

# DYFED PENSION FUND COMMITTEE

**MONDAY, 11 NOVEMBER 2024**

**PRESENT:** Councillor D.E. Williams (Chair) (In Person)

**Councillors (In Person):**

D. Thomas

**Councillors (Virtually):**

P.T. Warlow

**Observer (Virtually):**

Councillor N. Lewis

**Also in attendance (Virtually)**

J. Blewitt – Audit Wales

**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

J. Owen, Democratic Services Officer

A. Brown, Independent Advisor

R. Morris, Members Support Officer

S. Rees, Simultaneous Translator

**Also Present (Virtually):**

E. Evans, Principal Democratic Services Officer

D. Hall-Jones, Member Support Officer

**Chamber, County Hall, Carmarthen, SA31 1JP and remotely: 2:30pm - 3:50pm**

**1. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

The Chair informed the Committee that he had, in exercising his discretionary functions, allowed a Member of the Public (Dr. S. Conlan on behalf of Ms. S. Davies) to ask the following question to the Dyfed Pension Fund Committee which would not be debated and a written reply provided.

**Question by Dr Conlan (on behalf of Ms Davies):-**

I have received a response from the Chair of the Fund to my question about divestment from companies that aid Israel's breaches of international law.

He advised me that the Fund's investments in Israel total approximately £1.3 million and added that, "in response to claims that the Fund has over £64 million invested in companies complicit in Israel's industrial, commercial, and military occupation of Palestinian land, I note that the majority of these investments are in companies not included on the UN Office of the High Commissioner for Human Rights (OHCHR) database of business enterprises involved in listed activities or business enterprises involved as parent companies."

It is important to note that those companies on the OHCHR database are "... all business enterprises involved in certain specified activities related to the Israeli settlements in the occupied Palestinian territory, including East Jerusalem."

The invasion of Gaza and the subsequent extensive killing and maiming of innocent civilians has changed the legal and ethical basis of the selection of Israeli investments that should be divested.

The key points about the International Court of Justice (ICJ)'s ruling on the Gaza invasion are well expressed by Amnesty International: "The ICJ has issued its opinion and the conclusion is loud and clear: Israel's occupation and annexation of the Palestinian territories are unlawful, and its discriminatory laws and policies against Palestinians violate the prohibition on racial segregation and apartheid." The Palestinian Occupied Territories include Gaza.

The Palestine Solidarity Campaign (PSC) has identified that Dyfed Pension Fund has investments of £64,438,687 in companies which 'either produce weapons and military technology used by Israel in its attacks on Palestinians, provide technology and equipment for Israel's infrastructure of military occupation, or are active in illegal Israeli settlements, based on stolen Palestinian land'.

Although several of these companies are indeed not included on the UN OHCHR list, PSC has used other databases that maintain profiles of companies commercially involved in the Israeli occupation economy, for example the Who Profits Independent Research Centre (<https://www.whoprofits.org/>).

Although I note that Robeco engages with the companies the Dyfed Pension Fund invests in to address environmental, social, and governance (ESG) issues, including human rights, the Dyfed pension Fund has its own statement of principles which I presume must underpin Robeco's engagement. Clearly the Robeco mandate should now give great prominence to the ICJ's ruling.

My question for the Committee is therefore: Please would the committee of the Dyfed Pension fund commit to disclosure of the fund's investments in companies listed as commercially involved in the Israeli occupation economy as an initial step towards divestment from those companies? As pension holders we need to ensure that our pension investments are not fuelling human rights abuses that are recognised in International Law.

## 2. DECLARATIONS OF PERSONAL INTERESTS

Councillor	Minute Number	Nature of Interest
D. Thomas, P. Warlow, E. Williams	General	Member of the Dyfed Pension Fund
N. Lewis (attending the meeting virtually that day as an observer in his capacity as a nominated substitute member of the Pension Fund)	General	Beneficiary of the Dyfed Pension Fund

## 3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 19TH SEPTEMBER 2024

**RESOLVED** that the minutes of the meeting of the Committee held on the 19<sup>th</sup> June, 2024 be signed as a correct record.

## 4. DYFED PENSION FUND PENSION BOARD REPORT

The Committee received the Pension Board reports provided an update on the items discussed at the Board meeting held on the 29<sup>th</sup> October 2024.

**UNANIMOUSLY RESOLVED** that the Dyfed Pension Fund Pension Board reports for the meeting held on the 29<sup>th</sup> October 2024 be received.

## 5. DYFED PENSION FUND ANNUAL REPORT & ACCOUNTS AND AUDIT OF FINANCIAL STATEMENTS REPORT 2023-24

The Committee received for noting the Annual Report & Accounts 2023-24 which provided information in relation to the Governance, Investments and Administration of the Fund including:

- Management & Financial Performance Reports
- Investment Policy & Performance Reports
- Fund Administration Report
- Actuarial Report
- Pension Board Annual Report
- Statement of Accounts
- Policies & Strategies

Committee Members noted that the net assets of the scheme at 31 March 2024 were £3,475m (31 March 2023: £3,143m). It was reported that the increase in net asset value of £332m was mostly due to the value of the Fund's investments increasing during the year.

In respect of the Audit of Financial Statements Report 2023-24, the Committee welcomed to the meeting Jason Blewitt, Audit Wales Representative who presented the report for the Dyfed Pension Fund 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<sup>st</sup> March 2024 and of its income and expenditure for the year end.

The Committee was advised that an unqualified audit report on the financial statements had been issued and the finalised report had been considered by the Governance and Audit Committee at its meeting held on 27<sup>th</sup> September 2024 [Minute 9 refers].

The Committee was pleased to note that Audit Wales intended to issue an unqualified audit opinion on the accounts, which would be issued upon receipt of the Fund's Letter of Representation. The Committee was also pleased to note that there were no misstatements identified in the financial statements which remained uncorrected, or which required adjusting.

The Committee wished to express their sincere thanks to Audit Wales for undertaking the Audit and to the Pension Investment and Administration teams for all their hard work in what had resulted in a successful audit.

Reference was made to the Chair's Foreword in the Annual Report & Accounts 2023-24 where it was pleasing to note the reduction in the equity Weighted Average Carbon Intensity (WACI) by 18%. The Independent Advisor confirmed that this year, the reduction in WACI was indeed ahead of the 7% annual target.

Reference was made to page 85 of the report – Bodies with no pensionable employees. Clarity was sought on the purpose of 'no pensionable employees'. The Pensions Manager clarified that many of the no pensionable employees / no active contributors were attributed to ex-local authority functions which had been transferred to other providers whereby the pension fees were then recharged to the local authority in respect of each individual.

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Annual Report & Accounts and Audit of Financial Statements Report for 2023-24 be noted**

## **6. BUDGET MONITORING AND CASH POSITION AS AT 30 SEPTEMBER 2024**

The Committee considered the Budget Monitoring Report and the Cash Position as at the 30<sup>th</sup> September, 2024 in respect of the Dyfed Pension Fund.

With regard to the Budget Monitoring element of the report, it was reported that, as at the end of September, there was an overspend compared to budget of £55k.

In relation to expenditure, it was projected to be overspent by £2.5m. Pensions payable by £168k, lump sum retirement benefits by £2m and payments to and account of leavers by £1.1m. Management expenses were forecast to be underspent by £785k. It was also noted that at budget setting, an allowance of 0.5% had been built in for the increase in pensioner membership, however, the actual increase to September was slightly higher. It was also highlighted that it was difficult to forecast lump sum payments and payments to and account of leavers as these depend on the actual number of retirement and leavers during

the year which cannot be anticipated at budget setting. In relation to fees, the first quarters costs were slightly higher than had been anticipated at budget setting

In terms of income, that was forecasted to be an over budget by £2.4m. Contributions were forecasted to be £2.8m more than budgeted, being mostly attributable to more augmentation income from employers being forecast than was anticipated at budget setting. Additionally, employee pensionable pay was forecast to be slightly higher than anticipated at budget setting resulting in additional contributions being forecasted. Transfers in were forecasted to exceed the budget by £2.5m and investment income was forecasted to be below budget by £2.9m.

Overall, total expenditure was estimated at £136.13m and total income estimated at £136.07m which resulted in a negative variance against budget of £55k.

It was noted that, in respect of the fund's cash position, £5.9m 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 Budget Monitoring and Cash Position report be received.**

## **7. 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 presenting the report, the Pensions Manager highlighted the key areas for the Committee to note. In reference to the Pensions Dashboards which was the current major project, the Pensions Manager explained to the Committee that in undertaking the quality assurance and data matching exercise the Committee was reminded that scheme providers used differing methods to identify scheme Members e.g. Dyfed Pension Fund utilised the National Insurance number where other Pension Schemes may use date of birth, address, surname etc.

In addition, a progress review of the dashboard programme would be undertaken in order to assess if additional resources would be required to ensure the statutory deadline of October 2025 was met.

The Committee noted that Betws Community Council had requested to become a scheme employer with effect from 1st October 2024. Their Employer contribution rate was set at 22%.

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

## 8. 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 and note that there had been one case of an employer not paying contributions to the Fund on time. It was noted that this breach had been resolved by the time of the meeting and that contributions due had now been received.

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

## 9. 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.

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

## 10. INTERNAL AUDIT REPORT - DYFED PENSION FUND GOVERNANCE & INVESTMENTS

The Committee received, for information, a final Internal Audit Report in respect of the Dyfed Pension Fund Governance & Investments for 2023/24.

The purpose of the audit was to assess the extent to which there are adequate procedures in place to provide effective control over Dyfed Pension Fund governance and investments

The audit report provided detailed information in regard to the:

- General opinion
- Assurance rating
- Summary of recommendations
- Key findings and action plan

The Committee noted that, the general opinion, as reported, the governance structure for the Dyfed Pension Fund (DPF) was sufficiently robust to ensure effective oversight of the Fund's strategic direction.

**UNANIMOUSLY RESOLVED that the Internal Audit Report – Dyfed Pension Fund Governance & Investments 2023/2024 be received.**

## **11. PENSION COMMITTEE RESPONSE TO THE PENSION BOARD RESOLUTION IN RELATION TO THE BUTE GROUP OF COMPANIES**

The Committee received, for approval, the response to the Pension Board's resolution in relation to the Bute Group of companies.

The Committee considered the response to the Pension Board's resolution made at the meeting held on 14<sup>th</sup> May 2024 which was appended to the report. The response would be formally presented to the Pension Board at its next meeting.

**UNANIMOUSLY RESOLVED that response to the request received from the Pension Board be approved.**

## **12. WALES PENSION PARTNERSHIP (WPP) JOINT GOVERNANCE COMMITTEE (JGC) UPDATE**

The Committee received for consideration an update from the WPP's JGC meeting held on the 18<sup>th</sup> September 2024 providing an update on the following:

- Governance
- On-going Sub-Fund Development
- Operator Services
- Investments and Reporting
- Communication and Training
- Resources, Budget and Fees
- Training Plan

Also included was the Operator report which provided an update on:

- Market Updates
- Business Update – Oversight of Third Parties Q2 2024
- WPP Sub-Fund Values as at 30 June 2024
- June 2024 Fund Snapshot – Equities and Fixed Income
- Fund Launches & Changes
- Waystone Corporate Update & Engagement

The report also appended a summary and commentary on WPP's investment performance for Q2 2024 (April – June 2024) together with a report from Russell Investments on the WPP Global Private Credit Fund.

**UNANIMOUSLY RESOLVED that the update from the Wales Pension Partnership Joint Governance Committee held on the 18<sup>th</sup> September 2024 be received.**

### 13. 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.

### 14. ROBECO ENGAGEMENT REPORT - 1 APRIL 2024 - 30 JUNE 2024

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 13 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 for consideration the Robeco engagement report for the reporting period 1 January 2024 – 30 June 2024 that provided detailed statistics in relation to engagement activities undertaken on the WPP portfolio during the quarter, together with a selection of case studies of engagement activity undertaken in relation to Just Transition in Emerging Markets.

**UNANIMOUSLY RESOLVED** that the Robeco Engagement Report for the reporting period 1 January 2024 – 31 March 2024 be noted.

### 15. SECURITIES LENDING PERFORMANCE REVIEW AS AT 30 JUNE 2024

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 13 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 received for noting a report on the Securities Lending Performance Review as at 30<sup>th</sup> June 2024. The Q2 2024 report contained information in relation to:-

- Securities Lending: Q2 Demand
- Security Lending Summary: Q2 2024 vs Q1 2024
- Lendable Assets, Average on Loan & Net Revenue Q2 2024
- Revenue Analysis: Q2 2024
- Lending Analysis: Q2 2024
- Benchmarking Northern Trust's Performance

The report also contained information in relation to investments held by Dyfed in the Global Growth Fund and Global Credit Fund.

**UNANIMOUSLY RESOLVED** that the Securities Lending Performance Review for quarter ending 30<sup>th</sup> June 2024 be noted.



**16. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 30 SEPTEMBER 2024**

**Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 13 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 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 2024. The report also included the global market background and issues for the Committee to consider.

**UNANIMOUSLY RESOLVED that the Independent Advisor Report be noted.**

**17. NORTHERN TRUST PERFORMANCE REPORT TO 30 SEPTEMBER 2024**

**Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 13 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 30 September 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 30 September 2024 be noted.**

**18. INVESTMENT MANAGER REPORTS TO 30 SEPTEMBER 2024**

**Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 13 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 30 September 2024.

- BlackRock – Quarterly Report 30 September 2024;
- Schroders – Q3 2024 Investment Report;
- Partners Group – Quarterly Report Q3 2024;
- WPP Global Growth Fund – 30 September 2024;

- WPP Global Credit Fund – 30 September 2024
- WPP Sustainable Active Equity Fund – 30 September 2024.

**UNANIMOUSLY RESOLVED** that the Investment Manager reports for the Dyfed Pension Fund as at 30 September 2024 be noted.

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CHAIR

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DATE