

DYFED PENSION FUND PENSION BOARD

TUESDAY, 14 MAY 2024

PRESENT (In Person) J. Jones (Chair)

Board Members (In Person):

M. Evans – Employee Member Representative;
T. Bowler – Union Member Representative
Councillor A. Lenny – Employer Member Representative;

Board Member(Virtually):

R. Edwards – Employee Member Representative

Also present as an observer (Virtual):

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

Also in attendance (Virtual):

A. Brown – Independent Advisor

Also Present (In Person):

R. Hemingway, Head of Financial Services
A. Parnell, Treasury & Pension Investments Manager
K. Gerard, Pensions Manager
J. Williams, Assistant Accountant
S. Rees, Simultaneous Translator
D. Hall-Jones, Member Support Officer
K. Thomas, Democratic Services Officer

Also Present (Virtually):

E. Evans, Principal Democratic Services Officer

Chamber - County Hall, Carmarthen. SA31 1JP and remotely - 2.00 - 3.50 pm

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Wyn Thomas (Employer Member Representative) and Mr M. Rogers (Pension Member Representative).

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 22ND JANUARY 2024

AGREED that the minutes of the meeting for the Pension Board held on the 22nd January, 2024 be confirmed as a correct record.

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

4. DYFED PENSION FUND COMMITTEE MEETING 27TH MARCH 2024

4.1. DYFED PENSION FUND PENSION BOARD REPORT 22 JANUARY 2024

The Board received a report from the Independent Chair, providing an update from the Pension Board meeting held on the 22nd January, 2024 where the items discussed included:

- Audit of Financial Statements Report
- Budget Monitoring
- Pensions Administration Update
- Risk Register
- Wales Pension Partnership Update
- Robeco Engagement Report
- Investment Performance

The Pension Board welcomed the introduction of the Chair's report which would be featured on all future Pension Board agendas.

AGREED that the Dyfed Pension Fund Pension Board Report, 22nd January, 2024 be noted.

4.2. BUDGET MONITORING 1 APRIL 2023 - 31 DECEMBER 2023

The Board considered the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the period 1st April 2023 – 31st December 2023. The Committee was informed of an under spend compared to budget of £1.8m.

With regard to a question on the cost of Commutation and lump sum payments of £17.8m, being higher than budgeted, the Board was advised that was attributable to the fact the Budget, which was set in January 2023, was based on an estimate on the level of scheme members who would retire during 2023-2024.

AGREED that the report be noted.

4.3. DYFED PENSION FUND BUDGET 2024-2025

The Committee considered the Dyfed Pension Fund Budget for 2024-25 and noted that the expenditure budget had been set at £133.6m and the income budget at £133.6m, resulting in a zero net budget thereby providing the Fund with flexibility to utilise investment income based on budgetary requirements.

With regard to expenditure levels, the Committee noted that benefits payable had been estimated to be £118m which included provision for a 6.7% pensions' increase, based on the September 2023 CPI, together with a 1.5% increase in

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pensioner and deferred members. In addition, an increase in budget had also been allocated for lump sum retirement benefits and payments to and account of leavers.

Management expenses had been estimated at £11.9m, of which £9.4m had been budgeted for investment manager fees.

It was noted that contributions were estimated at £104.5m comprising employer contributions of £76.1m and employee contributions of £28.4m. Contribution rates for employers had been amended to reflect the results of the 2022 triennial valuation. An additional 4% had also been factored in for pay awards for the year.

It was further noted that investment income was estimated at £25.7m to maintain a cash neutral budget so the fund was not holding onto surplus cash that could be invested.

Reference was made to the impact the transfer of funds to the Wales Pension Partnership (WPP) would have on the level of investment managers fees payable. It was advised that as the transfers of funds progressed, the managers fees payable to the WPP would increase whilst, correspondingly, the fees payable to the other investment Fund managers would decrease.

AGREED that the report be noted.

4.4. CASH RECONCILIATION AS AT 31 DECEMBER 2023

The Board considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund as at 31st December, 2023 with £15.4m being held by Carmarthenshire County Council on the Fund's behalf to meet immediate cash flow requirements to pay pensions, lump sum sums and investment management costs.

It was confirmed any interest accrued on cash balances would be retained within the Fund.

AGREED that the report be noted.

4.5. PENSIONS ADMINISTRATION REPORT

The Board received a report providing an update on Pensions Administration.

The Pensions Manager provided an update on the activities within the Pensions Administration service which included regulatory matters, breaches register, i-Connect, GMP reconciliation, Business Continuity Plan and workflows.

The Pensions Manager referred to item 1d within the report on the Judicial Review, in February 2024, on the impact of the McCloud judgement on the cost management process. He advised that as the review had not been

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rejected, the McCloud costs would now be deemed as a scheme member cost.

The Pensions Manager also referred to the number of employers using i-connect, being over 90%, and advised that the authority was working with the remaining employers to assist with their transition thereto.

With regard to the introduction of the Pensions Dashboard in October 2025, the Board was advised of the 1 year lead in period provided for within the legislation from September 2024. It was informed that 3 months prior to September, guidance would be received from the Pensions Regulator thereon and the Board would be advised of that guidance once received.

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

4.6. BREACHES REPORT

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 provide guidance on reporting these breaches.

As previously reported to the Board, reference was made to an Employer who had regularly failed to pay contributions as required into the Fund, with an estimated £7,230.56 being owed. That breach had been reported to The Pensions Regulator and the Employer had now entered administration. However, following an agreement reached with the company's administrators, those contributions had been paid over to the fund on the 29th February 2024.

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

4.7. RISK REGISTER

The Board received for consideration a report providing an update on the 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. It was noted that the register included details of all identified risks; assessment of the potential impact probability and risk rating; the risk control measures that are in place; the responsible officer and the target date (if applicable) and was regularly reviewed to ensure risks had been identified and assessed. It was reported that there had been no changes since the previous committee meeting.

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The Board noted that following significant work undertaken in reviewing the register, a new risk had been added being risk G8 – Environmental, Social and Governance.

It further noted that risks had now been categorised into three new sub-headings of Governance and Regulatory (8 risks), Funding and Investments (13 risks) and Operational (16 risks) which would be reviewed at the Pension Committees June, September and November meetings respectively.

The Board welcome the new focussed review and a view was expressed that should any risks be identified under the above headings it was important they were drawn to the Board's attention at the earliest meeting and not held back until the next scheduled review.

Agreed that the risk register report be noted.

4.8. GOVERNANCE POLICY AND COMPLIANCE STATEMENT

The Board noted an updated Governance Policy and Compliance Statement for the Dyfed Pension Fund had been developed following a recent review which set out the Fund's compliance with best practice principles relating to structure, representation, selection, voting, training, meetings, access, scope and publicity.

It was noted that the Policy detailed arrangements in relation to:

- The Governance of the Fund
- Terms of Reference for the Pension Committee
- Delegation to the Director of Corporate Services and Head of Financial Services
- Committee meetings
- The Annual Consultative Meeting
- The Pension Board

In response to a question regarding the membership structure of the Dyfed Pension Fund Committee only comprising representatives from Carmarthenshire County Council and not therefore being fully compliant with best practice, the Board was advised that the structure was considered acceptable but it would be reviewed in the coming year.

AGREED that the updated Governance and Compliance Statement be noted.

4.9. INVESTMENT STRATEGY STATEMENT

The Board noted the updated Investment Strategy Statement for the Dyfed Pension Fund reflecting the Revised Strategic Asset Allocation Review approved by the Committee on the 22nd September 2023 that recommended a 5%

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allocation to Private Credit funded from the Equity Portfolio, as detailed in the report

It also noted that the Investment Strategy Statement was an important governance document for the Fund that set out its current investment strategy, provided transparency in relation to how the Fund's investments were managed, acted as a high-level risk register, and had been designed to be informative for all stakeholders.

AGREED that the Investment Strategy Statement be noted.

4.10. BUSINESS PLAN 2024-2025

The Board received for consideration the Dyfed Pension Fund Business Plan for the period 2024-2025 the purpose of which was to:

- Provide information about the Fund and how it was run.
- Explain the background and governance structure of the Fund.
- Outline the principal responsibilities of the Fund.
- Introduce the Fund's key documents.
- Highlight the Fund's investment strategy including strategic asset allocation.
- Provide key statistics for the Fund.
- Outline the financial budget for the next year.
- Outline the priorities and business objectives of the Fund over the next year.

AGREED that the Dyfed Pension Fund's Business Plan for the period 2024-25 be noted.

4.11. TRAINING PLAN 2023-2024 & 2024-2025

The Board received an update on the 2023/24 Training Plan for members and officers of the Dyfed Pension Fund Committee detailing the schedule of committee meetings, and training events together with the proposed 2024-2025 plan.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Training Plan for 2023/24 and 2024/25 be noted.

4.12. WALES PENSION PARTNERSHIP BUSINESS PLAN 2024-2027

The Board received the Wales Pension Partnership (WPP) Business Plan for the period 2024-2027, drafted in accordance with Section 6 of the Inter Authority Agreement, detailing the Fund's priorities and areas of focus over the plan period with the purpose being to:

- Explain the background and governance structure of the WPP.
- Outline the priorities and objectives of the WPP over the next three years.

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

- Introduce the WPP's policies and plans.
- Outline the financial budget for the relevant Business Plan period.
- Summarise the WPP's Investments & Performance Objectives.

It was noted that, if approved, by all partners, the Plan would be constantly monitored, formally reviewed and agreed annually.

AGREED that the Wales Pension Partnership's 2024-2027 Business Plan be noted.

4.13. WALES PENSION PARTNERSHIP JOINT GOVERNANCE COMMITTEE UPDATE

The Board considered a report providing details of the JGC's meeting held on the 13th March 2024 that included:

- Governance
- On-going Sub-Fund Development
- Operator Services
- Investments and Reporting
- Communication and Training
- Resources, Budget and Fees
- Training Plan

The update report also referenced the WPP's training plan, Operator's report, investment performance for Q4 together with a report from GCM Grosvenor on infrastructure investments.

AGREED that the Wales Pension Partnership updates be noted.

4.14. WALES PENSION PARTNERSHIP RESPONSIBLE INVESTMENT UPDATE - DECEMBER 2023

The Committee considered the WPP's Responsible Investments December 2023 update report detailing recent Responsible Investments activity together with information on the following Sub-Funds in which the Dyfed Pension Fund had invested:

- Global Growth
- Sustainable Active Equity
- Global Credit

In addition to the above, the update also provided a Stewardship Summary together with the relevant appendices numbered 1-4 within the report.

UNANIMOUSLY RESOLVED that the update report be received.

4.15. DRAFT MINUTES OF THE DYFED PENSION FUND COMMITTEE MEETING 27TH MARCH 2024

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

AGREED that the draft minutes of the meeting of the Dyfed Pension Fund Committee held on the 27th March, 2024 be noted.

5. PENSION BOARD BUDGET MONITORING 1 APRIL 2023 - 31 MARCH 2024

The Board received the Pension Board Budget Monitoring report as at 31st March, 2024. Total actual expenditure incurred was £21.2k. The forecasted expenditure for the year was a £3k underspend compared to budget.

AGREED that the report be noted.

6. PENSION BOARD WORK PLAN 2024

The Board considered the Pension Board Workplan for 2024 outlining the proposed work of the Pension Board and the items to be presented at each meeting.

AGREED to note the Pension Board Workplan for 2024.

7. DYFED PENSION FUND INVESTMENT WITHIN THE BUTE GROUP OF COMPANIES

The Board received a letter submitted by Carmarthenshire County Council's Employer Representative on the Board requesting that it give consideration to the following suggested actions in relation to the Dyfed Pension Fund's investment within the Bute Group of Companies:

- a) To explore whether there is cause or opportunity to obtain a release for the Dyfed Pension Fund from the arrangement for the funding of Bute and from any ongoing commitment to advance Dyfed Pension Funds to the Bute Group.
- b) For each of the partners within the Welsh Pension Partnership to discuss the relevant concerns.
- c) To explore whether there is cause or opportunity to obtain a release for the Welsh Pension Partnership from the funding arrangement involving the Bute Group.
- d) To explore whether any such release could entail a recovery of the sum advanced to date or any part thereof.
- e) To explore whether any such release could entail the withholding of the balance of funds relevant to the total investment which was envisaged.
- f) To examine and consider if in the context of the funding relationship which exists the Dyfed Pension Fund or the Welsh Pension Partnership can encourage and assist Green Generation Energy Networks Cymru (GGENC) towards a more appropriate or expedient direction.
- g) To liaise with Copenhagen Infrastructure Partners (CIP), which appears to be the primary investor in the Bute Group, as to the concerns which exist as to the direction and approach of GGENC, and to examine how those

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issues affect the management and operational obligations of CIP, pursuant to the Environment, Social and Governance Standards and the UN Sustainable Development Goals.

- h) To explore with CIP, whether CIP would consider that there is cause or opportunity for CIP or any other party to obtain a release from funding arrangements involving the Bute Group.
- i) To explore with CIP whether CIP, as the main funder, and as a Danish based organisation, taking into account that national policy in Denmark is understood to involve undergrounding all lines at 132KV, would be able to encourage and assist GGENC towards a more appropriate or expedient direction.

The Employer representative referred in detail to his letter of representation, as appended to the report, outlining the reasons for its submission with regard to the GGENC's Tywi-Usk and Tywi/Teifi projects and leading to the above suggested actions. He accordingly requested that the Board give consideration to submitting the following resolution to the Dyfed Pension Fund Committee with regard to the above.

"The Dyfed Pension Fund Board agrees to ask the Dyfed Pension Fund Committee to:

- Explore, discuss and consider whether there is cause or opportunity for the Dyfed Pension Fund or the WPP, separately or in conjunction with its funding partners or associates, to obtain a release from any arrangement for funding of one or more of the companies within the Bute Group and to explore whether any such release could entail a recovery of any sum advanced to date or of any part, or could entail the withholding of funds.
- Explore whether in the context of any funding relationship which exists the Dyfed Pension Fund and any of its funding partners or associates are able to engage with GGENC/Bute towards ensuring appropriate and expedient direction, such as a full and proper evaluation of undergrounding cables by way of cable ploughing.
- Request law firm Burgess Salmon LLP and the Bute Group to clarify whether Burgess Salmon has at any time assisted one or more of the companies within the Bute Group.
- Initiate a discussion with each of the funding partners/associates and with the Bute Group and Ofgem relevant to issues to be explored pursuant to this resolution."

AGREED that the above suggested resolution be endorsed and referred to the Dyfed Pension Fund Committee for its consideration.

8. 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

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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.

9. WPP OPERATOR PROCUREMENT RECOMMENDATION REPORT

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 8 above, to consider this matter in private, with the public excluded from the meeting as disclosure would adversely impact upon the Pension Fund by putting investment performance at risk.

The Board considered a report on the appointment of bidder 3 as the Pension Partnership's preferred bidder for the new Wales Pension Partnership Operator Contract.

AGREED that the WPP Operator Procurement Recommendation Report be noted.

10. ROBECO ENGAGEMENT REPORT 1 JULY 2023 - 30 SEPTEMBER 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 8 above, to consider this matter in private, with the public excluded from the meeting as disclosure would adversely impact upon the Pension Fund by putting investment performance at risk.

The Board considered the Robeco Engagement report for the period 1st July 2023 - 30th September 2023.

AGREED that the report be noted.

11. ROBECO ENGAGEMENT REPORT 1 OCTOBER 2023 - 31 DECEMBER 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 8 above, to consider this matter in private, with the public excluded from the meeting as disclosure would adversely impact upon the Pension Fund by putting investment performance at risk.

The Board considered the Robeco Engagement report for the period 1st October 2023 – 31st December 2023.

AGREED that the report be noted.

12. GLOBAL SECURITIES LENDING REVIEW AS AT 31 DECEMBER 2023

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 8 above, to

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consider this matter in private, with the public excluded from the meeting as disclosure would adversely impact upon the Pension Fund by putting investment performance at risk.

The Board considered a report providing an update on stock lending during quarter 4, as at 31st December, 2023.

AGREED that the Global Securities Lending Review as at 31st December, 2023 be noted.

13. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 31 DECEMBER 2023

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 8 above, to consider this matter in private, with the public excluded from the meeting as disclosure would adversely impact upon the Pension Fund by putting investment performance at risk.

The Board considered the Independent Investment Adviser Performance and Risk Report which provided details in relation to the Investment Managers' performance for the quarterly 12 month and rolling 3-year period ending 31st December, 2023. The report also included the global market background and issues for the pension board to consider.

AGREED that the Independent Adviser Performance and Risk Report as at 31st December, 2023 be noted.

14. NORTHERN TRUST PERFORMANCE REPORT TO 31 DECEMBER 2023

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 8 above, to consider this matter in private, with the public excluded from the meeting as disclosure would adversely impact upon the Pension Fund by putting investment performance at risk.

The Board considered the Northern Trust Performance report which detailed the performance of the Dyfed Pension Fund as at 31st December, 2023. The report provided performance analysis at a total fund level and by Investment Manager for the periods up to inception.

AGREED that the Northern Trust Performance Report as at 31st December, 2023 be noted.

15. INVESTMENT MANAGER REPORTS TO 31 DECEMBER 2023

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 8 above, to consider this matter in private, with the public excluded from the meeting

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as disclosure would adversely impact upon the Pension Fund by putting investment performance at risk.

The Board considered a report providing an update on Investment Manager performance as at 31st December, 2023.

AGREED that the Investment Manager Reports as at 31st December 2023 be noted.

CHAIR

DATE

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