

## DYFED PENSION FUND COMMITTEE

FRIDAY, 8 OCTOBER 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;

A. Worthy – Audit Wales.

**The following Officers were in attendance:**

C. Moore, Director of Corporate Services;

R. Hemingway, Head of Financial Services;

A. Parnell, Treasury & Pension Investments Manager;

M. Owens, Pension Investment Officer;

E. Bryer, Democratic Services Officer;

J. Owen, Democratic Services Officer;

R. Morris, Members Support Officer;

S. Rees, Simultaneous Translator.

**Virtual Meeting: 10:00am - 10:55am**

**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 16<sup>TH</sup> JUNE 2021**

**RESOLVED that the minutes of the meeting of the Committee held on the 16<sup>th</sup> June, 2021 be signed as a correct record.**

**4. AUDIT OF FINANCIAL STATEMENTS REPORT 2020-21 (ISA 260)**

The Committee welcomed to the meeting Anwen Worthy from Audit Wales who presented the Audit of Financial Statements 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 March 2021 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 would be considered by the Governance and Audit Committee in due course.

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

**UNANIMOUSLY RESOLVED that the Audit of Financial Statement Report 2020-21 (ISA260) be received.**

## **5. STATEMENT OF ACCOUNTS 2020-21**

The Committee received the Statement of Accounts for 2020-21 which provided information about the financial position, performance and financial adaptability of the Fund for the year 2020-21.

The accounts presented the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The Committee considered the main accounts and reports contained within the Statement of Accounts as follows:

- The Fund Account.
- The Net Assets Statement.
- The Statement by the Consulting Actuary

The Committee was advised that following consideration by the Governance and Audit Committee the Statement of Accounts would be made available for viewing on the website in due course.

**UNANIMOUSLY RESOLVED that the Statement of Accounts 2020-21 be received.**

## **6. DYFED PENSION FUND PENSION BOARD MINUTES 16 APRIL 2021**

**UNANIMOUSLY RESOLVED that the minutes of the Dyfed Pension Fund Pension Board meeting held on the 16<sup>th</sup> April, 2021 be received.**

## **7. BUDGET MONITORING 1 APRIL 2021 - 30 JUNE 2021**

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 June 2021, forecasted an under-spend of £2m 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 1.75%. Management expenses were underspent by £317k.

With regard to income, the net effect of contributions, investment income and transfers in was an increase of £536k, mainly due to a higher than budgeted investment income being forecast.

Overall total expenditure was estimated at £102.8m and total income was estimated at £104.8m resulting in a positive cash flow position of £2m.

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1<sup>st</sup> April 2021 to 30<sup>th</sup> June 2021 be received.**

## **8. CASH RECONCILIATION AS AT 30 JUNE 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 30<sup>th</sup> June 2021, £11m 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. DRAFT INVESTMENT STRATEGY STATEMENT 2021**

The Committee received a report which provided the 2021 Draft Investment Strategy Statement for approval. The Statement of the Dyfed Pension Fund which is required by regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund's investments are managed, acts as a high-level risk register, and had been designed to be informative for all stakeholders.

The Committee expressed that it was pleasing to note the section on climate change where the fund recognised the importance in addressing the financial risks associated with climate change through its investment strategy. In addition, Dyfed Pension Fund also took account of the Wales Pension Partnership's Responsible Investment and Climate Risk policies.

Reference was made to a recent e-mail received from Divest Dyfed on divesting immediately from fossil fuels. It was reported that currently engagement with companies was a priority for the Fund, not divestment, and a balanced and informed journey on any divestments from these assets. The Director of Corporate Services stated in response to the e-mail that a meeting would be arranged with Divest Dyfed.

The Director of Corporate Services reported that the Dyfed Pension Fund Annual Consultative Meeting that took place 7<sup>th</sup> October 2021 was successful and that positive feedback had been received from the employers present.

**UNANIMOUSLY RESOLVED that the Draft Investment Strategy Statement 2021 be approved.**

## **10. UPDATED FUNDING STRATEGY STATEMENT**

The Committee received a report which provided the updated Funding Strategy Statement for approval.

It was reported that the Statement had been updated to reflect the new employer flexibilities of Debt Spreading Arrangements and Deferred Debt Agreements.

The Funding Strategy Statement sets out a clear and transparent funding strategy that identified how each Fund employer's pension liabilities would be met going forward.

**UNANIMOUSLY RESOLVED that the Updated Funding Strategy Statement be approved.**

## **11. 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, new employer, breaches register, i-Connect, GMP reconciliation and workflows.

The Committee noted that Adapt had become a scheme employer on 11<sup>th</sup> June 2021 following a TUPE transfer of staff and that a bond was in place to cover liabilities.

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

## **12. BREACHES REPORT 2021-2022**

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 couple of instances where employee/employer contributions had not been received on time. No report had had to be sent to the Pensions Regulator.

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

### **13. RISK REGISTER 2021-2022**

The Committee was advised that the Risk Register 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 and there had been no changes since the previous committee meeting.

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.**

### **14. OPERATOR UPDATE**

The Committee received a progress update report of the Wales Pension Partnership (WPP), which included the following key areas:-

- Current Fund Holdings
- Fund Launch Progress
- Link / Russell Investments Corporate Update and Engagement

The report included the milestones of the following Sub Funds together with the current fund holdings, fund launch progress and LFS corporate update and engagement as follows:-

- Tranche 1 – Global Equity
- Tranche 2 – UK Equity
- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets

In addition, the Committee considered the Corporate and Engagement update including the engagement protocol and key meeting dates.

**UNANIMOUSLY RESOLVED that the Operator Update report be received and the milestones and progress of the Wales Pension Partnership be noted.**

**15. TRAINING PLAN 2021-2022**

The Committee received for consideration an update on 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 update be noted.

**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 TO 30 JUNE 2021**

**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 30 June, 2021.

**UNANIMOUSLY RESOLVED** that the Independent Investment Adviser Report as at 31 March 2021 be noted.

**18. EQUITY RESTRUCTURE PHASE II**

**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 a report on the Equity Restructure Phase II which provided proposals regarding the second phase of the Fund's proposed actions aimed at reducing carbon footprint and improving the cashflow generated from the portfolio.

**UNANIMOUSLY RESOLVED** that the proposals as set out in the Equity Restructure Phase II report be approved.

**19. NORTHERN TRUST PERFORMANCE REPORT 30 JUNE 2021**

**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 30 June 2021, 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 2021 be received.**

**20. INVESTMENT MANAGER REPORTS TO 30 JUNE 2021**

**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 performance of each manager as at 30<sup>th</sup> June 2021.

BlackRock – Quarterly Report 30<sup>th</sup> June 2021  
Schroders – Q2 2021 Investment Report  
Partners Group – Quarterly Financials June 2021  
WPP Global Growth Fund – 30<sup>th</sup> June 2021  
WPP Global Credit Fund – 30<sup>th</sup> June 2021

**UNANIMOUSLY RESOLVED that the Investment Manager reports for the Dyfed Pension Fund be received.**

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**CHAIR**

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**DATE**