

Dyfed Pension Fund Committee

Tuesday, 28 June 2022

PRESENT: Councillor D.E. Williams (Chair)

Councillors:

D. Thomas, R. James and D. Owen (Observer)

Also in attendance:

A. Brown – Independent Investment Advisor

J. Blewitt – 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

K. Gerard, Pensions Manager

M. Owens, Pension Investment Officer

S. Rees, Simultaneous Translator

E. Evans, Principal Democratic Services Officer

M.S. Davies, Democratic Services Officer

E. Bryer, Democratic Services Officer

Virtual Meeting - 2.20 pm - 4.30 pm

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

The Chair welcomed the new Committee Members to the meeting.

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. Thomas	All agenda items	Member of the Dyfed Pension Fund
Cllr. R. James	All agenda items	Member of the Dyfed Pension Fund

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 29TH MARCH, 2022

RESOLVED that the minutes of the meeting of the Committee held on the 29th March, 2022 be signed as a correct record.

4. 2022 AUDIT PLAN

The Committee welcomed to the meeting Jason Blewitt from Audit Wales who presented the report on the 2022 Audit Plan for the Dyfed Pension Fund to the

Committee. The Plan set out the proposed scope, when to be undertaken, cost and responsibilities.

The Committee was advised that Audit Wales was responsible for issuing the report on the accounting statements which included an opinion on their 'truth and fairness'. This ensured assurance that the accounts would:

- be free from material misstatement, whether caused by fraud or error
- complied with statutory and other applicable requirements and
- complied with all relevant requirements for accounting presentation and disclosure.

The Committee's attention was drawn to the fee that had increased by approximately £3,000. It was asked if this fee was competitive with other organisations. Audit Wales confirmed that it was a competitive fee.

UNANIMOUSLY RESOLVED that the 2022 Audit Plan be approved.

5. DYFED PENSION FUND PENSION BOARD MINUTES 25TH JANUARY, 2022

UNANIMOUSLY RESOLVED that the minutes of the Dyfed Pension Fund Pension Board meeting held on the 25th January, 2022 be received.

6. FINAL BUDGETARY POSITION 2021-2022

The Committee received the final Dyfed Pension Fund Budgetary position for 2021-22 as at 31st March 2022 which showed an underspend compared to budget of £6.5m on cash items.

It was noted that management expenses showed an over-spend of £433k which resulted in expenditure of £886k more than budgeted. Total expenditure had been £105.2m and total income had been £111.7m.

It was asked if there was a cap on the lump sum payable to members of the pension fund. The Committee was advised that the fund was part of a defined benefit scheme and that benefits would be paid according to the regulations. It was stated that HMRC set the limit for the amount of tax-free lump sum payable.

UNANIMOUSLY RESOLVED that the final Dyfed Pension Fund Final Budgetary Position Report as at the 31st March 2022 be received.

7. CASH RECONCILIATION AS AT 31 MARCH 2022

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 March 2022, £4.5m 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. ADMINISTRATION UPDATES

8.1. 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.

For the benefit of new committee members, a briefing was provided regarding the McCloud judgement.

The report confirmed that the UK Technical Group had identified a deterioration in service levels by Pru funds nationally. This had been raised at the Local Government Pensions Committee and the National Scheme Advisory Board.

The report highlighted the recommendation to DLUHC to remove the age 75 barrier to the payment of a survivors death grant to mirror amendments made by other public sector schemes.

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

8.2. PRU COMMUNICATION

The Committee received correspondence that had been received from Pru in relation to administration delays for Local Government AVCs. The correspondence included:

- Acknowledgement of delays
- Description of problems
- Action taken to improve service
- Expected timescales for resumption of normal service

UNANIMOUSLY RESOLVED that the Pru Correspondence in relation to their administration delays for Local Government AVCs be noted.

9. BREACHES REPORT 2022-2023

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 to be sent to the Pensions Regulator.

In response to a question regarding why company names were not included on the report it was advised that this was due to confidentiality. If there were persistent breaches, they would be reported accordingly.

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 had been reviewed and there had been no changes since the previous committee meeting. The risks would continue to be reviewed and any amendments would be drawn to the Committee's attention.

It was noted that the risks were split between administration and investment and governance aspects of the Dyfed Pension Fund.

In response to risk CSV400036 (Global financial markets impacted by economic climate, national/global austerity measures and geopolitical events) it was asked if a report could be provided to the Committee regarding the global market situation and the mitigations in place. The Treasury and Pension Investments Manager advised that arrangements would be made in conjunction with the Investment Advisor and Director of Corporate Services to provide more detail on the mitigation of global market events at the next committee meeting.

UNANIMOUSLY RESOLVED that the risk register report be approved.

11. TRAINING PLAN 2022-2023

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

12. CARBON FOOTPRINT UPDATE

The Committee received for consideration an update on the activity and progress in terms of the Fund's Carbon Footprint position.

The update illustrated the Weighted Average Carbon Intensity for the Fund's equity portfolio and showed that the fund had reduced its carbon footprint from a baseline of 147 WACI at September 2020 to 127 WACI at March 2022.

In response to a question the Committee was advised that the key difference in the data between December and March was due to carbon intensive sectors performing well. It was noted that updated carbon intensity data for WPP funds were not yet available and that March 2021 data had been included. It was anticipated that there would be some improvement in the carbon intensity of WPP funds over that period.

Officers were asked when the fund would reach the carbon neutral target. The Committee was advised that the data had not been modelled that far ahead however mathematically if there was a 7% yearly reduction, carbon intensity would be halved by 2030 and the fund would be carbon neutral by 2050.

It was asked if other pension funds used the same measurement of data and if that data was available for Dyfed Pension Fund to compare its position against. The Committee was advised that some were using the same or similar calculations and others were not using any calculations. Comparative data from other funds were not currently available unless published with committee agendas. It was noted that there would be a future requirement for a Task Force on Climate-Related Financial Disclosure Report and that this would provide a consistent measurement across the LGPS.

In response to a question regarding the employment of a second advisor specialising in climate change, it was stated that as 70% of the Fund's investments were pooled in WPP it would be prudent for WPP's advisors to provide this resource across all Welsh funds instead of employing a specialist advisor in each fund. It was confirmed that an additional resource on Responsible Investment had been included in the WPP budget. A progress report would be provided to the Committee in the near future.

UNANIMOUSLY RESOLVED that the Carbon Footprint Update in relation to the Dyfed Pension Fund be noted.

13. 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.

14. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 31 MARCH 2022

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 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 March, 2022.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 31 March 2022 be noted.

15. NORTHERN TRUST PERFORMANCE REPORT TO 31 MARCH 2022

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 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 March 2022, 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 31 March 2022 be received.

16. INVESTMENT MANAGER REPORTS TO 31 MARCH 2022

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 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 31st March 2022.

- BlackRock – Quarterly Report 31 March 2022;
- Schroders – Q1 2022 Investment Report;
- Partners Group – Quarterly Report Q1 2022;
- WPP Global Growth Fund – 31 March 2022;
- WPP Global Credit Fund – 31 March 2022.

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

CHAIR

DATE