

Dyfed Pension Fund Committee

Thursday, 25 March 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

K. Havard – Audit Wales

R. Thornton – Link Group

A. Quinn - Russell Investments

G. Fitzpatrick - Russell Investments

G. Lewis – BlackRock

D. Wright – BlackRock

V. Bhandari – BlackRock

A. Williams – Mercer

W. Summerfield - Mercer

The following Officers were in attendance:

C. Moore, Director of Corporate Services

R. Hemingway, Head of Financial Services

A. Parnell, Treasury & Pension Investments Manager

K. Gerard, Pensions Manager

M. Owens, Assistant Accountant

M. Evans Thomas, Principal Democratic Services Officer

S. Rees, Simultaneous Translator

J. Corner, Technical Officer

K. Thomas, Democratic Services Officer

E. Bryer, Democratic Services Officer

Virtual Meeting - 2.00 - 5.15 pm

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor T.J. Jones.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 11TH JANUARY, 2021

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 11th January, 2021 be signed as a correct record.

4. DYFED PENSION FUND PENSION BOARD MINUTES, 20TH NOVEMBER, 2020

UNANIMOUSLY RESOLVED that the minutes of the Dyfed Pension Fund Pension Board meeting held on the 20th November, 2020 be received.

5. AUDIT PLAN 2021

The Committee welcomed to the meeting Kate Havard from Audit Wales who presented the report on the 2021 Audit Plan for the Dyfed Pension Fund to the Committee. The Plan set out the proposed scope, when to be undertaken, cost and responsibilities.

The Committee was advised that Audit Wales was responsible for issuing the report on the accounting statements which included an opinion on their 'truth and fairness'. This ensured assurance that the accounts would:

- be free from material misstatement, whether caused by fraud or error
- complied with statutory and other applicable requirements and
- complied with all relevant requirements for accounting presentation and disclosure.

The Committee's attention was drawn to the financial audit risks and that these risks were standard that would typically be expected to be identified and managed.

UNANIMOUSLY RESOLVED that the 2021 Audit Plan be approved.

6. BUDGET MONITORING - 1ST APRIL 2020 TO 31ST DECEMBER 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 31 December 2020, forecasted an under-spend of £1.1m in cash terms.

With regard to expenditure, the net effect of Benefits Payable and Transfers Out was an under spend of £1.2m. 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 £416k.

With regard to income, the net effect of contributions, investment income and transfers in was an increase of £2.5m, mainly due to Transfers In to the scheme and Investment Income exceeding the budgeted amount by £1.2m and £1.1m respectively.

Overall total expenditure was estimated at £99.5m and total income estimated at £103.6m resulting in a positive cash flow position of £4.1m.

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

7. DYFED PENSION FUND BUDGET 2021-2022

The Committee considered the Dyfed Pension Fund Budget for 2021-22. It was noted that the cash related expenditure for 2021-22 had been set at £104.3m and the cash related income at £104.3m, resulting in a net budget of £0 which provided the Fund with flexibility to utilise investment income based on cash flow requirements.

With regard to expenditure levels, the Committee noted that benefits payable had been estimated to be £92.4m which included provision for a 0.5% pensions increase, based on the September 2020 CPI together with a 3% net effect for new pensioner members and deferred members.

Management expenses had been estimated at £8.8m, of which £6.9m had been budgeted for investment manager fees.

It was noted that Investment income was estimated at £12.3m to maintain a cash neutral budget so that the fund was not holding onto surplus cash that could be invested.

The non-cash related budget had been set at £50m based on an estimate of the realised gains and losses for individual manager portfolio rebalances and sales and purchases within the property portfolios.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget for 2021-22 be approved.

8. CASH RECONCILIATION AS AT 31 JANUARY, 2021

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 31 January 2021, £14m 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.

9. PENSIONS ADMINISTRATION REPORT

The Committee received a report providing an update on Pensions Administration. The report included updates on the activities within the Pensions Administration service and included regulatory matters, employer cessation, breaches register, i-Connect, Data Quality reports, GMP reconciliation and workflows.

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

10. 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 number of 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.

11. RISK REGISTER 2021-2022

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. It was advised that the risk register for 2021-2022 had been reviewed to ensure risks had been identified and assessed.

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

UNANIMOUSLY RESOLVED that the risk register report for 2021-2022 be approved.

12. GOVERNANCE POLICY AND COMPLIANCE STATEMENT 2021

The Committee received for consideration the revised Governance Policy and Compliance Statement.

A review had been undertaken on the Governance Policy and Compliance Statement of the Dyfed Pension Fund. The Governance Policy detailed arrangements in relation to:

- The Governance of the Fund
- Terms of Reference for the Pension Committee

- Delegation to the Director of Corporate Services and Head of Financial Services
- Committee meetings
- The Annual Consultative Meeting
- The Pension Board

The Compliance Statement set out the Fund's compliance with best practice principles in relation to structure, representation, selection, voting, training, meetings, access, scope and publicity.

UNANIMOUSLY RESOLVED that the Governance Policy and Compliance Statement 2021 be approved.

13. BUSINESS PLAN 2021-2022

The Committee received for consideration the Wales Pension Partnership Business Plan for the period 2021-2022 detailing how the Fund was to achieve its objectives and ensuring the allocation of sufficient resources to meet those objectives.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Business Plan for the period 2021-22 be approved.

14. TRAINING PLAN 2021-2022

The Committee received for consideration the Wales Pension Partnership Training Plan for the period 2021-2022 detailing meetings, training events and the members and officers anticipated to attend the events.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Training Plan for the period 2021-22 be approved.

15. WALES PENSION PARTNERSHIP (WPP) LINK AND RUSSELL UPDATE

The Committee welcomed to the meeting Richard Thornton, Adrian Quinn and Gerard Fitzpatrick of Link and Russell and received an update report on the Wales Pension Partnership (WPP), on the milestones and progress of both the following Sub Funds together with the Engagement Protocol and the key meeting dates:-

- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets
- Tranche 5 – Private Markets Strategy Development

The Committee noted the current Global Growth equity totalled £2.89b and the Global Credit Fund £796m.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Link and Russell Update be received.

16. 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.

17. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT AT 31 DECEMBER 2020

[**Note:** At 4.55 pm the Committee's attention was drawn to Council Procedure Rule 9 – Duration of Meeting and, as the meeting had been underway for three hours it was resolved to suspend standing orders to enable the Committee to complete the remaining business on the agenda.]

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 16 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 31 December, 2020.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 31 December 2020 be noted.

The Chair advised the Committee that, in accordance with Council Procedure Rule 2(3) he was going to vary the order of business on the agenda to enable the reports presented by external attendees to be considered earlier in the meeting.

18. NORTHERN TRUST PERFORMANCE REPORT AT 31 DECEMBER 2020

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 16 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 31 December 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 31 December 2020 be received.

19. INVESTMENT MANAGER REPORTS TO 31 DECEMBER 2020

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 16 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 investment managers reports which set out the performance of each manager as at 31 December 2020.

- BlackRock – Quarterly Report 31 December 2020
- Schroders – Q4 2020 Investment Report
- Partners Group – Quarterly Financials October to December 2020
- WPP Global Growth Fund – 31 December 2020
- WPP Global Credit Fund – 31 December 2020

UNANIMOUSLY RESOLVED that the investment manager reports for the Dyfed Pension Fund be received.

20. INVESTMENT MANAGER BRIEFING - BLACKROCK

[**Note:** At 4.05 pm the Committee's attention was drawn to Council Procedure Rule 8 – Quorum and that the meeting was no longer quorate. The meeting was adjourned immediately and returned after a 5 minute break when all Committee members were present.

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 16 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 welcomed to the meeting Gavin Lewis, David Wright and Vikram Bhandari of BlackRock.

The Committee duly considered the Investment Manager Briefing - BlackRock report for the Dyfed Pension Fund as at 31 December 2020, which provided portfolio update, investment pipeline, sustainable investing and portfolio holdings updates.

UNANIMOUSLY RESOLVED that the Investment Manager Briefing - BlackRock report for the Dyfed Pension Fund as at 31 December 2020 be received.

21. EQUITY RESTRUCTURE PRE-TRANSITION ANALYSIS

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 16 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 welcomed to the meeting Andrew Williams and William Summerfield of Mercer who presented the report. The Committee considered the Pre-Transition Analysis report for the Dyfed Pension Fund Equity Restructure, which provided information on transition approach & portfolio analysis, transaction timeline, transition benchmark & trading strategy and cost & risk analysis.

UNANIMOUSLY RESOLVED that the Equity Restructure Pre-Transition Analysis for the Equity Restructure report for the Dyfed Pension Fund be received.

CHAIR

DATE