

DYFED PENSION FUND COMMITTEE

THURSDAY, 28 SEPTEMBER 2023

PRESENT: Councillor D.E. Williams (Chair)

Councillors (In Person):

N. Lewis

D. Thomas

Observer (Virtually):

Mr. J. Jones, Chair of the Dyfed Pension Fund Pension Board

Also Present (In Person):

C. Moore, Director of Corporate Services

R. Hemingway, Head of Financial Services

A. Parnell, Treasury & Pension Investments Manager

M. Owens, Pension Investment Officer

E. Evans, Principal Democratic Services Officer

J. Owens, Democratic Services Officer

Also Present (Virtually):

A. Brown, Independent Investment Advisor

R. Morris, Members Support Officer

Chamber - County Hall, Carmarthen. SA31 1JP and remotely - 3.00 pm - 5.11 pm

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor R. James during the meeting.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 26TH JUNE 2023

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 26th June 2023 be signed as a correct record.

4. DYFED PENSION FUND PENSION BOARD MINUTES 18 APRIL 2023

UNANIMOUSLY RESOLVED that the minutes of the Dyfed Pension Fund Pension Board meeting held on the 18th April 2023 be received.

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

5. PRE-AUDIT STATEMENT OF ACCOUNTS 2022-23

The Committee received for consideration the Pre-Audit Dyfed Pension Fund Statement of Accounts 2022-23 which detailed the financial position, performance and financial adaptability of the Fund for the reporting period.

The Committee was provided with an overview of the salient points contained within the report which considered whether the financial statement gave a true and fair view of the financial position of the Dyfed Pension Fund as at 31st March, 2023 and its income and expenditure during that year.

The Director of Corporate Services advised the Committee that Audit Wales was expected to conclude their audit by the end of October 2023, following which the Governance and Audit Committee would duly consider the Dyfed Pension Fund Statement of Accounts.

In response to a query in respect of additional voluntary contributions, it was clarified to Members that the figure represented the sum of monies paid into the Fund where members have used an element of their AVC to purchase additional pension benefits.

UNANIMOUSLY RESOLVED that the Pre-Audit Dyfed Pension Fund Statement of Accounts 2022-23 be received.

6. BUDGET MONITORING 1 APRIL 2023 - 30 JUNE 2023

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2023/24 financial year. It was noted that the current position, as at 30 June 2023, was an under spend compared to budget of £0.9m.

With regard to expenditure there was a projected underspend of £1.3m on Pensions Payable due to the variance between the estimated and actual increase in pensioner membership to date, however it was emphasised that this figure could fluctuate during the year.

The net effect of contributions and investment income was £0.4m below budget. In this regard it was clarified that contributions was forecasted to be £1.9m over budget as a result of member pensionable payroll, which was offset by investment income being £2.3m below budget.

Overall total expenditure was estimated at £121.5m and total income estimated at £122.4m which resulted in a positive cash flow position of £0.9m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April 2023 to 30th June 2023 be received.

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

7. CASH RECONCILIATION AS AT 30 JUNE 2023

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 June 2023, £7.8m 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.

8. 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.

Reference was made to the McCloud/Sargeant update whereby it was noted that good progress was being made in terms of data reconciliation and validation and query resolution had also commenced. In an update to the Committee, it was confirmed that since publication of the report, the regulations had been issued and work was ongoing by the software supplier to reflect the changes in the pensions system, and which would identify the manual intervention requirements.

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

9. 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. In this regard, the Treasury & Pension Investments Manager referred to a breach previously reported in relation to an Employer who had regularly failed to pay contributions as required into the Fund. In an update to the Committee, the report confirmed that The Pensions Regulator had also been advised that the Employer had entered into administration and the contributions owed to the Fund to the date was estimated to be £7,230.56. An assurance was provided to the Committee that ongoing discussions between the Fund and administrators were taking place in relation to the contributions owed.

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

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

10. RISK REGISTER

The Committee received for consideration the Risk Register which detailed the operational and strategic risks identified in relation to the functions of the Dyfed Pension Fund.

The Committee was advised that the risk register had been reviewed and no changes to individual risks had been identified since the previous Committee meeting.

UNANIMOUSLY RESOLVED that the risk register report be noted.

11. WALES PENSION PARTNERSHIP:

The Committee to received for consideration an update on the activities and progress of the Wales Pension Partnership as follows:

11.1. JOINT GOVERNANCE COMMITTEE UPDATE

The Wales Pension Partnership Joint Governance Committee (JGC) report provided a synopsis of the items considered at the meeting held on 19 July 2023. In response to a query raised in respect of responsible investment within the context of climate change risks, the Treasury & Pension Investments Manager confirmed that this had been an area of priority for the Dyfed Pension Fund for many years and momentum had accelerated across Constituent Authorities in Wales in recent years. The Committee commended the Authority for its proactive approach to responsible investment and the monitoring of climate related risks. A suggestion was put forth for officers to explore opportunities to raise public awareness and further promote the Authority's endeavours in this regard.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership update on the Joint Governance Committee be received.

11.2. OPERATOR UPDATE

The Committee reviewed the operator report which provided an update on the milestones and progress of the Wales Pension Partnership in relation to the Sub Funds, together with a Corporate and Engagement Update including the engagement protocol.

In considering the equities sub funds, the Committee was advised, in response to a query, that the Dyfed Pension Fund had chosen not to invest in UK Opportunities based upon the information available at the time of the equity sub funds' launch in 2018/19, and in accordance with the risk appetite of the Dyfed Pension Fund. Furthermore, the Independent Investment Advisor confirmed that the Dyfed Pension Fund had sufficient UK exposure by way of the Passive portfolio.

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

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Operator update be received.

12. TRAINING PLAN 2023-2024

The Committee received for consideration an update on the Training Plan for the period 2023-2024 which detailed the schedule of committee meetings, and training events for members and officers of the Dyfed Pension Fund.

Reference was made to the LAPFF Annual Conference scheduled to be held in Bournemouth 6 – 8 December 2023. Following discussion, it was agreed that, subject to availability, the Head of Financial Services would attend along with Cllr N. Lewis to represent the Dyfed Pension Fund Committee.

UNANIMOUSLY RESOLVED that the Training Plan for 2023/24 be noted.

13. STRATEGIC ASSET ALLOCATION REVIEW 2023

Further to the Committee meeting held on 26 June 2023 (minute 13 thereof refers), Committee considered a report which presented the findings of the strategic asset allocation (“SAA”) of the Dyfed Pension Fund investment portfolio. Committee’s attention was drawn to table 1 of the report which proposed five alternative portfolios to the Pensions Committee to optimise risk and return in accordance with the Fund’s objectives and requirements. Following detailed consideration of the review’s Portfolio Optimisation Analysis, together with the Portfolio Options and considerations, it was **UNANIMOUSLY RESOLVED THAT:**

Option 1A (a 5% allocation shift from Equity to Private Credit) be adopted for the reasons set out in the report.

14. 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.

15. EVALUATION CRITERIA - WALES PENSION PARTNERSHIP OPERATOR PROCUREMENT

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 14 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.

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

Committee reviewed the evaluation criteria and weightings in respect of the Wales Pension Partnership operator procurement process that was currently underway. It was noted that the Invitation to Tender was due to be issued mid-October 2023.

UNANIMOUSLY RESOLVED that the evaluation criteria stipulated within the report for the procurement of the Wales Pension Partnership's Operator be approved.

16. NORTHERN TRUST SECURITIES LENDING PERFORMANCE REVIEW 2022-23

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 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.

Committee received for consideration the Northern Trust Securities Lending Performance review for 2022-23 which set out information pertaining to the programme overview, market trends and observations, performance analysis and collateral analysis.

UNANIMOUSLY RESOLVED that the Northern Trust Performance Securities Lending Performance review for 2022-23 be received.

17. ROBECO ENGAGEMENT REPORT 1 JANUARY 2023 - 31 MARCH 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 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.

Committee received for consideration the Robeco engagement report for the reporting period 01 January 2023 – 31 March 2023. The report provided detailed statistics in relation to engagement activities undertaken on the WPP portfolio during the quarter, and a selection of case studies of engagement activity undertaken.

UNANIMOUSLY RESOLVED that the Robeco Engagement Report for the reporting period 01 January 2023 – 31 March 2023 be received.

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

18. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 30 JUNE 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 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 June, 2023. The report also included the global market background and issues which was considered by the Committee.

UNANIMOUSLY RESOLVED that

- 18.1 the Independent Investment Adviser Report as at 30 June 2023 be noted;**
- 18.2 for the reasons stated within the report a further £30m (1.0%) rebalance be committed to the Global Credit Fund, to be funded from the passive Emerging Markets Passive Equity portfolio.**

19. NORTHERN TRUST PERFORMANCE REPORT TO 30 JUNE 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 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 June 2023, 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 June 2023 be received.

20. INVESTMENT MANAGER REPORTS AT 30 JUNE 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 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.

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The Committee considered the investment managers reports which set out the performance of each manager as at 30th June 2023.

- BlackRock – Quarterly Report 30 June 2023;
- Schroders – Q2 2023 Investment Report;
- Partners Group – Quarterly Report Q2 2023;
- WPP Global Growth Fund – 30 June 2023;
- WPP Global Credit Fund – 30 June 2023.

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

CHAIR

DATE

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