
M. Owens, Assistant Accountant
S. Rees, Simultaneous Translator
J. Corner, Technical Officer
M. Evans Thomas, Principal Democratic Services Officer
J. Owen, Democratic Services Officer
K. Thomas, Democratic Services Officer
R. Lloyd, Democratic Services Officer
J. Laimann, Assistant Democratic Services Officer

Virtual Meeting - . - 2.00 - 3.20 pm

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF PERSONAL INTEREST

There were no declarations of personal interest made at the meeting.

3. MINUTES OF THE PENSION BOARD MEETING HELD ON 23 JANUARY 2020

AGREED that the minutes of the meeting for the Pension Board held on the 23rd January 2020 be confirmed as a correct record.

4. MINUTES OF THE DYFED PENSION FUND COMMITTEE MEETING ON 2 MARCH 2020

AGREED that the minutes of the meeting of the Dyfed Pension Fund Committee held on the 2nd March 2020 be received.

5. MINUTES OF THE DYFED PENSION FUND COMMITTEE MEETING 24 JUNE 2020

Reference was made to Minute 10 of the meeting relating to consideration by the Dyfed Pension Fund Committee of the Council's Notice of Motion on the Fund divesting from fossil fuels and also to an e-mail received by some members of the Pension Board that week on the same matter. Whilst it was recognised the e-mail had not been received in sufficient time to be discussed by the Board at its meeting that day, it was noted that it was one of a number of similar such representations recently received by the Council and that a substantive response would be sent to all the correspondents. It was considered that an update report on the matter should also be agendaed for the Board's next meeting

The Director of Corporate Services advised the Board that the meeting of the Dyfed Pension Fund Committee held on the 24th June 2020, where this matter was discussed, had been webcast and was available to view on the Council's website.

AGREED:

- 5.1 that the minutes of the meeting of the Dyfed Pension Fund Committee held on the 24th June 2020 be received;**
- 5.2 That a report on the response sent to the correspondents on the Dyfed Pension Fund divesting from fossil fuels be submitted to the next Board meeting.**

6. DYFED PENSION FUND COMMITTEE 16TH OCTOBER 2020

6.1. AUDIT OF FINANCIAL STATEMENTS REPORT 2019-20

The Board received the Audit of Financial Statements Report for the Dyfed Pension Fund prepared by Audit Wales detailing the matters arising from the audit which required reporting under ISA 260.

It was noted that the Auditor General was responsible for providing an opinion on whether the financial statements of the Dyfed Pension Fund gave a true and fair view of their financial position as at 31 March 2020 and of its income and expenditure for the year end. An unqualified audit report on the financial statements had been issued and the finalised report had been considered by the Council's Audit Committee on the 16th October 2020.

Audit Wales found that there were no misstatements identified in the financial statements which remained uncorrected but a number of minor misstatements had been corrected by management as listed in Appendix 3.

The Board had regard to the current difficult circumstances caused by the Covid-19 pandemic and expressed its appreciation to all the staff involved in producing the report.

AGREED that the Audit of Financial Statement Report 2019/20 be received

6.2. BUDGET MONITORING 1 APRIL 2020 - 30 JUNE 2020

The Board considered the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the period 1st April 2020 – 30th June 2020.

Reference was made to the report being for the period ending 30th June and to the meeting that day being the 20th November and to whether it would be possible for the Board to be provided with more up to date information at future meetings. The Director of Corporate Services advised he would examine that issue and submit an updated report to the next meeting of the Committee.

AGREED that the report be noted.

6.3. CASH RECONCILIATION AS AT 30 JUNE 2020

The Board 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 30 June 2020, £21.719m 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.

AGREED that the report be noted.

6.4. BREACHES REPORT 2020-21

The Board received for consideration the Breaches Report in relation to the Dyfed Pension Fund. Section 70 of the Pension Act 2004 set out the legal duty to report breaches of the law.

The Board noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time. The Pensions Manager confirmed that discussions were being held with the admitted bodies to reduce the causes of these breaches. It was however acknowledged that whilst the breaches did not equate to significant amount of money, they still had to be recorded.

With regard to Items 90 and 96 in the report relating to the payment of refunds, the Board was advised that the breach related to a requirement to pay automatic refunds after five years to scheme members that had 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 had 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.

AGREED that the report in relation to the Dyfed Pension Fund be noted.

6.5. RISK REGISTER 2020-21 REVIEW

Reference was made to the fact the Risk Register had not been included within the papers for the meeting and that should be corrected for future

meetings to enable the Board to consider potential fund risks. An opinion was also expressed that the report should, if possible, be split into operational and strategic risks.

The Board was advised that as the risk register had not changed since its last reporting to the Dyfed Pension Fund Committee in March 2020, a link to that report had been provided with the agenda. The Director of Corporate Services assured Board members the register would be included for future meetings. He would also examine the practicalities of splitting future reports into operational and strategic risks

AGREED

6.5.1 To note the explanation

6.5.2 The Risk Register be considered at each meeting of the Pension Board

6.6. OPERATOR UPDATE

The Board received an update on the progress of the Wales Pension Partnership in relation to the following key areas:

- Current Fund Holdings;
- Fund Launch Progress;
- Corporate Update and Engagement.

Reference was made to page 59 of the report and to whether it would be possible for members of the Dyfed Pension Fund Board and Dyfed Pension Fund Committee to receive training on the development of a Wales Pension Partnership Private Market Strategy. The Director of Corporate Services confirmed appropriate training could be provided.

The Director of Corporate Services in response to a question on the co-opting of a trade union representative onto the Wales Pension Partnership Joint Governance Committee advised that the Joint Committee was currently examining the issue of co-optees and it was hoped a report detailing the process and appointment thereof could be presented to that Committee's next meeting.

AGREED that the update report be received.

6.7. DRAFT MINUTES OF THE DYFED PENSION FUND COMMITTEE MEETING ON 16 OCTOBER 2020

The Board received the draft minutes of the Dyfed Pension Fund Committee meeting held on 16th October 2020.

AGREED that the minutes be noted.

7. 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.

8. LOW CARBON INDICES (FROM 24 JUNE 2020 COMMITTEE MEETING)

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 7 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 Board received a report detailing Fund proposals for low carbon index investments

AGREED that the Low Carbon Indices report be received.

9. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 30 JUNE 2020

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 7 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 Board received the Independent Investment Adviser Performance and Risk Report that provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3 year period ending 30 June 2020 together with the global market background and issues for consideration.

RESOLVED that the Independent Investment Adviser Report as at 30 June be noted.

10. SECURITIES LENDING

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 7 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 Board received a report on a review undertaken for the Wales Pension Partnership on securities lending for the period 1st April 2020 - 30th June 2020 together with income generated for the Dyfed Pension Fund.

RESOLVED that the Securities Lending report be noted.

11. NORTHERN TRUST PERFORMANCE REPORT TO 30 JUNE 2020

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 7 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 Board considered the Northern Trust Performance report for the Dyfed Pension Fund as at 30 June 2020, which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

RESOLVED that the Northern Trust Performance report for the Dyfed Pension Fund as at 30 June 2020 be received.

CHAIR

DATE

DYFED PENSION FUND PENSION BOARD 17/02/2021

| | | |
|--|---|--|
| DYFED PENSION FUND COMMITTEE MEETING 11 JANUARY 2021 | | |
| <p>Recommendations / key decisions required: The Pension Board to note and comment on the minutes and actions of the Dyfed Pension Fund Committee meeting on 11 January 2021.</p> | | |
| <p>Reasons: To inform the Pension Board of the meeting of the Dyfed Pension Fund Committee that was held on 11 January 2021.</p> | | |
| <p>Relevant scrutiny committee to be consulted NA</p> | | |
| Exec. Board Decision Required | NA | |
| Council Decision Required | NA | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- NA | | |
| Directorate: Name of Head of Service: Chris Moore Report Author: Chris Moore | Designations: Director of Corporate Services | Tel: 01267 224120 Email addresses: CMoore@carmarthenshire.gov.uk |

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
DATE 17/02/2021

Dyfed Pension Fund Committee Meeting 11 January 2021

A Pension Fund Committee meeting was held on 11 January 2021 and the following agenda items were considered and noted:

- Budget Monitoring 1 April 2020 – 30 September 2020
- Cash Reconciliation as at 30 November 2020
- Breaches Report 2020-21
- Risk Register 2020-21
- Operator Update – Link and Russell Investments

The draft minutes of the Pension Fund Committee meeting on 11 January 2021 are attached for information.

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 of Corporate Services

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

Finance

Budget Monitoring - Overall, the Fund needs to maintain a positive cash flow balance to meet its obligations. The cash flow projection was positive by £3m as at 30 September 2020.

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

Risk Management

Risk Register - 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 of Corporate Services

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

Include any observations here

**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 September 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 | 44,037 | 44,365 | 88,402 | -1,467 | -1.6 | 3% included at budget setting for new pensioners, actual increase year to date is 1.5% |
| Pensions Payable | Controllable | 72,858 | 76,369 | 37,287 | 37,615 | 74,902 | -1,467 | | |
| Commutation and lump sum retirement benefits | Non Controllable | 14,708 | 12,000 | 6,000 | 6,000 | 12,000 | 0 | | |
| Lump sum death benefits | Non Controllable | 2,200 | 1,500 | 750 | 750 | 1,500 | 0 | | |
| Payments to and account of leavers | Non Controllable | 3,597 | 2,620 | 1,314 | 1,306 | 2,620 | 0 | 0.0 | |
| Management Expenses | | 7,775 | 8,549 | 3,445 | 4,792 | 8,237 | -312 | -3.6 | |
| Computer Software | Controllable | 338 | 361 | 41 | 320 | 361 | 0 | | |
| Printing charges | Controllable | 13 | 20 | 9 | 11 | 20 | 0 | | |
| Subscriptions, Legal fees, Conf Exps, Med Exps | Controllable | 63 | 70 | 34 | 36 | 70 | 0 | | |
| Fund Managers | | | | | | | | | |
| BlackRock | Controllable | 1,703 | 1,443 | 726 | 761 | 1,487 | 44 | | Based on 30 September 2020 Market valuations. |
| Schroders | Controllable | 763 | 882 | 364 | 364 | 728 | -154 | | 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 | 402 | 404 | 806 | 0 | | |
| Custodian | | | | | | | | | |
| Northern Trust | Controllable | 30 | 31 | 1 | 31 | 32 | 1 | | |
| Actuary | | | | | | | | | |
| Mercer | Controllable | 221 | 100 | -5 | 105 | 100 | 0 | | |
| Performance Manager | | | | | | | | | |
| Northern Trust / PIRC / CEM | Controllable | 10 | 26 | 0 | 26 | 26 | 0 | | |
| Independent Advisor | | | | | | | | | |
| | Controllable | 21 | 30 | 7 | 23 | 30 | 0 | | |
| Other | | | | | | | | | |
| Euraplan, LSE, Pension Board | Controllable | 21 | 23 | 3 | 33 | 36 | 13 | | |
| Central recharges | Non Controllable | 1,108 | 1,219 | 1,268 | -100 | 1,168 | -51 | | Vacant posts within pensions administration |
| Audit fees | Controllable | 28 | 28 | 14 | 9 | 23 | -5 | | |
| Controllable Expenditure | | 79,525 | 83,699 | 39,464 | 42,507 | 81,971 | -1,728 | | |
| Non Controllable Expenditure | | 21,613 | 17,339 | 9,332 | 7,956 | 17,288 | -51 | | |
| Total Expenditure | | 101,138 | 101,038 | 48,796 | 50,463 | 99,259 | -1,779 | | |
| Income | | | | | | | | | |
| Contributions | | | | | | | | | |
| Employer | Controllable | -60,238 | -64,596 | -35,122 | -29,069 | -64,191 | 405 | -0.6 | Advance payments made resulting in discounted contributions; Ceredigion CC, Pems CC and Dyfed Powys Police in 2020-21 |
| Member | Controllable | -20,194 | -21,148 | -10,695 | -10,594 | -21,289 | -141 | 0.7 | Increased member purchase of annuity (pension) from their AVC when matured than originally budgeted. |
| Investment Income | Controllable | -16,822 | -13,794 | -4,737 | -10,532 | -15,269 | -1,475 | 10.7 | Includes BlackRock SAIF, Schroders dividend income, WPP and Partners Group which is income reinvested. |
| Other Income | Controllable | 0 | 0 | -1 | 1 | 0 | 0 | 0.0 | |
| Transfers in from other pension funds | Non Controllable | -6,839 | -1,500 | -1,065 | -435 | -1,500 | 0 | 0.0 | |
| Controllable Income | | -97,254 | -99,538 | -50,555 | -50,194 | -100,749 | -1,211 | | |
| Non Controllable Income | | -6,839 | -1,500 | -1,065 | -435 | -1,500 | 0 | | |
| Total Income | | -104,093 | -101,038 | -51,620 | -50,629 | -102,249 | -1,211 | | |
| Controllable Total | | -17,729 | -15,839 | -11,091 | -7,687 | -18,778 | -2,939 | | |
| Non Controllable Total | | 14,774 | 15,839 | 8,267 | 7,521 | 15,788 | -51 | | |
| Total | | -2,955 | 0 | -2,824 | -166 | -2,990 | -2,990 | | |
| Cash Transfer to Fund Managers | Cash | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Net Total of Cash Related Items | | -2,955 | 0 | -2,824 | -166 | -2,990 | -2,990 | | |
| 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 | -151,754 | -6,246 | -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 | -151,754 | -6,246 | -158,000 | -108,000 | | |

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Item 4.2

| <u>Dyfed Pension Fund Cash Reconciliation</u> | | <u>November 2020</u> |
|---|-----------------|------------------------------|
| Balance b/f 1st April 2020 | | £6,853,602.71 |
| <i>Investment trades</i> | | |
| Sales | 403,857,276.06 | |
| Purchases | -419,131,466.76 | |
| | | -£15,274,190.70 |
| Contributions received | £67,802,329.57 | |
| Payments made | -£60,052,205.79 | |
| Dividend Income | £23,304,850.90 | £31,054,974.68 |
| | | <u>£22,634,386.69</u> |
| Total Available for Investment | | <u>£22,634,386.69</u> |
| <i>Represented by :</i> | | |
| Cash at Carmarthenshire | | £23,053,458.34 |
| Cash due to be received/deducted | | £0.00 |
| CCC Debtors | | £116,322.97 |
| CCC Creditors | | -£535,394.62 |
| | | <u>£22,634,386.69</u> |
| | | £0.00 |

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Breaches Report

| | | | | | | | | |
|-----|---------|------------------------------|---|---|----|-------|-----------|---|
| 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 | August contributions only received 6.10.20-awaiting further information from Accountant and Employer. |
| 99 | 2020-21 | 22/10/20 | Contributions & PSD | September contributions £262.73 received 4.11.20 (13 days late). Also, June & September qtrs PSD payment of £300 (£150x2) 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 | Email sent 26 October to Accountant who will check outstanding balances and forward information to Employer |
| 100 | 2020-21 | 22/10/20 | Contributions | September payment of £1,333.09 was received 23/10/20 (1 day late). Cause: Payment was put on hold as query with figures. Payment has now been received. | No | Amber | No Report | There are no long term implications associated with this breach. Contributions now up to date. |

| | | | | | | | | |
|-----|---------|--|---|--|----|-------|-----------|--|
| 101 | 2020-21 | September, October, November & December 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. September - 11 members & total refunds = £1746.78, October - 14 members & total refunds = £1694.06, November - 14 members and total refund = £2713.58, December - 15 members and total refund = £2737.93 | 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. |
| 102 | 2020-21 | 22/12/20 | Contributions | November payment of £1,250.63 not yet received. Finance Manager is looking into this. | No | Amber | No Report | There are no long term implications associated with this breach. |

Risk Register 2020-21

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **29 December, 2020**

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled (Assume NO Controls in place) | | Risk | Controls | Assigned To | Target Date Priority | Assessment of Controlle (Assume CONTROLLED in place) | | Risk |
|---|---|---------------|---------------------|--|------------------|-------------------------|---|-----------------|-------------------------|
| | Impact | Probability | Current Risk Rating | | | | Impact | Probability | Controlle d Risk Rating |
| CSV400001 - Failure to comply with LGPS regulations as well as other overriding regulations | Substantial 4 | Unlikely 2 | Medium 8 | <ul style="list-style-type: none"> • Altair Development Officer undertakes Altair system checks to ensure compliance with LGPS regulations <i>Implemented</i> • Network Groups (Altair & LGPC) <i>Implemented</i> • Communication & Training Officer Communication & Training Officer responsible for the maintenance of Online Procedure manuals, and the provision of training to all section staff and employing bodies via site visits. <i>Implemented</i> • Continue to act as an "Early Adopter" in conjunction with the system provider to ensure system meets regulatory requirements <i>Implemented</i> | Pensions Manager | | Substantial 4 | Improbable 1 | Low 4 |

Risk Register 2020-21

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| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO Controls in place) | | Current Risk Rating | Controls | Assigned To | Target Date Priority | Assessment of Controlled Risk (Assume CONTROLLED in place) | | Controlled Risk Rating |
|--|--|----------------------|---------------------|--|--|-------------------------|---|------------------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| | | | | <ul style="list-style-type: none"> • Technical Officer ensures legislative accuracy of calculations <i>Implemented</i> | Pensions Manager | | | | |
| CSV400002 - Failure to respond to major change to the LGPS following Public Sector Pension Review | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> • Participation in all high level Government discussions and consultations <i>Implemented</i> • Ensure best practice is implemented and DPF is seen as a centre of excellence for pension administration <i>Implemented</i> • Continue to be recognised nationally by peers as one of the leaders in pension administration and facilitate site visits <i>Implemented</i> | Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager Pensions Manager | | Substantial 4 | Improbable 1 | Low 4 |

Risk Register 2020-21

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|--|--|---------------|---------------------|---|---|-------------------------|---|-----------------|---|
| | Impact | Probability | | | | | Impact | Probability | |
| | | | | <ul style="list-style-type: none"> • Society of Welsh Treasurers review the suitability of existing and any new pension fund arrangements <i>Implemented</i> • CIPFA Pensions Network membership <i>Implemented</i> • Technical Officer ensures legislative accuracy of calculations <i>Implemented</i> | <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager</p> | | | | |
| CSV400003 - Failure to process accurate pension benefits payments, including lump sum payments, in a timely manner | Significant 3 | Unlikely 2 | Medium 6 | <ul style="list-style-type: none"> • Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer <i>Implemented</i> | Pensions Manager | | Significant 3 | Improbable 1 | Very Low 3 |

Risk Register 2020-21

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| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO Controls in place) | | Controls | Assigned To | Target Date Priority | Assessment of Controlle (Assume CONTROLLED in place) | | Risk Controls Controlle d Risk Rating |
|---|--|-------------|---|------------------|-------------------------|---|--------|---|
| | Impact | Probability | | | | Current Risk Rating | Impact | |
| | | | <ul style="list-style-type: none"> • Altair Development Officer is responsible for regular system checks regarding calculations <i>Implemented</i> • Communication&Training Officer liaises closely with all employing authorities to ensure timely submission of information to DPF <i>Implemented</i> • Payroll deadline procedures in place <i>Implemented</i> • Item in Business Continuity/Disaster Recovery Plan <i>Implemented</i> • Participate in National Fraud Initiative (NFI) <i>Implemented</i> | Pensions Manager | | | | |

Risk Register 2020-21

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| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO Controls in place) | | Current Risk Rating | Controls | Assigned To | Target Date Priority | Assessment of Controlled Risk (Assume CONTROLLED in place) | | Controlled Risk Rating |
|--|--|---------------|---------------------|---|--|-------------------------|---|---------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| | | | | <ul style="list-style-type: none"> Life Certificates exercise carried out for all cheque payments <i>Implemented</i> Undertake reviews of monthly performance to ensure service standards are maintained <i>Implemented</i> IT Contingency/Resilience Plan in place <i>Implemented</i> | Pensions Manager | | | | |
| CSV400004 - Failure to collect and account for full receipt of contributions from employers and employees on time Failure to collect full receipt of pension contributions from employees and employers in line with Regulation guidelines. Failure of employers' financial systems; absence of key staff; failure to | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> Contributions monitoring procedures <i>Implemented</i> | Pensions Manager and Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |

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|--|--|-------------|--|---|-------------------------|--|--------|-------------|
| | Impact | Probability | | | | Current Risk Rating | Impact | Probability |
| <p>communicate with employers effectively; failure of key systems such as on-line banking and/or financial ledger.</p> <p>Possible adverse audit opinion; negative cash flow position; delays in producing IAS19 accounting reports; delays in closure of year end accounts; employers forced to leave the scheme.</p> | | | <ul style="list-style-type: none"> Formal timescales for receipt of contributions <i>Implemented</i> Budget set and monthly monitoring against the budget <i>Implemented</i> Escalation of non receipt of contributions <i>Implemented</i> Systems Audit undertaken by Internal Audit and External Auditors <i>Implemented</i> | <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> | | | | |

Risk Register 2020-21

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|---|---|---------------|---------------------|---|---|-------------------------|---|-----------------|-------------------------|
| | Impact | Probability | Current Risk Rating | | | | Impact | Probability | Controlle d Risk Rating |
| CSV400005 - Failure to keep pension records up to date and accurate | Significant 3 | Possible 3 | Medium 9 | <ul style="list-style-type: none"> Senior Officers liaise closely with employing authorities to ensure timely and accurate submission of data to DPF <i>Implemented</i> i-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis <i>Implemented</i> Data accuracy checks undertaken by the pension section prior to continual validation on workflow system <i>Implemented</i> Data integrity validation is performed monthly by Altair Development Officer <i>Implemented</i> | <p>Pensions Manager</p> <p>Pensions Manager</p> <p>Pensions Manager</p> <p>Pensions Manager</p> | | Significant 3 | Improbable 1 | Very Low 3 |

Risk Register 2020-21

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| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO Controls in place) | | Current Risk Rating | Controls | Assigned To | Target Date Priority | Assessment of Controlled Risk (Assume CONTROLLED in place) | | Controlled Risk Rating |
|---|--|---------------|---------------------|---|--|-------------------------|---|-----------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| | | | | <ul style="list-style-type: none"> • Data validation checks also undertaken by the DPF's partners (e.g.the Actuary at Valuation) <i>Implemented</i> • Additional validation carried out through NFI <i>Implemented</i> • Opportunity to escalate non-compliance <i>Implemented</i> | Pensions Manager Pensions Manager Pensions Manager | | | | |
| CSV400006 - Failure to hold personal data securely | Substantial 4 | Unlikely 2 | Medium 8 | <ul style="list-style-type: none"> • Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls <i>Implemented</i> • Disaster Recovery Plan for pensions system <i>Implemented</i> | Pensions Manager Pensions Manager | | Significant 3 | Improbable 1 | Very Low 3 |

Risk Register 2020-21

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| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO Controls in place) | | Controls | Assigned To | Target Date Priority | Assessment of Controlled Risk (Assume CONTROLLED in place) | | | | |
|---|--|-------------|----------|---|-------------------------|---|--------|-------------|------------------------|--|
| | Impact | Probability | | | | Current Risk Rating | Impact | Probability | Controlled Risk Rating | |
| | | | | <ul style="list-style-type: none"> • Authorised users have unique usernames and passwords must be changed every 60 days <i>Implemented</i> • Documentation is scanned on to the pensions system and paper copies are held for a period of 3 months before shredding <i>Implemented</i> • Compliance with the Data Protection Act 1998 <i>Implemented</i> • Compliance with the Authority's in-house IT policies <i>Implemented</i> • Systems and Payroll audit undertaken annually <i>Implemented</i> | | | | | | |

Risk Register 2020-21

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Date: **29 December, 2020**

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled (Assume NO Controls in place) | | Risk | Controls | Assigned To | Target Date Priority | Assessment of Controlle (Assume CONTROLLED in place) | | Risk Controls |
|---|---|---------------|---------------------|--|--|-------------------------|---|-----------------|-------------------------|
| | Impact | Probability | Current Risk Rating | | | | Impact | Probability | Controlle d Risk Rating |
| CSV400007 - Loss of funds through fraud or misappropriation in administration related functions | Substantial 4 | Unlikely 2 | Medium 8 | <ul style="list-style-type: none"> Internal and external audit checks performed to ensure that appropriate and effective controls are in place <i>Implemented</i> Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer and Pensions Officer <i>Implemented</i> Altair Development Officer undertakes data integrity checks <i>Implemented</i> Systems and Payroll audit undertaken annually <i>Implemented</i> | Pensions Manager Pensions Manager Pensions Manager Pensions Manager | | Moderate 2 | Unlikely 2 | Low 4 |
| CSV400008 - Normal operations disrupted by uncontrollable external factors Service delivery threats from fire, | Substantial 4 | Possible 3 | High 12 | | | | Significant 3 | Improbable 1 | Very Low 3 |

Risk Register 2020-21

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|--|--|---------------|---------------------|---|------------------|-------------------------|---|-----------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| <p>bomb, extreme weather, electrical faults, sickness epidemic, etc.</p> <p>Insufficient daily back up, disaster recovery, and IT cover to support systems.</p> <p>Temporary loss of ability to provide service to stakeholders.</p> | | | | <ul style="list-style-type: none"> Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls <i>Implemented</i> Disaster Recovery Plan for pensions system with the software provider <i>Implemented</i> Pension Software is a hosted system provided by Aquila Heywood and is a tier 4 design data centre with ISO27001 accreditation. <i>Implemented</i> | Pensions Manager | | | | |
| <p>CSV400009 - Inability to keep service going due to loss of main office, computer system, or staff</p> | Moderate 2 | Unlikely 2 | Low 4 | <ul style="list-style-type: none"> Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls <i>Implemented</i> | Pensions Manager | | Moderate 2 | Improbable 1 | Very Low 2 |

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|--|--|----------------------|---------------------|---|--|-------------------------|---|------------------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| | | | | <ul style="list-style-type: none"> Pension Software is a hosted system provided by Aquila Heywood and is a tier 4 design data centre with ISO27001 accreditation. <i>Implemented</i> | Pensions Manager | | | | |
| CSV400010 - Lack of expertise among some Pension Administration officers | Significant 3 | Unlikely 2 | Medium 6 | <ul style="list-style-type: none"> Personal development plan in place to support the development of each officer in the Section <i>Implemented</i> Specific courses / seminars attended by officers to further their knowledge and understanding <i>Implemented</i> | Pensions Manager Pensions Manager | | Significant 3 | Improbable 1 | Very Low 3 |
| CSV400011 - Over reliance on key Pensions Administration and Investment Officers Specialist nature of the work means there are relatively few experts in Investments and the Local Authority | Significant 3 | Possible 3 | Medium 9 | <ul style="list-style-type: none"> Key officers convey specialist knowledge to colleagues on a function or topic basis by mentoring <i>Implemented</i> | Pensions Manager and Treasury & Pensions Investments Manager | | Significant 3 | Unlikely 2 | Medium 6 |

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|--|--|----------------------|---------------------|--|---|-------------------------|---|------------------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| Pensions Regulations. Significant knowledge gap left if experts leave. | | | | <ul style="list-style-type: none"> • Enhance training by bespoke sessions / courses / workshops <i>Implemented</i> • Specific relevant qualifications for administration and investment staff <i>Implemented</i> • External consultants and independent adviser available for short term assistance <i>Implemented</i> | <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> | | | | |
| CSV400012 - Failure to appropriately attract, manage, develop, and retain staff at all levels | Substantial 4 | Unlikely 2 | Medium 8 | <ul style="list-style-type: none"> • Training and Development Plan established <i>Implemented</i> | Pensions Manager | | Substantial 4 | Improbable 1 | Low 4 |

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|--|--|---------------------------------|-------------------------------|--|--|-------------------------|---|-----------------------------------|---------------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| <p>CSV400013 - Failure to communicate properly with stakeholders Lack of clear communications.</p> <p>Scheme members are not aware of their rights and entitlements, are distanced from the Fund, which could lead to a reduction in new members and an increase in leavers.</p> <p>Communication with investment managers, custodian, independent adviser, fund employers, pensioners, scheme members, actuary and government organisations.</p> | <p>Significant</p> <p>3</p> | <p>Unlikely</p> <p>2</p> | <p>Medium</p> <p>6</p> | <ul style="list-style-type: none"> Dedicated Communication & Training Officer post established Dedicated Communication & Training Officer will continue to fulfil all the communication requirements of the DPF, in accordance with the Communications Policy Statement <i>Implemented</i> Comprehensive website is continually updated and developed <i>Implemented</i> My Pension Online is used to enhance the service provided to scheme members <i>Implemented</i> Quarterly meetings with independent adviser and investment managers <i>Implemented</i> | <p>Pensions Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager</p> <p>Treasury & Pensions Investments Manager</p> | | <p>Significant</p> <p>3</p> | <p>Improbable</p> <p>1</p> | <p>Very Low</p> <p>3</p> |

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|--|--|----------------------|---------------------|---|---|-------------------------|---|----------------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| | | | | <ul style="list-style-type: none"> • Communications Policy in place <i>Implemented</i> • Annual Employer & Consultative Meeting <i>Implemented</i> | <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> | | | | |
| CSV400014 - No appropriate procedures for Employer bodies transferring out of the pension fund or Employer bodies closing to new membership | Significant 3 | Possible 3 | Medium 9 | <ul style="list-style-type: none"> • Inter valuation monitoring and rate reassessment if appropriate <i>Implemented</i> • Identification of any issue and resolution via regular site visits by Communication & Training Officer <i>Implemented</i> | <p>Pensions Manager</p> <p>Pensions Manager</p> | | Significant 3 | Unlikely 2 | Medium 6 |

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|---|--|---------------|---------------------|--|---|-------------------------|---|---------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| | | | | <ul style="list-style-type: none"> Requirement for employing authorities to issue termination forms for each active member <i>Implemented</i> Validation of membership numbers <i>Implemented</i> Employer covenant checks <i>Implemented</i> | Pensions Manager | | | | |
| CSV400015 - Liquidity/cashflow risk - insufficient funds to meet liabilities as they fall due Failure of employers to pay contributions on time; low dividend income; significant number of liabilities paid out at the same time. Immediate cash contribution would be required via employers; delay in the payment of promised liabilities; negative | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> Monthly cash and dividend reconciliations <i>Implemented</i> Quarterly monitoring of investment managers by Pension Committee <i>Implemented</i> | Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |

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|---|--|---------------|---------------------|--|--|-------------------------|---|---------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| publicity and an adverse audit report. | | | | <ul style="list-style-type: none"> • Appointment of custodian <i>Implemented</i> | Treasury & Pensions Investments Manager | | | | |
| CSV400016 - Loss of funds through fraud or misappropriation in investment related functions Fraud or misappropriation of funds by an employer, investment managers or custodian. Financial loss to the fund. | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> • Internal and External Audit regularly test that appropriate controls are in place and working <i>Implemented</i> • Regulatory control reports from investment managers, custodian, etc., are also reviewed by audit. <i>Implemented</i> • Due diligence is carried out whenever a new manager is appointed. <i>Implemented</i> • Reliance also placed in Financial Conduct Authority registration. <i>Implemented</i> | Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |

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|---|--|---------------|---------------------|---|---|-------------------------|---|-----------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| | | | | <ul style="list-style-type: none"> Quarterly monitoring by Pension Committee and Independent Adviser <i>Implemented</i> | Treasury & Pensions Investments Manager | | | | |
| CSV400017 - Excessive levels of Pension Fund Cash held within Carmarthenshire County Council investment balances High dividend / interest receipts and low benefit payments being made in period. Lower cash like return instead of equity or bond investment returns. | Significant 3 | Unlikely 2 | Medium 6 | <ul style="list-style-type: none"> Monthly cash reconciliations and separate pension fund bank accounts <i>Implemented</i> Quarterly monitoring by Pension Fund Committee <i>Implemented</i> Internal Audit and Wales Audit Office review <i>Implemented</i> | Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager | | Significant 3 | Improbable 1 | Very Low 3 |
| CSV400018 - Significant rises in employer contributions due to increases in liabilities or fall in assets Scheme liabilities increase disproportionately as a result of | Substantial 4 | Likely 4 | Significant 16 | <ul style="list-style-type: none"> Use qualified actuary who uses assumptions and recommends appropriate recovery period and strategy <i>Implemented</i> | Treasury & Pensions Investments Manager | | Significant 3 | Possible 3 | Medium 9 |

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|--|--|-------------|---------------------|--|---|----------------------|---|---------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| <p>increased longevity or falling bond yields. Poor economic conditions, incorrect investment strategy, poor selection of investment managers.</p> <p>Poor / negative returns leading to potential increase in employer's costs.</p> | | | | <ul style="list-style-type: none"> Quarterly monitoring of investment managers by Pension Committee <i>Implemented</i> Diversified Strategic Asset Allocation <i>Implemented</i> | Treasury & Pensions Investments Manager | | | | |
| <p>CSV400019 - Lack of expertise on Pension Fund Committee and/or amongst Officers</p> <p>Lack of training, continuous professional development and 4 year election cycle.</p> <p>Flawed recommendations given to Pension Fund Committee which, unchallenged, could lead to incorrect decisions being made.</p> | Significant 3 | Likely 4 | High 12 | <ul style="list-style-type: none"> Ensure Officers are trained and up to date in key areas through courses, seminars, reading, discussions with consultants, etc. <i>Implemented</i> Members given induction training on joining Committee with subsequent opportunities to attend other specialist training. <i>Implemented</i> | Treasury & Pensions Investments Manager | | Significant 3 | Possible 3 | Medium 9 |

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|---|--|-------------|---------------------|---|--|-------------------------|---|---------------|---|
| | Impact | Probability | | | | | Impact | Probability | |
| | | | | <ul style="list-style-type: none"> Members' training plan and Governance Policy established <i>Implemented</i> Specialist assistance available from consultants and independent adviser <i>Implemented</i> | Treasury & Pensions Investments Manager | | | | |
| CSV400020 - Failure of Investment Strategy to deliver investment objectives Inaccurate triennial valuation assumptions used. Incorrect recovery period used. Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employer's costs. | Significant 3 | Likely 4 | High 12 | <ul style="list-style-type: none"> Qualified Actuary makes assumptions and recommends appropriate recovery period and strategy. <i>Implemented</i> Independent Investment adviser employed to assist the committee in making informed decisions. <i>Implemented</i> | Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager | | Significant 3 | Possible 3 | Medium 9 |
| | | | | | | | | | |

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|---|---|---------------|---------------------|---|--|-------------------------|---|---------------|-------------------------|
| | Impact | Probability | Current Risk Rating | | | | Impact | Probability | Controlle d Risk Rating |
| <p>CSV400021 - Prolonged failure of investment managers to achieve the returns specified on their mandates</p> <p>Under-performance by the investment managers; lack of monitoring and challenging by the Committee.</p> | Substantial 4 | Likely 4 | Significant 16 | <ul style="list-style-type: none"> Quarterly monitoring of investment managers and performance company reports by investment team and Pension Committee <i>Implemented</i> | Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |
| <p>CSV400022 - Concentration risk - single asset class having disproportionate impact on investment objectives</p> <p>Risk of the performance of a single asset class having a disproportionate impact on the ability to meeting investment objectives. Inappropriate investment strategy following the triennial valuation, including lack of diversification.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs.</p> | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> Establish & review diversified strategic asset allocation <i>Implemented</i> Proactive in decision making <i>Implemented</i> | Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |
| | | | | | | | | | |

Risk Register 2020-21

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **29 December, 2020**

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled (Assume NO Controls in place) | | Risk | Controls | Assigned To | Target Date Priority | Assessment of Controlle (Assume CONTROLLED in place) | | Risk |
|--|---|---------------|---------------------|--|---|-------------------------|---|---------------|-------------------------|
| | Impact | Probability | Current Risk Rating | | | | Impact | Probability | Controlle d Risk Rating |
| CSV400023 - Counterparty risk - risk of other party in a transaction failing to meet its obligation to the fund This arises from deposits held with banks and other financial institutions, as well as credit exposures to the fund's members and employers. Loss of capital; decrease in asset values; cost of legal proceedings; adverse publicity. | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> Set appropriate parameters with fund managers and custodian to limit exposure to default risk <i>Implemented</i> | Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |
| CSV400024 - Interest rate risk Arises from risk of exposure to significant interest rate movements on investments. Bond yields and cash decrease in value. | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> Establish & review diversified strategic asset allocation <i>Implemented</i> | Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |
| CSV400025 - Discount rate risk Use of inappropriate discount rate to estimate future liabilities. Funding level decreases; employer contribution rates become | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> Engage qualified actuary to make assumptions <i>Implemented</i> | Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |

Risk Register 2020-21

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **29 December, 2020**

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO Controls in place) | | Current Risk Rating | Controls | Assigned To | Target Date Priority | Assessment of Controlled Risk (Assume CONTROLLED in place) | | Controlled Risk Rating |
|--|--|---------------|---------------------|--|--|-------------------------|---|---------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| unacceptable, causing potential increase in employers' costs. | | | | <ul style="list-style-type: none"> Engage independent adviser to assist the committee in making informed decisions <i>Implemented</i> | Treasury & Pensions Investments Manager | | | | |
| <p>CSV400026 - Price risk The equity investments held exposes the fund to risk in relation to the market price of its investments.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.</p> | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> Establish & review a diversified strategic asset allocation. <i>Implemented</i> Anticipate long term returns on a prudent basis. <i>Implemented</i> | Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |
| <p>CSV400027 - Foreign exchange risk The fund holds financial assets and liabilities denominated in foreign currencies. It is therefore exposed to an element of risk in relation to currency fluctuation.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing a potential</p> | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> Establish & review diversified (within regions) strategic asset allocation <i>Implemented</i> | Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |

Risk Register 2020-21

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **29 December, 2020**

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO Controls in place) | | Current Risk Rating | Controls | Assigned To | Target Date Priority | Assessment of Controlle (Assume CONTROLLED in place) | | Risk Controls Controlle d Risk Rating |
|--|--|---------------------------------|------------------------------|--|--|-------------------------|---|---------------------------------|---|
| | Impact | Probability | | | | | Impact | Probability | |
| increase in employers' costs. | | | | | | | | | |
| <p>CSV400028 - Failure to meet statutory deadlines leading to qualification of the accounts Lack of planning for closure of accounts; lack of training; loss of expert knowledge.</p> <p>Qualified audit report; potential bad publicity; members' loss of confidence on officers' abilities.</p> | <p>Substantial</p> <p>4</p> | <p>Possible</p> <p>3</p> | <p>High</p> <p>12</p> | <ul style="list-style-type: none"> • Timetabled Audit Committee cycles <i>Implemented</i> • Liaise with external audit <i>Implemented</i> • Establish closedown timetable <i>Implemented</i> • Establish WAO working paper guidance & planning document <i>Implemented</i> • Excellent time management skills <i>Implemented</i> | <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> | | <p>Substantial</p> <p>4</p> | <p>Unlikely</p> <p>2</p> | <p>Medium</p> <p>8</p> |

Risk Register 2020-21

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **29 December, 2020**

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO Controls in place) | | Current Risk Rating | Controls | Assigned To | Target Date Priority | Assessment of Controlled Risk (Assume CONTROLLED in place) | | Controlled Risk Rating |
|---|--|-------------|---------------------|---|--|-------------------------|---|-----------------|------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| CSV400029 - Adequate skilled resources not available for accounts preparation Lack of training; loss of expert knowledge; annual or study leave. Qualified audit report; unsatisfactory internal audit report; failure to meet statutory closure deadlines; employee stress. | Significant 3 | Likely 4 | High 12 | <ul style="list-style-type: none"> • Appropriate Treasury & Pension Investments structure in place <i>Implemented</i> • Arrange training courses and seminars, and mentoring <i>Implemented</i> | Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager | | Significant 3 | Possible 3 | Medium 9 |
| CSV400030 - Failure to recover all debts Lack of communication between fund officers and administering authority officers (debtors); lack of monitoring / recovery procedures. Loss of income to the Fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to Fund employers | Substantial 4 | Likely 4 | Significant 16 | <ul style="list-style-type: none"> • Use of specialist debt recovery section within the administering authority <i>Implemented</i> • Monthly monitoring of debts due <i>Implemented</i> | Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager | | Moderate 2 | Improbable 1 | Very Low 2 |
| | | | | | | | | | |

Risk Register 2020-21

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **29 December, 2020**

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled (Assume NO Controls in place) | | Risk | Controls | Assigned To | Target Date Priority | Assessment of Controlle (Assume CONTROLLED in place) | | Risk |
|--|---|---------------|---------------------|---|--|-------------------------|---|-----------------|-------------------------|
| | Impact | Probability | Current Risk Rating | | | | Impact | Probability | Controlle d Risk Rating |
| CSV400031 - Officers acting outside delegated authority Threat of officers making unauthorised decisions or payments. Loss of income to fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers | Substantial 4 | Unlikely 2 | Medium 8 | <ul style="list-style-type: none"> Undertake regular review of Standing Orders & Constitution <i>Implemented</i> Report to Executive Board <i>Implemented</i> Monitoring officer role <i>Implemented</i> | Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager | | Substantial 4 | Improbable 1 | Low 4 |
| CSV400032 - Non-performance by Officers and Committee Members Lack of training for officers and members; turnover in officers and members; lack of appraisals; lack of PI monitoring; time constraints for | Substantial 4 | Possible 3 | High 12 | | | | Substantial 4 | Unlikely 2 | Medium 8 |

Risk Register 2020-21

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **29 December, 2020**

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO Controls in place) | | Controls | Assigned To | Target Date Priority | Assessment of Controlle (Assume CONTROLLED in place) | | Risk Controls Controlle d Risk Rating |
|---|--|-------------|--|--|-------------------------|---|--------|---|
| | Impact | Probability | | | | Current Risk Rating | Impact | |
| <p>members; conflicting deadlines for officers.</p> <p>Qualified audit report; potential bad publicity; members' loss of confidence in officers' abilities; excessive pressure on officers; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers</p> | | | <ul style="list-style-type: none"> • Establish performance measurement system <i>Implemented</i> • Pension Committee member assessments <i>Implemented</i> • Officer appraisals in October and March annually <i>Implemented</i> • Regular internal and external audits <i>Implemented</i> | <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> | | | | |

Risk Register 2020-21

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **29 December, 2020**

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled Risk (Assume NO Controls in place) | | Current Risk Rating | Controls | Assigned To | Target Date Priority | Assessment of Controlled Risk (Assume CONTROLLED in place) | | Controlled Risk Rating |
|---|--|---------------------------------|------------------------------|---|--|-------------------------|---|---------------------------------|-------------------------------|
| | Impact | Probability | | | | | Impact | Probability | |
| | | | | <ul style="list-style-type: none"> Establish & review training plan for officers and members <i>Implemented</i> | Pensions Manager and Treasury & Pensions Investments Manager | | | | |
| <p>CSV400033 - Failure to operate strict financial and budgetary controls</p> <p>Lack of regular budget monitoring and budget setting; lack of communication between admin and investment sections; lack of scrutiny of investment managers', consultants', and advisers' fees.</p> <p>Unexpected variances over budget headings; members' loss of confidence in officers' abilities; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers.</p> | <p>Substantial</p> <p>4</p> | <p>Possible</p> <p>3</p> | <p>High</p> <p>12</p> | <ul style="list-style-type: none"> Quarterly monitoring of budgets <i>Implemented</i> Quarterly forecasting and profiling of budgets <i>Implemented</i> Closure of accounts to Audit Committee <i>Implemented</i> Monthly reconciliations of contributions, dividends, and pension payroll <i>Implemented</i> | Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager | | <p>Substantial</p> <p>4</p> | <p>Unlikely</p> <p>2</p> | <p>Medium</p> <p>8</p> |

Risk Register 2020-21

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **29 December, 2020**

| Risk (Threat to achievement of business objective) | Assessment of Uncontrolled (Assume NO Controls in place) | | Risk | Controls | Assigned To | Target Date Priority | Assessment of Controlle (Assume CONTROLLED in place) | | Risk Controls |
|--|---|---------------|---------------------|---|---|-------------------------|---|---------------|-------------------------|
| | Impact | Probability | Current Risk Rating | | | | Impact | Probability | Controlle d Risk Rating |
| CSV400034 - Insufficient resources to provide information requirements for the Wales Pension Partnership on the management of the fund | Substantial 4 | Possible 3 | High 12 | <ul style="list-style-type: none"> Staffing resources to be kept under review to ensure the Fund's interests are properly met when developing investment pooling arrangements <i>Implemented</i> | Treasury & Pensions Investments Manager | | Substantial 4 | Unlikely 2 | Medium 8 |

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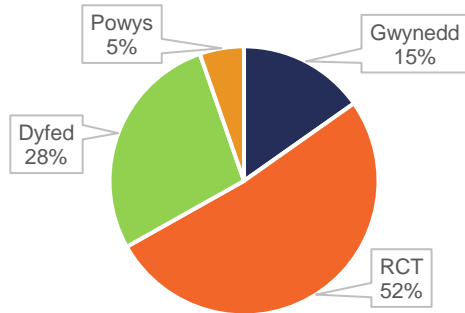
Wales Pension Partnership

Joint Governance Committee

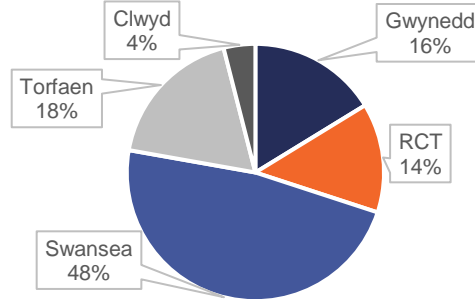
10th December 2020

September 2020 LF Wales PP Fund Snapshot

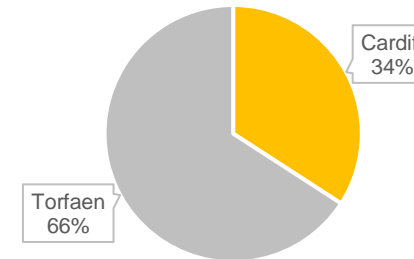
Global Growth



Global Opportunities



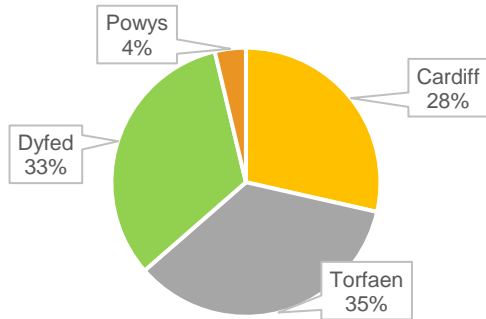
UK Opportunities



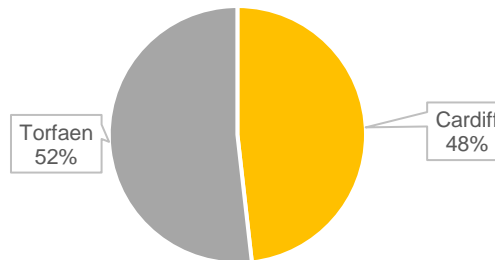
Key:

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

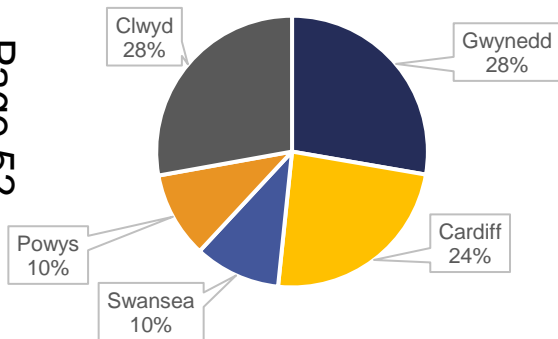
Global Credit



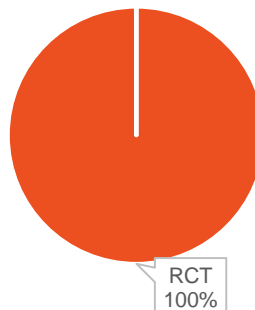
Global Gov. Bond



Multi Asset Credit



Sterling Credit



| Fund | AUM | Inception date |
|------------------------|-----------------------|---------------------------|
| Global Growth | £2,445,037,288 | 6 th Feb 2019 |
| Global Opportunities | £2,284,960,573 | 14 th Feb 2019 |
| UK Opportunities | £544,517,720 | 10 th Oct 2019 |
| Global Credit | £789,846,587 | 21 st Aug 2020 |
| Global Government Bond | £531,735,711 | 20 th Aug 2020 |
| Multi Asset Credit | £636,770,339 | 12 th Aug 2020 |
| Sterling Credit | £554,652,347 | 19 th Aug 2020 |
| Total | £7,787,520,565 | |

Note: All data as at 30th September 2020

Fund Launch Progress Report

Tranche 3, 4 & 5 updates

Open Launch Activity

Key Achievements & Updates

Key:
■ On track
■ Progressing with delays
■ On hold / progressing with major delays

| Fund Launches Progress | | | | |
|---|---|-----------|--|---|
| | Overview | Status | Progress in period | Launch dates |
| 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 | Completed | <ul style="list-style-type: none"> All 5 funds launched successfully BlackRock have completed the post transition report and review with Host Authority / Hymans 28th September (final document issued 26th October) Byhiras review of transition pending | 27 th and 30 th July 2020 30 th September |
| 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 review completed by LFS, Burgess Salmon and NT Depositary Submission to FCA due w/c 9th Nov | May 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"> Russell Investments paper to outline launch proposal based on legacy asset and strategic plan of each participating Authority discussed within Working Group LFS provided a consultation paper on suitable structures to Host Authority / Hymans on 28th August Follow up paper on operating model and investment approach provided to Host Authority / Hymans on 28th October | January to June 2021 |

LFS Corporate Update & Engagement

LFS Corporate Update & Engagement

ASX Announcement

- A non-binding indicative proposal to acquire Link Group was received from a consortium comprising Pacific Equity Partners, Carlyle Group and their affiliates (Consortium) dated 10 October 2020
- This offer was rejected as it did not represent compelling value for Link Group shareholders and a subsequent offer is under review
- These events have no impact to our service delivery and commitment to the WPP

Key Q3 and future WPP Engagement

Link attendance at OWG/JGC meetings in period:

- OWG 24th July 2020 (VC)
- JGC 11th Sep 2020 (VC)
- OWG 18th Sep 2020 (VC)

Link attendance at OWG/JGC meetings in next quarter:

- OWG 4th November 2020 (VC)
- JGC 10th Dec 2020 (VC)

Link - Pension Committee attendance in period:

- None

Link - Pension Committee attendance in next quarter :

- Clwyd – 25th November 2020 (VC)

Other meetings in period

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly
- Private markets update 21st July 2020

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

- Chris Moore
- Anthony Parnell
- Two Section 151 / Deputy Section 151 officers

Link Attendees

- 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

- Joint Governance Committee (JGC)

Link Attendees

- 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

- Officers Working Group (OWG)

Link Attendees

- Eamonn Gough, Senior Relationship Manager
- Richard Thornton, Head of Relationship Management, Asset Owners
- 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

Note: The OWG Engagement and Monthly KPI meetings may be conducted remotely and/or amalgamated where required.

Link Engagement Protocol continued...

Business as Usual

| Host Authority Update | Frequency | Objective |
|--|---|---|
| <p data-bbox="91 424 309 448">WPP Attendees</p> <ul data-bbox="91 464 331 536" style="list-style-type: none"> <li data-bbox="91 464 331 488">▪ Anthony Parnell <li data-bbox="91 504 331 536">▪ Tracey Williams | <ul data-bbox="600 368 763 400" style="list-style-type: none"> <li data-bbox="600 368 763 400">▪ Bi-Weekly | <ul data-bbox="954 368 1890 576" style="list-style-type: none"> <li data-bbox="954 368 1890 400">▪ Regular Host Authority – LFS to discuss deliverables and business updates <li data-bbox="954 416 1816 448">▪ Richard Thornton, Head of Relationship Management, Asset Owners <li data-bbox="954 464 1547 496">▪ Eamonn Gough, Senior Relationship Manager <li data-bbox="954 512 1585 544">▪ Ada Wabara, Relationship Manager (as required) <li data-bbox="954 552 1626 576">▪ Sheetal Shetty, Client Service Manager (as required) |
| WPP Working Group | Frequency | Objective |
| <p data-bbox="91 711 309 735">WPP Attendees</p> <ul data-bbox="91 751 510 823" style="list-style-type: none"> <li data-bbox="91 751 510 783">▪ Officers Working Group (OWG) <li data-bbox="91 799 237 823">▪ Hymans | <ul data-bbox="600 655 763 687" style="list-style-type: none"> <li data-bbox="600 655 763 687">▪ Bi-Weekly | <ul data-bbox="954 655 1648 863" style="list-style-type: none"> <li data-bbox="954 655 1648 687">▪ Regular project call to discuss progress of deliverables <li data-bbox="954 703 1205 735">▪ Link Client Team <li data-bbox="954 751 1178 783">▪ Northern Trust <li data-bbox="954 799 1245 831">▪ Russell Investments <li data-bbox="954 839 1402 863">▪ Other consultants (e.g. bFinance) |
| Annual Shareholder Day | Frequency | Objective |
| <ul data-bbox="91 1007 461 1038" style="list-style-type: none"> <li data-bbox="91 1007 461 1038">▪ Open to all involved parties | <ul data-bbox="600 943 719 975" style="list-style-type: none"> <li data-bbox="600 943 719 975">▪ Annual | <ul data-bbox="954 943 1991 1158" style="list-style-type: none"> <li data-bbox="954 943 1771 975">▪ Open day for presentations on strategy and performance (with IM) <li data-bbox="954 999 1200 1031">▪ Link Client Team <li data-bbox="954 1038 1178 1070">▪ Northern Trust <li data-bbox="954 1086 1991 1118">▪ Russell Investments and other Investment Managers (e.g. Global Growth Managers) <li data-bbox="954 1126 1536 1158">▪ Other consultants as required (e.g. bFinance) |
| Pension Fund Committees | | Objective |
| <ul data-bbox="91 1230 674 1318" style="list-style-type: none"> <li data-bbox="91 1230 674 1262">▪ Annual <p data-bbox="91 1286 674 1318">Individual Pension Fund Committee meetings</p> | | <ul data-bbox="954 1230 1809 1445" style="list-style-type: none"> <li data-bbox="954 1230 1592 1262">▪ General update on the ACS and planned initiatives <li data-bbox="954 1286 1543 1318">▪ Eamonn Gough, Senior Relationship Manager <li data-bbox="954 1326 1424 1358">▪ Ada Wabara, Relationship Manager <li data-bbox="954 1366 1809 1398">▪ Richard Thornton, Head of Relationship Management, Asset Owners <li data-bbox="954 1406 1240 1437">▪ Russell Investments |

Dyfed Pension Fund Committee

Monday, 11 January 2021

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 Advisor

The following Officers were in attendance:

C. Moore, Director of Corporate Services

R. Hemingway, Head of Financial Services

A. Parnell, Treasury & Pension Investments Manager

E. Bryer, Democratic Services Officer

M. Evans Thomas, Principal Democratic Services Officer

J. Corner, Technical Officer

S. Rees, Simultaneous Translator

K. Thomas, Democratic Services Officer

Virtual Meeting - 2.00 - 3.55 pm

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Jim Jones.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 16TH OCTOBER 2020

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 16th October, 2020 be signed as a correct record.

4. BUDGET MONITORING 1 APRIL 2020 - 30 SEPTEMBER 2020

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2020/21 financial year. It was noted that the current position, as at 30 September 2020, forecasted an under-spend of £3m in cash terms. With regard to expenditure, the net effect of Benefits Payable and Transfers Out was an under spend of £1.5m. That was mainly due to an increase of 3% built in at budget setting for pensioners, actual increase for the year to date was 1.5%. Management expenses were underspent by £312k.

With regard to income, the net effect of contributions, investment income and transfers in was an increase of £1.2m, mainly due to an increase in Investment Income of £1.5m. Overall total expenditure was estimated at £99.3m and total income estimated at £102.3m resulting in a positive cash flow position of £3m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April 2020 to 30th September 2020 be received.

5. CASH RECONCILIATION AS AT 30 NOVEMBER 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 30 November 2020, £23.1m 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.

6. 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 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 few instances where employee/employer contributions had not been received on time. Those had now been received 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.

7. RISK REGISTER 2020-2021

The Committee was advised that the Risk Register was a working document that highlighted all the risks identified in relation to the functions of the Dyfed Pension Fund. This had been reviewed and there were no changes to the Risk Register presented to Committee on the 2nd March 2020. The risks would continue to be reviewed on a quarterly basis and any amendments would be drawn to the Committee's attention.

UNANIMOUSLY RESOLVED to note that the risk register for 2020-2021 has been reviewed to ensure risks are identified and assessed.

8. OPERATOR UPDATE

The Committee received an update report on the Wales Pension Partnership (WPP), on the progress and milestones of the following Sub Funds together with the current fund holdings, fund launch progress and Link / Russel Investments Corporate Update and Engagement.

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

The Committee also received an update on the Engagement Protocol together with key meeting dates

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Update be received.

9. EQUITY RESTRUCTURE

The Committee received a report on proposals for the re-structure of the Dyfed Pension Fund equity portfolio that considered climate related risk and the fact that the Wales Pension Partnership portfolios were now established. Accordingly, it was advised that it now seemed to be appropriate for the structure of the £1.27Bn Legacy BlackRock Equity portfolio to be reviewed to enable it to work harder to achieve the Fund's goal in terms of long-term performance and climate risk.

UNANIMOUSLY RESOLVED

- 9.1 That the Fund allocates 10% of its assets to the BlackRock “Reduced Fossil Fuels” passive global equity strategy to be funded from the BlackRock US active and UK passive portfolios;**
- 9.2 That the Fund increases by 5% the allocation to the Wales Pension Partnership Global Growth to be funded from the BlackRock US active and the UK passive portfolios.**

10. 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.

11. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT AT 30 SEPTEMBER 2020

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 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 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 30 September, 2020.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 30 September 2020 be noted.

12. NORTHERN TRUST PERFORMANCE REPORT AT 30 SEPTEMBER 2020

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 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 the Northern Trust Performance report for the Dyfed Pension Fund as at 30 September 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 30 September 2020 be received.

CHAIR

DATE

DYFED PENSION FUND PENSION BOARD DATE 17/02/2021

| | | |
|--|--------------------------------|-------------------------------|
| EQUITY RESTRUCTURE | | |
| Recommendations / key decisions required: | | |
| <p>The Pension Board to note the Equity Restructure report for the Dyfed Pension Fund which was approved by the Pension Committee on 11 January 2021. The Committee approved:</p> <ul style="list-style-type: none"> • That the Fund allocates 10% of its assets to the BlackRock “Reduced Fossil Fuels” passive global equity strategy, funding this from the BlackRock US active and UK passive portfolios. • That the Fund increases by 5% the allocation to WPP Global Growth, funding this from the BlackRock US active and UK passive portfolios | | |
| Reasons: | | |
| <p>To advise the Board of the Equity Restructure that will be taking place following approval from the Pension Committee. The restructure was in response to the Strategic Asset Allocation and equity reviews.</p> | | |
| Relevant scrutiny committee to be consulted | | |
| NA | | |
| Exec. Board Decision Required | NA | |
| Council Decision Required | NA | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- NA | | |
| Directorate: | Designations: | Tel: 01267 224120 |
| Name of Head of Service: | Director of Corporate Services | Email addresses: |
| Chris Moore | | CMoore@carmarthenshire.gov.uk |
| Report Author: Chris Moore | | |

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
DATE 17/02/2021

Equity Restructure

With the need to consider climate-related risk and the Wales Pension Partnership (WPP) portfolios now established, the Pension Committee deemed it appropriate to consider the structure of the £1.27Bn legacy BlackRock equity portfolio. The Committee approved on 11 January 2021, an equity restructure which will allow the equity portfolio to work harder in achieving the Fund’s goals in terms of long-term performance and climate risk.

The Committee approved:

- That the Fund allocates 10% of its assets to the BlackRock “Reduced Fossil Fuels” passive global equity strategy, funding this from the BlackRock US active and UK passive portfolios.
- That the Fund increases by 5% the allocation to WPP Global Growth, funding this from the BlackRock US active and UK passive portfolios

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 of Corporate Services

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

Finance

Allocation of 10% of the Fund’s assets to the BlackRock “Reduced Fossil Fuels” passive global equity strategy and an increased allocation of 5% towards WPP Global Growth Fund, both being funded by the BlackRock US active and UK passive portfolios.

CONSULTATIONS

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

Signed: **C Moore**

Director of Corporate Services

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

Include any observations here

**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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REPORT PREPARED FOR

Dyfed Pension Fund
Pension Committee
Equity Restructure
11 January 2021

Adrian Brown
MJ Hudson Allenbridge

This document is prepared for the Pension Committee of the person on the front cover of this document on the basis of our investment advisory agreement. No liability is admitted to any other user of this report and if you are not the named recipient you should not seek to rely upon it. To the extent this report contains investment advice that advice is restricted to those funds the investment committee has requested that MJ Hudson Allenbridge assess for suitability in meeting the Strategic Asset Allocation..

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Note : Performance and valuation data is sourced from custodian (Northern Trust) data, wherever possible. This may differ marginally from manager reported returns due to data sources and calculation methodology. Performances over 1 year are annualised geometrically.

Restructure of Equity Allocations.

With the need to consider climate-related risk and with the Wales Pension Partnership (WPP) portfolios now established, it seems appropriate that the Committee consider the structure of the £1.27Bn legacy BlackRock equity portfolio, so as to allow the equity portfolio to work harder in achieving the Fund's goals in terms of long term performance and climate risk.

Options for reducing Carbon footprint.

1. WPP – Baillie Gifford (BG) Paris-Aligned Strategy.

BG have developed a low-carbon version of their Global Alpha strategy, which forms a 40% allocation in the WPP Global Growth active equity portfolio. The new variant offers the same performance and risk objectives, with a Carbon-intensity starting at 25% of the MSCI ACWI index *and* reducing each year to align with the “1.5 Degree warming” scenario outlined in the Paris agreement. This comes at the “cost” of a slightly higher active risk (4.6% vs 4.3% tracking error) and a higher growth tilt.

In our view this strategy offers the same performance objectives and fees as the original and only a marginal increase in traditional risk profile. It also incorporates a material reduction in climate risk, and an element of continuous improvement in Carbon intensity in line with the investment strategy of the DPF.

2. BlackRock Global Low Carbon Reduced Fossil Fuels Strategy

BlackRock have an established low-Carbon global (MSCI World) passive Fund. They are upgrading this to an even lower-Carbon (“Reduced Fossil Fuels”) passive global equity strategy, also managed vs MSCI World, which offers a Carbon-intensity of 22% of the MSCI World index, with a 50bps tracking error. It also screens out companies with exposure to fossil fuel reserves and all thermal coal. It is expected that the upgrade would be completed in Q1 2021. Given the timing for upgrading the BlackRock Fund, it's probably simplest that Dyfed wait until BlackRock has finished upgrading their fund, before allocating to it.

Whilst we have restricted our review to the suitability of this one fund in line with your instructions, we note that there are a limited number of other credible passive low carbon managers, and these are not likely to offer material differences. BlackRock is a credible passive manager and, being the incumbent investment manager, choosing them should minimise transition cost/risk, as well as avoiding the costs and time delay associated with a full tender.

Restructure of Equity holdings

The Committee should consider balancing risks from a number of areas:-

- Active risk / relative performance: The BlackRock active equity portfolios target half the level of active risk / outperformance to that targeted by the WPP strategy, so a similar level of exposure to active management may be achieved while allocating only part of the BlackRock active assets to WPP. Equally the past long-term relative performance of the BlackRock active strategies has been unremarkable net fees (below). While not established so long, the WPP portfolio offers a more balanced global exposure, both in terms of regions, and in terms of manager styles (given the WPP's combination of growth, quality and value styles).

| Strategy | Outperformance target | -1 year (%) to 31 Oct | -5 years (% p.a.) |
|-------------------|-----------------------|-----------------------|-------------------|
| BlackRock US | + 1 % p.a. | +0.39 | -0.66 |
| BlackRock Japan | + 1 % p.a. | +1.34 | +0.19 |
| WPP Global growth | + 2 % p.a. | +0.75 | n/a |

- Climate Risk / Reduced Carbon Emissions : Assuming all the current BlackRock portfolios have a Carbon exposure (tCO2/\$m sales) similar to the index, then I estimate that moving the WPP Baillie Gifford sleeve (including the proposed additional 5% allocation) to the “Paris aligned” strategy, would reduce the carbon footprint of the Dyfed equity holdings by c.4% vs current levels, and moving 10% to the BlackRock

“reduced fossil fuels” strategy might reduce the carbon footprint of the Dyfed equity holdings by a further 12%, delivering an estimated reduction of some 16% in total.

- **Regional risk:** The global portfolios (WPP or BlackRock) both have >50% of assets in the US, so it makes sense to use the US regional portfolio to fund these (particularly as US has outperformed and is now the most expensively valued equity region (21.3x P/E). Japan has also performed well recently, but is still attractively valued (16.0x P/E) and has some defensive characteristics (“safe haven” currency, low leverage) so we recommend retaining that for now, especially given the underweight to the US (the other more defensive region). While the UK market is one of the most attractively valued (14.4x P/E), along with EM, the portfolio has a very large (overweight) allocation here, and it typically has a high Carbon footprint, so we recommend reducing this allocation slightly.
- **Manager concentration risk:** This is primarily a concern for the active managers, and WPP in particular. While the Global Growth strategy does consist of 3 underlying managers, it represents a significant proportion of Dyfed’s overall assets, and so we would recommend limiting the allocation to 30% of total assets, at least until the strategy has a longer-term record.
We did also consider whether to allocate to the WPP Global Opportunities strategy, but we do not recommend that, on the basis that, with 7 more underlying managers, this would add an unnecessary degree of additional diversification / complexity to Dyfed’s active equity exposure.

In response to the Council’s challenge, it is likely that Dyfed will want to make changes over a period of time, to control timing risk, so the proposed transition may be seen as the first step. We are currently exploring transition costs/options with BlackRock, but given the high level of overlap in the portfolios, these are likely to be modest.

| % Dyfed Fund | Active risk (%) | 30 Sept allocation | Proposed Transition | Resulting Allocation |
|----------------------|-----------------|--------------------|---------------------|----------------------|
| Passive UK | - | 19.7 | -3.6 | 16.1 |
| Passive EM | - | 8.5 | | 8.5 |
| Passive Regional | - | 4.1 | | 4.1 |
| Active US | <2.0 | 11.4 | -11.4 | - |
| Active Japan | <2.0 | 3.5 | | 3.5 |
| Passive Low-C global | <0.5 | | +10.0 | 10.0 |
| WPP Global | c.4.0 | 25.0 | +5.0 | 30.0 |
| Total Equity | | 72.2 | - | 72.2 |

Regional Weights

| % Dyfed Equities | MSCI ACWI Index | 30 Sept allocation | Proposed Transition | Resulting Allocation |
|----------------------------|-----------------|--------------------|---------------------|----------------------|
| N. America (US and Canada) | 62 | 35 | -2 | 33 |
| UK | 4 | 30 | -4 | 26 |
| Europe ex UK | 13 | 10 | +3 | 13 |
| Dev. Asia | 10 | 10 | +2 | 12 |
| Emerging Markets | 11 | 15 | +1 | 16 |

PROPOSAL 1: That the Committee allocate 10% assets to the BlackRock “Reduced Fossil Fuels” passive global equity strategy, funding this from the BlackRock US active and UK passive portfolios, as shown above

PROPOSAL 2: That the Committee increase by 5% the allocation to WPP Global Growth, funding this from the BlackRock US active and UK passive portfolios, as shown above.

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DYFED PENSION FUND PENSION BOARD DATE 17/02/2021

| | | |
|---|--|--|
| PENSION BOARD BUDGET 2021-22 | | |
| Recommendations / key decisions required: | | |
| The Board to note the Pension Board Budget for 2021-22. | | |
| Reasons: | | |
| To provide the Board with the Pension Board Budget for 2021-22. | | |
| Relevant scrutiny committee to be consulted | | |
| NA | | |
| Exec. Board Decision Required | NA | |
| Council Decision Required | NA | |
| EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:- NA | | |
| Directorate: Name of Head of Service: Chris Moore Report Author: Chris Moore | Designations: Director of Corporate Services | Tel: 01267 224120 Email addresses: CMoore@carmarthenshire.gov.uk |

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
DATE 17/02/2021

Pension Board Budget 2021-22

The attached report outlines the budget for the Pension Board for 2021-22 which has increased by approximately 15% from the 2020-21 budget. This increase is as a result of the fees for the Pension Board Chair and Pension Board Liability Insurance.

Pension Board Chair

There is an increase in allocation for the Pension Board Chair fee to £12,000. The previous budget of £10,000 was based on the Pension Board Chair contract which expires at the end of March 2021. There is an anticipated increase in the fee when the new contract commences in April 2021.

Pension Board Liability Insurance

There is also an increase of £1,120 to the Pension Board Liability Insurance premium due to market forces within the Insurance industry.

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 of Corporate Services

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

Finance

The report provides an initial view of the Pension Board Budget for 2021-22. There is an increase in the budget of approximately 15%, with these costs being paid from the Pension Fund.

CONSULTATIONS

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

Signed: **C Moore**

Director of Corporate Services

- 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

Include any observations here

**Section 100D Local Government Act, 1972 – Access to Information
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THERE ARE NONE

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| Dyfed Pension Fund | | | |
|---|---------------------------|---------------------------|--------------------------------------|
| Pension Board Budget 2021-22 | | | |
| 1 April 2021 - 31 March 2022 | | | |
| | Budget 2020-21 | Budget 2021-22 | Comments |
| | £ | £ | |
| Chair Annual Fee | 10,000 | 12,000 | New contract commencing 1 April 2021 |
| Training costs | 4,000 | 4,000 | |
| Travel, Subsistence & Miscellaneous Expenses | 2,000 | 2,000 | |
| Liability Insurance | 5,040 | 6,160 | Increase due to market forces |
| Expenditure | 21,040 | 24,160 | |

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Agenda Item 8

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 9

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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