

DYFED PENSION FUND PENSION BOARD

TUESDAY, 18 APRIL 2023

PRESENT: Mr J. Jones (Chair);

Councillors (In Person):

M. Evans - Member Representative;
P. Ashley-Jones - Employer Member Representative;
Councillor A. Lenny – Employer Member Representative;
Councillor Wyn Thomas, Employer Representative;
M. Rodgers, Pensioner Member Representative;
T. Bowler, Union Member Representative;

Also present as an observer (Virtually):

Councillor D.E. Williams – Chair of the Dyfed Pension Fund Committee;

Also Present (In Person):

C. Moore, Director of Corporate Services;
K. Gerard, Pensions Manager;
A. Parnell, Treasury & Pension Investments Manager;
J. Williams, Assistant Accountant;
S. Rees, Simultaneous Translator;
J. Owen, Democratic Services Officer.

Also in attendance (Virtually):

Mr. A. Brown – Independent Investment Advisor.

Chamber, County Hall, Carmarthen, SA31 1JP and remotely: 2:00pm - 3.52pm

1. APOLOGIES FOR ABSENCE

There were no apologies.

2. DECLARATIONS OF PERSONAL INTEREST

There were no declarations of personal interest made at the meeting.

3. MINUTES OF THE PENSION BOARD MEETING HELD ON THE 12TH JANUARY 2023.

AGREED that the minutes of the meeting for the Pension Board held on the 12th January 2023 be confirmed as a correct record.

4. DYFED PENSION FUND COMMITTEE 28TH MARCH 2023.

The Board received, for consideration and comment, the reports considered by the Dyfed Pension Fund Committee on the 28th March 2023, as referred to in minutes 4.1- 4.13 below.

4.1. OUTLINE AUDIT PLAN 2023

The Board received 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.

The Board noted an update where it 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 AGREED that the Outline Audit Plan 2023 be received.

4.2. BUDGET MONITORING 1 APRIL 2022 - 31 DECEMBER 2022

The Board 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.

It was reported that the 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.

A query was raised in respect of the transfers and that they seemed to be higher than normal, the Treasury & Pension Investments Manager stated that he would explore further.

In response to a query raised regarding the return of Black Rock fund and whether this would be maintained going forward, the Treasury & Pension Investments Manager stated that whilst the return would fluctuate depending on inflation and interest rates, it was pleasing to report that currently the return was higher than anticipated. The team was in regular meetings with Black Rock in order to keep abreast of developments.

UNANIMOUSLY AGREED that the report be noted.

4.3. BUDGET 2023-2024

The Board 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.

The Board 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 AGREED that the report be noted.

4.4. CASH RECONCILIATION AS AT 31 DECEMBER 2022

The Board 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 AGREED that the report be noted.

4.5. PENSIONS ADMINISTRATION REPORT

The Board 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.

- It was acknowledged that Ceredigion and Coleg Sir Gâr were working together in respect of i-connect, however an update on the position of Mid and West Wales Fire and Rescue and Dyfed Powys Police as significant employers was sought. The Pensions Manager explained that over 95% of scheme members were already signed onto i-connect and that both the fire service and police only had a small number of LGPS members. However, discussions were currently taking place with Dyfed Powys Police in regard to the receipt of the data in the required format.
- Reference was made to the 'Work Outstanding' signified within the bar charts of the report. In response to a query raised on reducing the number of outstanding work, the Pensions Manager explained that the challenge lay with transfers, as it was within the control of the scheme member and the provider with a completion time of up to 6 months to complete.

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

4.6. BREACHES REPORT 2022-23

The Board 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 Board 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.

- In response to a query raised, the Director of Corporate Services explained that should the employer not pay the full amount, the impact would be borne by the fund. The entitlement of the employee was protected by the regulations from Central Government and therefore there would be no jeopardy to the employee.

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

4.7. RISK REGISTER

The Board 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. The Board noted that 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.
- Reference was made to DPFOP0009 – *Over reliance on key pensions Administration and Investment Officers*. It was asked, if any additional work could be undertaken to reduce the risk from medium? The Treasury & Pension Investments Manager explained that over the years the number of Pensions staff was at a minimum and with that caused succession planning to be a challenge. However, it was felt that the medium risk was appropriate together with the mitigations in place. It was further commented that it was fair to say that many funds across England and Wales face recruitment and retention issues.

Whilst, this could be due to the specialist nature of the field, it was stated that the investment of training could be improved by the LGPS.

UNANIMOUSLY AGREED that the risk register report be noted.

4.8. DRAFT FUNDING STRATEGY STATEMENT

The Board 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.

- Reference was made to the financial aspect of the Identification of Risks and Counter-Measures – *Future underperformance arising as a result of participating in the All Wales pooling Vehicle*. In response to a query raised in relation to what the associated risks could be, the Treasury & Pension Investments Manager explained to Member of the Board the additional risks in respect of the appointing of managers.
- In response to a comment in respect of changes to Committee membership, the Director of Corporate Services explained that currently the Membership of the Committee was stable following a large turnover following the Elections in 2022, with new Members undertaking the necessary training required to be able to carry out the role.
- In reference to the ‘Early Retirement Strain Costs’, a query was raised in relation to the additional burden could there be on the Pension Fund if the present economic climate continued which may result in further staffing strains following early retirement or voluntary redundancy. The Director of Corporate Services stated that strain regarding early retirement would fall back on to the employer. Retirements over and above what would have been calculated as the normal pensionable age would be a considered as a part of a business case appraisal prior to reaching the pension fund.

UNANIMOUSLY AGREED that the Draft Funding Strategy Statement be noted.

4.9. BUSINESS PLAN 2023-24

The Board considered 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.

- In reference to the Priorities set out in the plan, it was observed that it would be beneficial to include additional detail such as targets and timescales. The Treasury & Pension Investments Manager explained that as the plan sets out the priorities for the entire financial year, it was suggested that the more detail be included within progress reports. This would be discussed with the Dyfed Pension Fund Committee.

UNANIMOUSLY AGREED that the Wales Pension Partnership Business Plan for the period 2023-24 be noted.

4.10. WALES PENSION PARTNERSHIP BUSINESS PLAN 2023-2026

The Board considered 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 AGREED, subject to approval by the WPP Joint Governance Committee, that the Wales Pension Partnership Business Plan for the period 2023-26 be noted.

4.11. WALES PENSION PARTNERSHIP - OPERATOR UPDATE

The Board received 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 and key meeting dates.

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

4.12. TRAINING PLAN

The Board received the Dyfed Pension Fund Training Plan for the period 2022-2023 detailing meetings, training events and the members and officers anticipated to attend the events.

- It was asked if the plan could be presented in a matrix format to make it clear which member has received what training. The Treasury & Pension Investments Manager stated that the suggestion would be put to the Dyfed Pension Fund Committee.

UNANIMOUSLY AGREED that the Dyfed Pension Fund Training Plan for the period 2022-23 be noted.

4.13. DRAFT MINUTES OF THE PENSION COMMITTEE MEETING 28 MARCH 2023

UNANIMOUSLY AGREED that the draft minutes of the meeting of the Dyfed Pension Fund Committee held on the 28th March 2023 be noted.

5. PENSION BOARD WORK PLAN 2023

The Board considered the Pension Board Workplan for 2023 which outlined the work of the Pension Board throughout 2023 and the items to be presented at each meeting.

AGREED to note the Pension Board Workplan for 2023.

6. PENSION BOARD BUDGET MONITORING 1 APRIL 2022 - 31 MARCH 2023

The Board received the Pension Board Budget Monitoring report as at 31st March 2023. Total actual expenditure incurred was £20.7k. The forecasted expenditure for the year was a £3.5k underspend compared to budget.

AGREED that the report be noted.

7. EXCLUSION OF THE PUBLIC

UNANIMOUSLY AGREED, 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.

8. INDEPENDENT ADVISER PERFORMANCE & RISK REPORT AT 31 DECEMBER 2022

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 7 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 AGREED:-

- 8.1 that the Independent Investment Adviser Report as at 31st December 2022 be noted;
- 8.2 to note 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.

9. NORTHERN TRUST PERFORMANCE REPORT 31 DECEMBER 2022

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 7 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 Board 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 AGREED that the Northern Trust Performance report for the Dyfed Pension Fund as at 31st December 2022 be noted.

10. INVESTMENT MANAGER REPORTS AT 31 DECEMBER 2022

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 7 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 Board 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 AGREED that the investment manager reports for the Dyfed Pension Fund be noted.

Prior to the closure of the meeting, the Chair took the opportunity to thank Mr Paul-Ashley Jones for his contributions to the Board and wished him luck in his future endeavours.

CHAIR

DATE