

DYFED PENSION FUND COMMITTEE

MONDAY, 26 JUNE 2023

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

Councillors (Virtually):

D. Thomas R. James

Also in attendance (Virtually):

J. Blewitt – Audit Wales
A. Brown - Independent Investment Advisor

Also Present (In Person):

C. Moore, Director of Corporate Services
A. Parnell, Treasury & Pension Investments Manager
M. Owens, Pension Investment Officer
J. Owens, Democratic Services Officer
R. Morris, Members Support Officer
S. Rees, Simultaneous Translator

Also Present (Virtually):

M. Runeckles, Members Support Officer

Chamber - County Hall, Carmarthen. SA31 1JP and remotely - 10.07 - 11.25 am

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor N. Lewis, who was scheduled to attend as an observer in his capacity as a substitute member of the Committee.

2. DECLARATIONS OF PERSONAL INTERESTS

| Councillor / Officer | Minute Number | Nature of Interest |
|-----------------------------|---------------------------------------|---|
| Mr A. Brown* | 13. Strategic Asset Allocation Review | Works as Independent Investment Advisor at MJ Hudson. |

*Declaration made at the commencement of item 13.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 28 MARCH 2023

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 28th March 2023 be signed as a correct record.

Note: These minutes are subject to confirmation at the next meeting.

4. DYFED PENSION FUND PENSION BOARD MINUTES - 12 JANUARY 2023

UNANIMOUSLY RESOLVED that the minutes of the Dyfed Pension Fund Pension Board meeting held on the 12th January 2023 be received.

5. DETAILED AUDIT PLAN 2023

The Committee welcomed to the meeting Jason Blewitt from Audit Wales who presented the Detailed Audit Plan 2023 for the Dyfed Pension Fund which specified the statutory responsibilities of the external auditor and fulfilled the obligations under the Code of Audit Practice. The Audit Plan set out the audit work to be undertaken to address the audit risks identified and other key areas of focus during 2023, stipulated the estimated audit fee and also provided details of the audit team and the key dates for delivering the audit team's activities and planned outputs.

During consideration of the financial statements audit timetable the Committee was advised that the deadline for the signing off of the audited accounts for 2022/23 had been set at 30th November 2023, however there was a commitment to gradually bring forward that deadline over subsequent years to return to pre-pandemic timescales.

The Committee's attention was referred to the estimated audit fee, whereby it was noted that the rates for 2023-24 had increased by 4.8% for inflationary pressures. In addition, the financial audit fee would further increase by 10.2% to take account of the impact of the revised auditing standard ISA 315 on the Auditor General's financial audit approach, as set out at Appendix 1 to the report. In this regard it was clarified that the revised ISA 315 standard required a richer skill mix of auditors to undertake the additional work associated with the planning and risk assessment stage.

UNANIMOUSLY RESOLVED that the Detailed Audit Plan 2023 be approved.

6. FINAL BUDGETARY POSITION 2022-2023

The Committee received the final Dyfed Pension Fund Budgetary position for 2022-23 as at 31st March 2023 which showed an underspend compared to budget of £7.2m. Total expenditure had been £113.2m and total income had been £120.4m.

In response to a query, the Pension Investment Officer clarified that the £6.9m over expenditure in respect of benefits payable and transfers out of the fund was attributable, in the main, to higher than anticipated expenditure in terms of lump sum retirements, death benefits and transfers out of the Fund. The budget for 2023/24 had been increased in terms of estimated lump sums and death grant payments. The Treasury & Pension Investments Manager added that budget estimations were based on the age profile of the workforce, however the actual number of retirees for the year ahead was unknown at the budget planning stage

Note: These minutes are subject to confirmation at the next meeting.

and in this regard it was acknowledged that external factors could have a substantial impact on the budget.

UNANIMOUSLY RESOLVED that the final Dyfed Pension Fund Final Budgetary Position Report as at the 31st March 2023 be received.

7. CASH RECONCILIATION AS AT 31 MARCH 2023

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 2023, £6.6m 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.

Reference was made to the McCloud/Sargeant update whereby it was noted that the regulations were expected to be issued in September 2023 for implementation by 1st October 2023. In response to the concerns raised by the committee regarding the short timescales involved, the Director of Corporate Services provided an assurance that work was ongoing in the Authority to prepare for the new regulations and it was anticipated that manual intervention would be required until software systems had been amended.

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

9. BREACHES REPORT

The Committee received for consideration the Breaches Report in relation to the Dyfed Pension Fund which had been prepared in accordance with Section 70 of the Pension Act 2004, Code of Practice no 14 and the Dyfed Pension Fund Breaches Policy.

The Committee's attention was referred to the list of breaches appended to the report which detailed the instances where employee/employer contributions had not been received on time.

The Treasury & Pension Investments Manager referred to a breach reported at the last meeting and confirmed that a report had been sent to The Pensions Regulator in relation to an Employer who had regularly missed payments for the

Note: These minutes are subject to confirmation at the next meeting.

period 1 September 2022 – 31 January 2023 and failed to provide documentation. It was reported that the Employer was now also in breach for the period 1 February 2023 - 30 April 2023 and the total contributions owed to the Fund by the Employer was now estimated to be £6,417.36. Accordingly, the breach for the period 1 February 2023 - 30 April 2023 had also subsequently been reported to The Pensions Regulator. In an update to the Committee, it was confirmed that this Employer, namely Burry Port Marina Ltd, had since entered into Administration and the Authority was dealing with the company in respect of wider issues.

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

10. RISK REGISTER

The Committee received for consideration the Risk Register which detailed the operational and strategic risks identified in relation to the functions of the Dyfed Pension Fund.

The Committee was advised that the risk register had been reviewed and no changes to individual risks had been identified since the previous Committee meeting.

UNANIMOUSLY RESOLVED that the risk register report be approved.

11. WALES PENSION PARTNERSHIP (WPP):

The Committee to received for consideration an update on the activities and progress of the Wales Pension Partnership as follows:

11.1. JGC UPDATE

The Wales Pension Partnership Joint Governance Committee (JGC) report provided a synopsis of the items considered at the meeting held on 29 March 2023. Reference was made to the Wales Pension Partnership Training Plan for 2023/24 whereby members were urged to attend all training sessions relevant to the Committee.

In response to a query, the Treasury & Pension Investments Manager agreed to make further enquiries regarding a recent press article in respect of the Wales Pension Partnership interaction with private equity finance. A seminar on this issue could be provided to members if appropriate.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership update on the Joint Governance Committee be received.

Note: These minutes are subject to confirmation at the next meeting.

11.2. OPERATOR UPDATE

The Committee reviewed the operator report which provided an update on the milestones and of the Wales Pension Partnership in relation to the Sub Funds together with a Corporate and Engagement Update including the engagement protocol.

In response to an observation by a member, the Treasury & Pension Investments Manager clarified that sub fund investment allocations was based upon the risk profile and the asset allocation structures of the respective Pension Committees.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Operator update be received.

12. TRAINING PLAN 2023-2024

The Committee received for consideration an update on the Training Plan for the period 2023-2024 which detailed the schedule of committee meetings, and training events for members and officers of the Dyfed Pension Fund.

UNANIMOUSLY RESOLVED that the Training Plan for 2023/24 be noted.

13. STRATEGIC ASSET ALLOCATION (SAA) REVIEW

[Note: At this point in proceedings, Mr A. Brown declared a personal interest in this item and left the meeting during the consideration and voting thereof.]

Further to the outcome of the 2022 Triennial Valuation, consideration was given to a report which sought the Committee's approval to commence a Strategic Asset Allocation (SAA) Review of the investment portfolio. The review would provide recommendations as to where any portfolio optimisation may be implemented to meet the Fund's objectives and requirements.

It was noted that several investment consultants had significant experience to undertake this review including MJ Hudson (APEX Group), who was the Fund's Independent Investment Advisors and had recently completed a similar exercise for a number of other Local Authority Pension Funds. It was considered that MJ Hudson's detailed knowledge and understanding of the Fund, together with the resources available to them would increase the likelihood that the review would be conducted efficiently and to a high standard. It was also emphasised that any recommendations would be relevant to the Fund's risk appetite.

The Committee reviewed the proposed fee of £19,750 which was considered competitive compared with the other investment consultants. The Director of Corporate Services advised that the appointment of MJ Hudson would be subject to authorisation of a procurement exemption in line with the Authority's procedures.

UNANIMOUSLY RESOLVED that the work associated with the Strategic Asset Allocation Review be approved.

Note: These minutes are subject to confirmation at the next meeting.

14. CARBON INTENSITY ANALYSIS

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 102 WACI at March 2023.

The significant reduction during the last year was reflective of the Committee's decisions made in 2022/23 to invest 5% allocation into WPP Global Sustainable Equity (funded from UK and EM passive equity) and £50m rebalance from UK passive equity into WPP Global Credit.

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

15. 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.

16. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 31 MARCH 2023

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 15 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, 2023. The report also included the global market background and issues which was considered by the Committee.

UNANIMOUSLY RESOLVED that

16.1 the Independent Investment Adviser Report as at 31 March 2023 be noted;

Note: These minutes are subject to confirmation at the next meeting.

16.2 for the reasons stated within the report a total of £100m be committed to the WPP / GCM Infrastructure Fund, with the first £50m being funded from the passive European Equity portfolio as required. A determination on the funding source for the next £50m to be made when required which potentially would be March 2024.

17. NORTHERN TRUST PERFORMANCE REPORT TO 31 MARCH 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 15 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 2023, 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 2023 be received.

18. INVESTMENT MANAGER REPORTS AT 31 MARCH 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 15 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 2023.

- BlackRock – Quarterly Report 31 March 2023;
- Schroders – Q1 2023 Investment Report;
- Partners Group – Quarterly Report Q1 2023;
- WPP Global Growth Fund – 31 March 2023;
- WPP Global Credit Fund – 31 March 2023.

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

CHAIR

DATE

Note: These minutes are subject to confirmation at the next meeting.