

Dyfed Pension Fund Committee

Tuesday, 29 March 2022

PRESENT: Councillor D.E. Williams (Chair)

Councillors:

D.M. Cundy and T.J. Jones

Also in attendance:

A. Brown, Independent Investment Adviser

E. Gough, Link Group

P. Ritchie, Link Group

J. Leggate, Russell Investments

T. Paik, Russell Investments

H Ravanas, Russell Investments

P. Bortoli, Russell Investments

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

K. Gerard, Pensions Manager

S. Rees, Simultaneous Translator

M.S. Davies, Democratic Services Officer

R. Morris, Members Support Officer

E. Bryer, Democratic Services Officer

Virtual Meeting - 10.30 am - 12.30 pm

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF PERSONAL INTERESTS

Councillor	Minute Number	Nature of Interest
Cllr. D.E. Williams	All agenda items	Member of the Dyfed Pension Fund
Cllr. D.M. Cundy	All agenda items	Member of the Dyfed Pension Fund
Cllr. T.J. Jones	All agenda items	Member of the Dyfed Pension Fund

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 3RD DECEMBER 2021

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 3rd December, 2021 be signed as a correct record.

4. DYFED PENSION FUND PENSION BOARD MINUTES 9TH NOVEMBER 2021

UNANIMOUSLY RESOLVED that the minutes of the Dyfed Pension Fund Pension Board meeting held on the 9th November, 2021 be received.

5. BUDGET MONITORING 1 APRIL 2021 - 31 DECEMBER 2021

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2021/22 financial year. It was noted that the current position, as at 31 December 2021, forecasted an under-spend of £5.6m in cash terms.

With regard to expenditure, the net effect of Benefits Payable and Transfers Out was an under spend of £1.8m. That was mainly due to an increase of 3% built in at budget setting for pensioners, the projected increase for the year was 1%. Management expenses were projected to be overspent by £739k resulting in expenditure being lower than budgeted by £1.1m.

With regard to income, the net effect of contributions and investment income was an increase of £4.5m, mainly due to higher than budgeted investment income forecast.

Overall total expenditure was estimated at £103.3m and total income estimated at £108.9m resulting in a positive cash flow position of £5.6m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April 2021 to 31st December 2021 be received.

6. DYFED PENSION FUND BUDGET 2022-2023

The Committee considered the Dyfed Pension Fund Budget for 2022-23. It was noted that the cash related expenditure for 2022-23 had been set at £107.8m and the cash related income at £107.8m, resulting in a net budget of £0 which provided the Fund with flexibility to utilise investment income based on cash flow requirements.

With regard to expenditure levels, the Committee noted that benefits payable had been estimated to be £93.9m which included provision for a 3.1% pensions increase, based on the September 2021 CPI together with a 1.9% net effect for new pensioner members and deferred members.

Management expenses had been estimated at £10.8m, of which £8.5m had been budgeted for investment manager fees.

It was noted that Investment income was estimated at £13.4m to maintain a cash neutral budget so that the fund was not holding onto surplus cash that could be invested.

The non-cash related budget had been set at £50m based on an estimate of the realised gains and losses for individual manager portfolio rebalances and sales and purchases within the property portfolios.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget for 2022-23 be approved.

7. CASH RECONCILIATION AS AT 31 DECEMBER 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 31 December 2021, £3.7m 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.

In response to a question regarding a deadline when all employers would be active on i-Connect, the Pensions Manager advised that timescales were dictated by employers being able to produce an extract in a specified format in order to directly load into the pensions system.

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

9. 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 few instances where employee/employer contributions had not been received on time. No report had been sent to the Pensions Regulator as there were no implications of those breaches.

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

10. RISK REGISTER

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. It was advised that the risk register for 2021-2022 had been reviewed to ensure risks had been identified and assessed.

Risks number CSV400035 - Coronavirus – COVID19 and CSV40003 - Global financial markets impacted by economic climate, national/global austerity measures and geopolitical events were brought to the Committee's attention.

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.

11. RESPONSIBLE INVESTMENT UPDATE

The Committee received for consideration an update on the Fund's activity and progress in terms of Responsible Investment.

The report provided an update on governance, stewardship (Engagement / Communication) and progress to date.

UNANIMOUSLY RESOLVED that the Responsible Investment Update in relation to the Dyfed Pension Fund be noted.

12. DRAFT RESPONSIBLE INVESTMENT POLICY

The Committee received for consideration the Dyfed Pension Fund Draft Responsible Investment Policy.

The Policy included the following items:

- Introduction
- Responsible Investment
- Investment Beliefs
- Role of the Pension Board
- Stock Lending
- Engagement
- Climate Change
- Human Rights

In response to a request for reference to be made to ethical investment in addition to responsible investment it was stated that this was implied but consideration would be given to include ethical investments.

UNANIMOUSLY RESOLVED that the Dyfed Pension Scheme Draft Responsible Investment Policy be approved.

13. BUSINESS PLAN 2022 - 2023

The Committee received for consideration the Dyfed Pension Fund Business Plan for the period 2022-2023 detailing how the Fund was to achieve its goals and set out the plans from a marketing, financial and operational viewpoint.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Business Plan for the period 2022-23 be approved.

14. TRAINING PLAN 2022-2023

The Committee received for consideration the Training Plan for the period 2022-2023 detailing meetings, training events and the members and officers anticipated to attend the events.

UNANIMOUSLY RESOLVED that the Training Plan for the period 2022-23 be approved.

15. WALES PENSION PARTNERSHIP (WPP) BUSINESS PLAN 2022-2025

The Committee received for consideration the Wales Pension Partnership Business Plan for the period 2022-2025 detailing how the Fund was to achieve its objectives and ensuring the allocation of sufficient resources to meet those objectives.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Business Plan for the period 2022-25 be approved.

16. WALES PENSION PARTNERSHIP (WPP) - OPERATOR UPDATE

The Committee welcomed to the meeting Eamonn Gough, Peter Ritchie, Helena Hui Ravanans, Jim Leggate, Taran Paik and Paddy Bortoli, of Link and Russell and received an update report on the Wales Pension Partnership (WPP), on the milestones and progress of both the following Sub Funds together with the Engagement Protocol and the key meeting dates:-

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

The Committee noted the current Global Growth equity totalled £3.47b and the Global Credit Fund £810m.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Link and Russell Update be received.

17. 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.

18. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 31 DECEMBER 2021

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 17 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 31 December, 2021.

The report also included the global market background and issues for consideration.

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

19. NORTHERN TRUST PERFORMANCE REPORT TO 31 DECEMBER 2021

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 17 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 31 December 2021, 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 December 2021 be received.

20. INVESTMENT MANAGER REPORTS TO 31 DECEMBER 2021

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 17 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 the performance of each manager as at 31 December 2021.

- BlackRock – Quarterly Report 31 December 2021
- Schroders – Q4 2021 Investment Report
- Partners Group – Quarterly Financials October to December 2021
- WPP Global Growth Fund – 31 December 2021

- WPP Global Credit Fund – 31 December 2021

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

CHAIR

DATE