

DYFED PENSION FUND COMMITTEE

TUESDAY, 28 MARCH 2023

PRESENT: Councillor D.E. Williams (Chair)(In Person);

Councillors (Virtually):

D. Thomas and R. James;

Also in attendance (In Person):

A. Brown – Independent Investment Advisor;

J. Brown – Russell Investments;

A. Quinn – Russell Investments;

J. Zealander – LINK Group;

Also in attendance (Virtually):

J. Blewitt – Audit Wales;

The following Officers were in attendance:

C. Moore, Director of Corporate Services;

K. Gerard, Pensions Manager;

A. Parnell, Treasury & Pension Investments Manager;

M. Owens, Pension Investment Officer;

S. Rees, Simultaneous Translator;

M.S. Davies, Democratic Services Officer;

The following Officers were in attendance (Virtually):

R. Hemingway, Head of Financial Services.

Chamber, County Hall, Carmarthen and remotely: 10.00 am - 12.00 pm

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 23RD NOVEMBER 2022

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 23rd November, 2022 be signed as a correct record.

4. DYFED PENSION FUND PENSION BOARD MINUTES 18TH OCTOBER 2022

UNANIMOUSLY RESOLVED that the minutes of the Dyfed Pension Fund Pension Board meeting held on the 18th October, 2022 be received.

5. **OUTLINE AUDIT PLAN 2023**

The Committee welcomed to the meeting Jason Blewitt from Audit Wales who presented the Outline Audit Plan 2023 for the Dyfed Pension Fund which detailed the following:

- Audit responsibilities;
- Fees and audit team;
- Audit timeline;
- Audit quality;
- Key changes to ISA315 and the potential impact on the Fund.

In an update to the circulated report the Committee was advised that due to resource pressures within Audit Wales the deadline for the signing off of audited accounts for 2022/23 had been set at 30th November 2023 but there was a commitment to bring forward that deadline over subsequent years. Additionally, following a fee consultation, there would be a 4.8% increase in fees for some financial and performance audits and a 10.2% increase for ISA 315 financial audit work resulting in a 15% increase overall of the financial audit element of the fee. Letters detailing the increases would shortly be sent out to all Section 151 Officers.

UNANIMOUSLY RESOLVED that the Outline Audit Plan 2023 be approved.

6. **BUDGET MONITORING 1 APRIL 2022 - 31 DECEMBER 2022**

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2022/23 financial year. It was noted that the current position, as at 31st December 2022, forecasted an under-spend of £6.9m in cash terms.

Expenditure was projected to be overspent by £1m. Benefits payable were forecast to be £1.4m more than budget and management expenses were forecast to be £714k lower than budget.

In terms of income, the net effect of contributions and investment income was an increase of £7.9m, due mainly to higher than budgeted investment income forecast.

Overall total expenditure was estimated at £108.8m and total income estimated at £115.7m resulting in a positive cash flow position of £6.9m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April 2022 to 31st December 2022 be received.

7. **DYFED PENSION FUND BUDGET 2023-2024**

The Committee considered the Dyfed Pension Fund Budget for 2023-24. It was noted that the cash related expenditure for 2023-24 had been set at £122.8m and the cash related income at £122.8m, 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 £108.9m which included provision for a 10.1% pensions

increase, based on the September 2022 CPI together with a 2.5% net effect for new pensioner members and deferred members.

Management expenses had been estimated at £10.2m, of which £7.95m had been budgeted for investment manager fees.

It was noted that Investment income was estimated at £24.2m 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 2023-24 be approved.

8. CASH RECONCILIATION AS AT 31 DECEMBER 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 31st December, 2022, £3.2m 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. 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, Data Quality reports and workflows.

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

10. BREACHES REPORT 2022-2023

The Committee received for consideration the Breaches Report in relation to the Dyfed Pension Fund. It was 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 provided guidance on reporting these breaches.

The Dyfed Pension Fund Breaches Policy had been 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. A report would be sent to The Pensions Regulator in relation to an employer who had regularly missed payments and failed to provide documentation. This employer owed the Fund £3,433.42 for the period 1 September 2022 – 31 January 2023.

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

11. 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. Since the previous Committee meeting the Risk Register had been reviewed and the following two risks had been amended:

- DPFOP0010 (Failure to appropriately attract, manage, develop, and retain staff at all levels) – the uncontrolled risk had been updated to reflect a high risk (previously scored as medium risk) and the controlled risk had been updated to reflect medium risk (previously low risk). An additional control had been inserted stating that the Carmarthenshire County Council recruitment and retention policy is implemented;
- DPFOP0017 – the nature of risk had been expanded from a failure to meet statutory deadlines leading to qualification of the accounts, to a broader risk including failure to maintain robust working papers which did not provide assurance of the accuracy of the accounts. An additional control had been inserted being attendance at CIPFA Pension Fund Accounts training and the review of CIPFA Pension Fund example accounts.

UNANIMOUSLY RESOLVED that the risk register report be approved.

12. DRAFT FUNDING STRATEGY STATEMENT

The Committee received for consideration the Draft Funding Strategy Statement (“FSS”) which established a clear and transparent funding strategy that would identify how each Fund employer’s pension liabilities were to be met going forward. It was noted that all interested parties connected with the Dyfed Pension Fund had been consulted and given opportunity to comment prior to Statement being finalised and adopted.

UNANIMOUSLY RESOLVED that the Draft Funding Strategy Statement be approved.

13. BUSINESS PLAN 2023-2024

The Committee received for consideration the Dyfed Pension Fund Business Plan for the period 2023-2024 which detailed how the Fund would 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 2023-24 be approved.

14. WALES PENSION PARTNERSHIP (WPP) BUSINESS PLAN 2023-2026

The Committee received for consideration the Wales Pension Partnership Business Plan for the period 2023-2026 detailing how the Fund would achieve its objectives and ensuring the allocation of sufficient resources to meet those objectives.

UNANIMOUSLY RESOLVED, subject to approval by the WPP Joint Governance Committee, that the Wales Pension Partnership Business Plan for the period 2023-26 be approved.

15. WALES PENSION PARTNERSHIP (WPP) - OPERATOR UPDATE

The Chair welcomed representatives from the LINK Group and Russell Investments who presented update reports on the milestones and progress of Wales Pension Partnership (WPP) including the following Sub Funds:-

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

UNANIMOUSLY RESOLVED that the updates on the milestones and progress of the Wales Pension Partnership be received.

16. TRAINING PLAN

The Committee received for consideration the final Training Plan for 2022-2023 and the new Training Plan for 2023-2024 detailing the schedule of Committee meetings and training events for members and officers of the Dyfed Pension Fund.

UNANIMOUSLY RESOLVED to note the Training Plan 2022-2023 and approve the Training Plan 2023-2024.

17. 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.

18. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 31 DECEMBER 2022

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 31st December, 2022.

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

UNANIMOUSLY RESOLVED

18.1 that the Independent Investment Adviser Report as at 31st December 2022 be noted;

18.2 that, for the reasons indicated in the report, £50m equity be sold from the UK passive portfolio and reinvested in the WPP Global Credit portfolio, and that delegated authority be given to the Director of Corporate Services to rebalance the portfolio, within strict rebalancing rules, to ensure smaller tactical rebalances can occur in a timely fashion.

19. NORTHERN TRUST PERFORMANCE REPORT TO 31 DECEMBER 2022

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 31st December 2022, 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 31st December 2022 be received.

20. INVESTMENT MANAGER REPORTS TO 31 DECEMBER 2022

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 31st December 2022.

- BlackRock – Quarterly Report 31 December 2022;
- Schroders – Q4 2022 Investment Report;
- Partners Group – Quarterly Financials Q4 2022;
- WPP Global Growth Fund – 31 December 2022;
- WPP Global Credit Fund – 31 December 2022.

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

CHAIR

DATE