

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