

DYFED PENSION FUND COMMITTEE

15 NOVEMBER 2023

PRESENT: Councillor D.E. Williams (Chair)

Councillors (In Person):

D. Thomas, N. Lewis

Observer (Virtually):

Mr. J. Jones, Chair of the Dyfed Pension Fund Pension Board

Also Present (Virtually):

Mr J. Blewitt, Audit Wales

Also Present (In Person):

R. Hemingway, Head of Financial Services;
A. Brown, Independent Investment Advisor;
K. Gerard, Pensions Manager;
A. Parnell, Treasury & Pension Investments Manager;
M. Owens, Pension Investment Officer;
S. Rees, Simultaneous Translator;
R. Morris, Members Support Officer;
D. Hall-Jones, Member Support Officer;
J. Owen, Democratic Services Officer.

Also Present (Virtually):

K. Evans, Democratic Services Officer

Chamber, County Hall, Carmarthen. SA31 1JP and remotely: 2:30pm - 4:00pm

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor R. James.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 28TH SEPTEMBER 2023

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

4. AUDIT OF FINANCIAL STATEMENTS REPORT 2022-23

The Committee welcomed to the meeting Jason Blewitt from Audit Wales who presented the Audit of Financial Statements Report for the Dyfed Pension Fund detailing the matters arising from the audit which required reporting under ISA 260.

It was noted that the Auditor General was responsible for providing an opinion on whether the financial statements of the Dyfed Pension Fund gave a true and fair view of their financial position as at 31 March 2023 and of its income and expenditure for the year end.

The Committee was advised that an unqualified audit report on the financial statements had been issued and signed off by the Auditor General and that the finalised report was considered by the Governance and Audit Committee at its meeting held on 27th October 2023.

In acknowledging the minor corrections which were highlighted to the Committee as set out in Appendix 3, overall it was reported that the Audit of Financial Statements Report 2022-23 was positive.

The Committee wished to express their sincere thanks to Audit Wales for undertaking the Audit and to the Finance department for all their hard work in what had resulted in a successful audit.

UNANIMOUSLY RESOLVED that the Audit of Financial Statement Report 2022-23 be received.

5. DYFED PENSION FUND PENSION BOARD MINUTES 25 OCTOBER 2023

UNANIMOUSLY RESOLVED that the minutes of the Dyfed Pension Fund Pension Board meeting held on the 25th October 2023 be noted.

6. DYFED PENSION FUND PENSION BOARD REPORT - 25 OCTOBER 2023

The Committee received the Pension Board report presented by the Chair of the Dyfed Pension Fund Pension Board. The report provided an update of the items discussed at the Board meeting held on 25th October 2023.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Pension Board Report for the Meeting held on 25th October 2023 be received.

7. BUDGET MONITORING 1 APRIL 2023 - 30 SEPTEMBER 2023

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2023/24 financial year. It was noted that the current position, as at 30 September 2023, was an under spend compared to budget of £1.6m.

It was reported that whilst the expenditure was projected to be overspent by £500k, there was a projected underspend of £1.2m on Pensions Payable. Furthermore, it was highlighted that at the budget setting for 2023-24, an increase of 2.2% in new pensioner members for the year and to date the actual increase in pensioner membership had been closer to 1%.

In terms of income, contributions were forecasted to be £2.6m more than what was budgeted, due to the member pensionable payroll being higher than anticipated at budget setting. A higher augmentation income from Employers had been received than was anticipated at budget setting. Transfers in were forecasted to exceed the budget by £500k and investment income was forecasted to be below budget by £1m. Therefore, income was forecast to be exceed budget by £2.1m

Overall total expenditure was estimated at £123.3m and total income estimated at £124.9m which resulted in a positive cash flow position of £1.6m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April 2023 to 30th September 2023 be received.

8. CASH RECONCILIATION AS AT 30 SEPTEMBER 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 30 September 2023, £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.

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 and workflows.

In response to a query regarding the progress in terms of Mid and West Wales Fire and Rescue Service being included onto i-connect, the Pensions Manager explained that whilst the Fire Service had a relatively small number of Local Government Pension Scheme members, i-connect relied on a very specific data extract from the employer which could be uploaded and discussions in regard to obtaining this were ongoing.

Reference was made to the McCloud/Sargeant update, in terms of data reconciliation and validation it was asked how much extra resource was required for the manual intervention requirements? The Pensions Manager explained that it takes on average 1hr to manually handle a retirement case and recently it took 3 staff members 3 days to complete, based on this it was recognised that additional resources would be required which would be considered shortly following a review of the number of calculations required to be completed.

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

10. 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. In this regard, the Treasury & Pension Investments Manager referred to a breach previously reported in relation to Burry Port Marina Ltd who had regularly failed to pay contributions as required into the Fund. In an update to the Committee, the report confirmed that The Pensions Regulator had also been advised that the Employer had entered into administration and the contributions owed to the Fund to the date was estimated to be £7,230.56. An assurance was provided to the Committee that ongoing discussions between the Fund and administrators were taking place in relation to the contributions owed.

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

11. 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 noted.

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. WALES PENSION PARTNERSHIP (WPP) JOINT GOVERNANCE COMMITTEE (JGC) UPDATE

The Committee to received for consideration an update from WPP's JGC meeting which took place on 20th September 2023 which included the following:-

- JGC Update – 20 September 2023
- WPP Business Plan Review April – June 2023
- Operator Update
- WPP Performance Summary April – June 2023

The report also appended a summary and commentary on WPP's investment performance for Q2 2023 (April – June 2023).

An observation was raised that £1.2bn (across the 8 Welsh funds) was a very small proportion of the overall funds to commit to climate change, it was asked if there were any plans to increase? The Treasury & Pension Investments Manager mentioned that there may be an increase in the future. It was further explained that there are 2 other global equity sub funds within WPP, Global Growth and Global Opportunities which were launched in 2019 and a sustainability assessment was being considered. The Independent Investment Advisor added that the largest investment was with the Global Growth Fund and that the management had made significant progress in terms of the carbon reductions over the investment period.

Reference was made to page 6 of the WPP Business Plan 2023-24 Q1 Review. In response to a query regarding the term 'Total to be recharged' the Treasury & Pension Investments Manager explained that this was the total to be recharged to the 8 pension funds in Wales and each fund receives a quarterly invoice.

The Treasury & Pension Investments Manager, in response to a query in regard to active and passive investments which was cited on page 3 of the WPP JCC Q2 review, explained that, in general terms a lot more passive investments were prevalent at the start of pooling investments, however pools have since launched active portfolios. Over the years the Dyfed Pension Fund had moved investments from passive into active through WPP including global equities, global credit and private markets. For diversification and risk purposes a low level of passive investments would continue to be in place.

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

14. 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.

15. ROBECO ENGAGEMENT REPORT 1 APRIL 2023 - 30 JUNE 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 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.

Committee received for consideration the Robeco engagement report for the reporting period 01 January 2023 – 3 June 2023. The report provided detailed statistics in relation to engagement activities undertaken on the WPP portfolio during the quarter, and a selection of case studies of engagement activity undertaken.

UNANIMOUSLY RESOLVED that the Robeco Engagement Report for the reporting period 01 January 2023 – 31 June 2023 be received.

16. GLOBAL SECURITIES LENDING REVIEW AS AT 30 JUNE 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 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 relating to investments by the fund managers.

Committee received for consideration a report in respect of the Global Securities Lending Review as at 30 June 2023 which provided information in terms of the stock lending which had commenced in March 2020. Northern Trust had provided a Securities Lending Performance review for Quarter 2 2023 (quarter ending 30 June 2023)

UNANIMOUSLY RESOLVED that the Global Securities Lending Relationship and Performance Review for the quarter ending 30th June 2023 be noted.

17. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 30 SEPTEMBER 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 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 30 September, 2023. The report also included the global market background and issues which was considered by the Committee.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 30 September 2023 be noted and for the reasons provided in the report that the following be approved:

- The private credit allocation of 5% be allocated to the WPP Global Private Credit Portfolio
- That the first £50m capital calls for WPP Global Private Credit be funded from the UK Passive Equity Portfolio.

18. NORTHERN TRUST PERFORMANCE REPORT TO 30 SEPTEMBER 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 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 30 September 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 30 September 2023 be received.

19. INVESTMENT MANAGER REPORTS TO 30 SEPTEMBER 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 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 30th September 2023.

- BlackRock – Quarterly Report 30 September 2023;
- Schroders – Q3 2023 Investment Report;
- Partners Group – Quarterly Report Q3 2023;
- WPP Global Growth Fund – 30 September 2023;
- WPP Global Credit Fund – 30 September 2023
- WPP Sustainable Active Equity Fund – 30 September 2023.

UNANIMOUSLY RESOLVED that the investment manager reports for the Dyfed Pension Fund as at 30th September 2023 be noted.

CHAIR

DATE