

DYFED PENSION FUND COMMITTEE

WEDNESDAY, 19 JUNE 2024

PRESENT: Councillor D.E. Williams (Chair)

Councillors (In Person):

P. Cooper D. Thomas

Observer (Virtually):

Councillor N. Lewis

Also in attendance (Virtually):

J. Blewitt, Wales Audit Office
Mr J. Jones – Chair of the Dyfed Pension Fund Board

Also in attendance (In Person):

Mr A. Brown – Independent Investment Advisor

Also Present (In Person):

C. Moore, Director of Corporate Services
A. Parnell, Treasury & Pension Investments Manager
K. Gerard, Pensions Manager
M. Owens, Pension Investment Officer
D. Hall-Jones, Member Support Officer
J. Owens, Democratic Services Officer

Also Present (Virtually):

M. Evans Thomas, Principal Democratic Services Officer
E. Evans, Principal Democratic Services Officer
A. Eynon, Principal Translator

Chamber - County Hall, Carmarthen. SA31 1JP and remotely - 2.00 - 4.45 pm

(NOTE: The Committee adjourned for a 10 minute comfort break on conclusion of agenda item 17).

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

Note: These minutes are subject to confirmation at the next meeting.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 27 MARCH 2024

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 27th March 2024 be signed as a correct record.

4. DYFED PENSION FUND PENSION BOARD MINUTES 14 MAY 2024

The Committee was advised that the report of the Dyfed Pension Fund Pension Board meeting held on 14 May 2024 had been withdrawn with a view to being submitted to the next meeting of the Committee.

5. DYFED PENSION FUND PENSION BOARD REPORT

The Committee was advised that the Dyfed Pension Fund Pension Board report had been withdrawn with a view to being submitted to the next meeting of the Committee.

6. AUDIT PLAN 2024

The Committee welcomed to the meeting Jason Blewitt from Audit Wales who presented the Audit Plan 2024 for the Dyfed Pension Fund which specified the statutory responsibilities of the external auditor and fulfilled the obligations under the Code of Audit Practice. The Audit Plan set out the audit work to be undertaken to address the audit risks identified and other key areas of focus during 2024, stipulated the estimated audit fee and also provided details of the audit team and the key dates for delivering the audit team's activities and planned outputs.

The Committee's attention was referred to the estimated audit fee, whereby it was noted that the rates for 2024-25 had increased by an average of 6.4% as a result of unavoidable inflationary pressures and the ongoing need to invest in audit quality.

UNANIMOUSLY RESOLVED that the Detailed Audit Plan 2024 be approved.

7. FINAL BUDGETARY POSITION 2023-2024

The Committee received the final Dyfed Pension Fund Budgetary position for 2023-24 as at 31st March 2024 which showed an underspend compared to budget of £2.2m.

It was reported that expenditure was overspent by £5.6m due to lump sum retirement benefits being £6.2m more than budget and transfers out being £1.2m more than budget. Offsetting these overspends were pensions payable being underspent by £1.1m, lump sum death benefits by £526k and management expenses by £180k. In relation to pensions payable, at budget setting for 2023-24 an increase of 2.2% had been included to estimate the additional pensions paid on new pensioner members for the year whereas the actual increase in pensioner membership was closer to 1%.

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In terms of lump sum retirement benefits, transfers out of the scheme and lump sum death benefits, it was clarified that these were dependent upon the number of retirements, leavers, and deaths throughout the year which could not be anticipated at the budget setting stage. In this regard, the Committee acknowledged that changes to the macro environment such as interest rates, as well as internal re-structures within organisations across the Fund could influence employee behaviours and impact upon the level of lump sum retirement benefits drawn throughout the year.

The Committee noted that income had exceed budget by £7.8m, with contributions being £7.2m more than budgeted as a result of employee pensionable pay being more than anticipated at budget setting due to a higher pay award. Furthermore, augmentation income received from employers was higher than was anticipated at budget setting. The transfers in exceed budget by £2.5m and investment income was below budget by £1.9m.

Overall, total expenditure was £128.4m and total income was £130.6m.

UNANIMOUSLY RESOLVED that the final Dyfed Pension Fund Final Budgetary Position Report as at the 31st March 2024 be received.

8. CASH RECONCILIATION AS AT 31 MARCH 2024

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 March 2024, £6.3m of 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, breaches register, i-Connect, GMP reconciliation and workflows.

In response to the concerns raised by the Committee in respect of the delays experienced by some larger organisations in transitioning to the i-connect system, the Pensions Manager clarified that colleges represented a small proportion of the scheme's overall membership.

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

Note: These minutes are subject to confirmation at the next meeting.

10. BREACHES REPORT

The Committee received for consideration the Breaches Report in relation to the Dyfed Pension Fund which had been prepared in accordance with Section 70 of the Pension Act 2004, Code of Practice no 14 and the Dyfed Pension Fund Breaches Policy.

The Committee's attention was referred to the list of breaches appended to the report which detailed the instances where employee/employer contributions had not been received on time.

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

11. RISK REGISTER

The Committee received for consideration the Risk Register which detailed the risks identified in relation to the functions of the Dyfed Pension Fund. The report included an assessment of the potential impact, probability and risk rating for each identified area, together with the control measures implemented to mitigate the identified risks.

The register for consideration focused upon the 8 Governance and Regulatory risks and it was confirmed that following a review of the register, there had been no changes to individual risks had been identified since the previous Committee meeting.

It was queried whether 'political pressure' should be incorporated within the risk register in view of the pressures placed upon the Dyfed Pension Fund within this area. The Treasury and Pension Investments Manager appraised the Committee of the monitoring arrangements in place for the Fund's investments and noted that it was not considered necessary to incorporate 'political pressure' as an area of risk within the register at this time.

UNANIMOUSLY RESOLVED that the risk register report be noted.

12. TRAINING PLAN 2024-2025

The Committee received for consideration an update on the Training Plan for 2024-2025 which detailed the schedule of committee meetings, and training events for members and officers of the Dyfed Pension Fund.

Councillor P. Cooper referred to his recent attendance at the PLSA LA Conference held 11-13 June 2024 and commented that the training had been both interesting and informative and would assist in discharging his role on the Dyfed Pension Fund Committee.

UNANIMOUSLY RESOLVED that the Training Plan for 2024-2025 be noted.

Note: These minutes are subject to confirmation at the next meeting.

13. CARBON INTENSITY ANALYSIS AS AT 31 MARCH 2024

The Committee received for consideration an update on the activity and progress in terms of the Fund's Carbon Footprint position.

The update illustrated the Weighted Average Carbon Intensity for the Fund's equity portfolio, which had reduced by 18% in the year to 31 March 2024 and which represented a reduction of 15% p.a. over the three and a half years since the baseline in September 2020.

UNANIMOUSLY RESOLVED that the Carbon Footprint Update in relation to the Dyfed Pension Fund be noted.

14. WALES PENSION PARTNERSHIP RESPONSIBLE INVESTMENT UPDATE - 31 MARCH 2024

The Committee received the WPP's Responsible Investments update report as at 31 March 2024 detailing recent Responsible Investments activity together with information on the following Sub-Funds in which the Dyfed Pension Fund had invested:

- Global Growth
- Sustainable Active Equity
- Global Credit

In addition to the above, the update also provided a Stewardship Summary together with the relevant appendices numbered 1-4 within the report.

In presenting the report, the Treasury and Pension Investments Manager appraised the Committee of the salient points in respect of climate reporting, climate framework and climate focus list, escalation policy, sustainable fixed income, Voting and Engagement (V&E) provider procurement and the Climate & Environmental, Social and Governance (ESG) risk reports.

UNANIMOUSLY RESOLVED that the update report be received.

15. EXCLUSION OF THE PUBLIC

UNANIMOUSLY RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

16. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 31 MARCH 2024

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 15 above, to consider this matter in private, with the public excluded from the meeting

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as disclosure would adversely impact upon the Pension Fund to the detriment of fund members.

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 March 2024. The report also included the global market background and issues for the Committee to consider.

UNANIMOUSLY RESOLVED that:

16.1 the Independent Investment Adviser Report as at 31 March 2024 be noted.

16.2 for the reasons stated within the report, the final £50m of the £100m allocated to GCM Grosvenor infrastructure be funded from the sale of the European Passive Equity mandate.

16.3 for the reasons stated within the report, the second £50m of the £150m allocated to Russell Investments WPP Private Credit be funded from the sale of the UK Passive Equity mandate.

17. NORTHERN TRUST PERFORMANCE REPORT TO 31 MARCH 2024

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 15 above, to consider this matter in private, with the public excluded from the meeting as disclosure would adversely impact upon the Pension Fund to the detriment of fund members.

The Committee considered the Northern Trust Performance report for the Dyfed Pension Fund as at 31 March 2024, which provided performance analysis at a total fund level and by investment manager for the periods since inception.

UNANIMOUSLY RESOLVED that the Northern Trust Performance report for the Dyfed Pension Fund as at 31 March 2024 be noted.

18. INVESTMENT MANAGER REPORTS TO 31 MARCH 2024

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 15 above, to consider this matter in private, with the public excluded from the meeting as disclosure would impact upon the Pension Fund to the detriment of fund members.

The Committee considered the investment managers reports which set out the performance of each manager as at 31st March 2024.

- BlackRock – Quarterly Report 31 March 2024;

Note: These minutes are subject to confirmation at the next meeting.

- Schrodgers – Q1 2024 Investment Report;
- Partners Group – Quarterly Report Q1 2024;
- WPP Global Growth Fund – 31 March 2024;
- WPP Global Credit Fund – 31 March 2024
- WPP Sustainable Active Equity Fund – 31 March 2024.

UNANIMOUSLY RESOLVED that the investment manager reports for the Dyfed Pension Fund as at 31st March 2024 be noted.

19. SCHRODERS UPDATE

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 15 above, to consider this matter in private, with the public excluded from the meeting as disclosure would adversely impact upon the Pension Fund to the detriment of fund members.

Committee received a presentation prepared by Schrodgers which provided an update on the Fund's investments. The Committee considered the business update, Real Estate Market Overview, Portfolio Overview, Performance and Strategy and Sustainability and Governance activities.

UNANIMOUSLY RESOLVED that the Schrodgers update presentation be noted.

CHAIR

DATE

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