

Pecyn Dogfennau



Wendy Walters
Prif Weithredwr,
Chief Executive,
Neuadd y Sir, Caerfyrddin. SA31 1JP
County Hall, Carmarthen. SA31 1JP

DYDD IAU 13EG MEHEFIN 2019

AT: HOLL AELODAU'R PWYLLGOR CRONFA BENSIWN DYFED

YR WYF DRWY HYN YN EICH GALW I FYNYCHU CYFARFOD O'R
**PWYLLGOR CRONFA BENSIWN DYFED A GYNHELIR YN YSTAFELL
PWYLLGOR 2, - 3 HEOL SPILMAN, CAERFYRDDIN. SA31 1LE. AM 10.00
YB, DYDD MERCHER, 19EG MEHEFIN, 2019 ER MWYN CYFLAWNI'R
MATERION A AMLINELLIR AR YR AGENDA SYDD YNGHLWM**

Wendy Walters

PRIF WEITHREDWR



AILGYLCHWCH OS GWELWCH YN DDA

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Cyf:	AD016-001

**AELODAETH PWYLLGOR CRONFA BENSIWN DYFED
3 AELOD**

GRŴP PLAID CYMRU (1)

- 1 Cynghorydd Elwyn Williams (Cadeirydd)

GRŴP LLAFUR (1)

- 1 Cynghorydd Rob Evans

GRŴP ANNIBYNNOL (1)

- 1 Cynghorydd Jim Jones

DIRPRWY ENWEBEDIG (1)

Cynghorydd Dai Thomas

AGENDA

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MATERION CANLYNOL GAN EU BOD YN CYNWYS
GWYBODAETH EITHRIEDIG FEL Y'I DIFFINIWDYD YM MHARAGRAFF
14 O RAN 4 O ATODLEN 12A I DDEDDF LLYWODRAETH LEOL 1972
FEL Y'I DIWYGIWDYD GAN ORCHYMYN LLYWODRAETH LEOL
(MYNEDIAD AT WYBODAETH) (AMRYWIO) (CYMRU) 2007. OS
BYDD Y PWYLLGOR AR ÔL CYNNAL PRAWF LLES Y CYHOEDD YN
PENDERFYNU YN UNOL Â'R DDEDDF, I YSTYRIED Y MATER HYN
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PWYLLGOR CRONFA BENSIWN DYFED

Dydd Iau, 21 Chwefror 2019

YN BRESENNOL: Y Cynghorydd D.E. Williams (Cadeirydd)

Y Cynghorwyr:

R.E. Evans and T.J. Jones

Hefyd yn bresennol:

Mr E. Lambert, Ymgyngorydd Buddsoddi Annibynnol

Yr oedd y swyddogion canlynol yn gwasanaethu yn y cyfarfod:

C. Moore, Cyfarwyddwr Gwasanaethau Corfforaethol

K. Gerard, Rheolwr Pensiwn

A. Parnell, Rheolwr Pensiwn a Buddsodiadau Gyllidol

B. Owen, Swyddog Buddsodiadau Pensiwn

M. Davies, Swyddog Gwasanaethau Democrataidd

J. Laimann, Swyddog Gwasanaethau Democrataidd

Ystafell Bwyllgor Gwasanaethau Democrataidd, Neuadd y Sir, Caerfyrddin, 10.00 – 11.50 yb.

1. YMDDIHEURIADAU AM ABSENOLDEB

Cafwyd ymddiheuriadau gan y Cynghorydd Dai Thomas a Mr Randal Hemingway.

2. DATGAN BUDDIANNAU PERSONOL

Y Cynghorydd	Math o Fuddiant
D.E. Williams	Aelod o Gronfa Bensiwn Dyfed
T.J. Jones	Aelod o Gronfa Bensiwn Dyfed
R. Evans	Aelod o Gronfa Bensiwn Dyfed

3. COFNOFION Y CYFARFOD A GYNHALIWDYD AR 18FED MEDI 2018

PENDERFYNWYD YN UNFRYDOL Iofnodi bod cofnodion cyfarfod y Pwyllgor a gynhaliwyd ar 18 Medi 2018 yn gofnod cywir.

4. MONITRO CYLLIDEB FEL YR OEDD AR 31AIN RHAGFYR 2018

Derbyniodd y Pwyllgor adroddiad Monitro Cronfa Bensiwn Dyfed a oedd yn rhoi'r wybodaeth ddiweddaraf am y sefyllfa gyllidebol o ran blwyddyn ariannol 2018/19. Nodwyd bod y sefyllfa bresennol, ar 31 Rhagfyr 2018, yn rhagweld tanwariant o £2,815k o ran arian parod. O ran gwariant, roedd yr effaith net o'r buddion sy'n daladwy a throsglwyddiadau allan yn cynrychioli gorwariant o £258k yn bennaf oherwydd natur aflywodraethus cyfandaliadau a throsglwyddiadau o'r gronfa. Roedd tanwariant o ran treuliau rheolwyr o £37k. O ran incwm, roedd effaith net cyfraniadau, incwm buddsoddi a throsglwyddiadau i mewn yn cynrychioli tanwariant o £3m. Yn gyffredinol, rhagwelwyd cyfanswm gwariant o £86.7m a chyfanswm incwm o £89.5m sy'n cynrychioli sefyllfa llif arian cadarnhaol o £2.8m.

PENDERFYNWYD YN UNFRYDOL dderbyn Adroddiad Monitro Cronfa Bensiwn Dyfed.

5. CYLLIDEB CRONFA BENSIWN DYFED 2019 - 2020

Bu'r Pwyllgor yn ystyried Cyllideb Cronfa Bensiwn Dyfed ar gyfer 2019-20. Nodwyd bod y gwariant arian parod cysylltiedig ar gyfer 2019-20 wedi'i bennu ar £87.8m a'r incwm arian parod cysylltiedig wedi'i bennu ar £87.8m, gan arwain at gyllideb net o £0 a oedd yn rhoi hyblygrwydd i'r Gronfa ddefnyddio incwm buddsoddi ar sail gofynion lliw arian.

O ran lefelau gwariant, nododd y Pwyllgor fod y buddion sydd i'w talu wedi cael eu hamcangyfrif i fod yn £79.5m a oedd yn cynnwys darpariaeth ar gyfer cynnydd o 2.4% yn y pensiynau, ar sail Mynegai Prisiau Defnyddiwr mis Medi 2018, ynghyd ag effaith net o 2% ar gyfer aelodau newydd y pensiwn. Amcangyfrifwyd bod treuliau rheoli yn £5.6m, ac o blith hwn roedd £3m wedi cael ei glustnodi ar gyfer ffioedd rheolwyr buddsoddi. Nodwyd ymhellach fod cyfraniadau incwm wedi cael eu hamcangyfrif yn £72.1m a oedd yn cynnwys £52.8m gan y cyflogwr a £19.3m yn gyfraniadau gan y gweithwyr, a bod cyfraddau'r cyflogwyr ar sail prisiau 2016 a oedd yn cynnwys 2% ar gyfer codiadau cyflog yn 2019-20. Amcangyfrifwyd bod incwm buddsoddi yn £14m er mwyn cynnal cyllideb niwtral yn ariannol a sicrhau nad oedd y gronfa yn cadw arian dros ben y byddai modd ei fuddsoddi. Roedd y gyllideb gysylltiedig ar gyfer eitemau nad ydynt yn rhai arian parod wedi'i gosod ar £50m ar sail amcangyfrif yr enillion a'r colledion a gafwyd o ran portffolios rheolwyr unigol a gwerthiannau a phryniannau o fewn y portffolios eiddo.

Rhoddyd gwybod i'r Pwyllgor fod yr arian a reolir gan Columbia Threadneedle a Baillie Gifford wedi cael ei drosglwyddo i Bartneriaeth Pensiwn Cymru ym mis Ionawr/Chwefror 2019. Dywedwyd bod yr ystadegau sy'n ymwneud â chostau Cronfa Bensiwn Dyfed i Bartneriaeth Pensiwn Cymru yn rhannol seiliedig ar amcangyfrifon a byddai data mwy dibynadwy ar gael yn y flwyddyn ariannol nesaf. Byddai gwaith monitro'r gyllideb ynghylch y gronfa yn cael ei gyflawni yn chwarterol.

PENDERFYNWYD YN UNFRYDOL dderbyn Cyllideb Cronfa Bensiwn Dyfed ar gyfer 2019-20.

6. CYSONI ARIAN PAROD FEL YR OEDD AR 31AIN RHAGFYR 2018

Bu'r Pwyllgor yn ystyried yr adroddiad Cysoni Arian Parod a roddai'r wybodaeth ddiweddaraf am sefyllfa ariannol Cronfa Bensiwn Dyfed. Nodwyd ar 31 Rhagfyr, 2018 fod Cyngor Sir Caerfyrddin yn cadw £8.7m o arian parod ar ran y Gronfa ar gyfer gofynion lliw arian uniongyrchol i dalu pensiynau, cyfandaliadau a chostau rheoli buddsoddiadau.

PENDERFYNWYD YN UNFRYDOL dderbyn adroddiad Cysoni Arian Parod Cronfa Bensiwn Dyfed.

7. ADRODDIAD TORRI AMODAU

Cafodd y Pwyllgor Adroddiad Torri Amodau, mewn perthynas â Chronfa Bensiwn Dyfed, i'w ystyried. Nodwyd gan y Pwyllgor fod Adran 70 o Ddeddf Pensiynau 2004 yn pennu'r ddyletswydd gyfreithiol i riportio achosion o dorri'r gyfraith. Mae Côt Ymarfer Rhif 14, paragraffau 241 i 275, a gyhoeddwyd gan y Rheoleiddiwr Pensiynau ym mis Ebrill 2015, yn rhoi cyfarwyddyd ynghylch riportio'r achosion hyn o dorri'r gyfraith. Cafodd Polisi Torri Amodau Cronfa Bensiwn Dyfed ei gymeradwyo gan Banel Cronfa Bensiwn Dyfed ym mis Mawrth 2016. O dan y polisi, roedd yn ofynnol i achosion o dorri'r gyfraith gael eu hadrodd i'r Rheoleiddiwr Pensiynau os oes achos rhesymol i gredu'r canlynol:

- na chydymffurfir – neu na chydymffurfiwyd – â dyletswydd gyfreithiol sy'n berthnasol i'r gwaith o weinyddu'r cynllun;
- bod yr anallu i gydymffurfio yn debygol o fod o arwyddocâd sylweddol i'r Rheoleiddiwr wrth iddo arfer unrhyw un o'i swyddogaethau.

Nododd y Pwyllgor fod nifer o achosion wedi bod ers y cyfarfod diwethaf lle nad oedd cyfraniadau gweithwyr/cyflogwr wedi'u derbyn ar amser. Ond, erbyn hyn, roedd yr holl gyfraniadau yn gyfredol ac nid oedd achos wedi'i gyfeirio at y Rheoleiddiwr Pensiynau.

PENDERFYNWYD YN UNFRYDOL nodi'r Adroddiad Torri Amodau mewn perthynas â Chronfa Bensiwn Dyfed.

8. COFRESTR RISG

Cafodd y Pwyllgor Gofrestr Risg, a oedd yn cynnwys yr holl risgiau a nodwyd mewn perthynas â swyddogaethau Cronfa Bensiwn Dyfed, i'w hystyried. Roedd y gofrestr, a gâi ei monitro a'i hadolygu yn rheolaidd, yn cynnwys y wybodaeth ganlynol:

- Manylion yr holl risgiau a nodwyd
- Asesiad o'r effaith bosibl, y tebygolrwydd a'r statws risg
- Y mesurau rheoli risg sydd ar waith
- Y swyddog cyfrifol
- Dyddiad targed (os yw'n berthnasol)

Byddai'r risgiau yn parhau i gael eu hadolygu'n chwarterol, a byddai unrhyw newidiadau yn cael eu dwyn at sylw'r Pwyllgor.

PENDERFYNWYD YN UNFRYDOL gymeradwyo'r Gofrestr Risg.

9. YMGYNGHORIAD GAN Y WEINYDDIAETH TAI, CYMUNEDAU A LLYWODRAETH LEOL (MHCLG) AR GANLLAWIAU STATUDOL DRAFFT YNGHYLCH CYFUNO ASED AU YN Y CYNLLUN PENSIWN LLYWODRAETH LEOL

Rhoddodd y Pwyllgor ystyriaeth i ymgynghoriad gan y Weinyddiaeth Tai, Cymunedau a Llywodraeth Leol ar ganllawiau statudol drafft ynghylch cyfuno asedau yn y Cynllun Pensiwn Llywodraeth Leol, ac roedd nodyn gan Hymans Robertson LLP, ymgynghorwyr Partneriaeth Pensiwn Cymru, ynghlwm wrth y ddogfen.

Nododd y Pwyllgor fod canllawiau statudol drafft yn cynnwys amod a fyddai'n disgwyl i aelodau'r gronfa wneud buddsoddiadau newydd o 2020 ymlaen. Rhoddwyd gwybod i'r Pwyllgor y byddai Cronfa Bensiwn Dyfed wedi gwneud y rhan fwyaf o'i buddsoddiadau erbyn 2020. Awgrymwyd y gallai'r Pwyllgor dynnu sylw at effaith negyddol bosibl y ddarpariaeth hon ar fuddsoddiadau mewn llythyr ymateb. Dywedwyd wrth y Pwyllgor fod angen cyflwyno ymatebion erbyn 28 Mawrth a byddai ymateb drafft yn cael ei ddsbarthu i Aelodau'r Pwyllgor a byddai'r Cadeirydd yn cytuno arno erbyn canol mis Mawrth.

PENDERFYNWYD YN UNFRYDOL nodi ymgynghoriad y Weinyddiaeth Tai, Cymunedau a Llywodraeth Leol a'r nodyn gan Hymans.

10. CYFLWYNIAD GAN YR AWDURDOD CYNNAL AR GERRIG MILLTIR A'R CYNNYDD O RAN PARTNERIAETH PENSIWN CYMRU

Rhoddodd Rheolwr y Trysorlys a Buddsoddiadau Pensiwn y wybodaeth ddiweddaraf i'r Pwyllgor ynghylch y cerrig milltir a'r cynnydd o ran Partneriaeth Pensiwn Cymru. Nododd y Pwyllgor fod y gwaith o gyflwyno a throsglwyddo asedau i ddau is-gronfa Ecwiti Byd-eang (£3.5bn) wedi'i gwblhau. Nodwyd bod y dangosyddion cychwynnol yn awgrymu bod y gwaith masnachu wedi mynd rhagddo fel y disgwyliid a byddai dadansoddiad yn cymharu'r adroddiad cyn-masnachu â'r adroddiad ôl-masnachu yn cael ei ddarparu erbyn diwedd mis Mawrth 2019. Gallai dyddiad targed ar gyfer lansio Tranche 2 (Ecwitiau'r DU ac Ecwitiau Ewrop, oddeutu £700m) gael ei ohirio o bosibl i fis Ebrill 2019. O ran Tranche 3 (Incwm Sefydlog , oddeutu £3bn), dywedyd wrth y Pwyllgor nad oedd Cydbwyllgor Llywodraethu Partneriaeth Pensiwn Cymru wedi cytuno ar is-gronfeydd, gan ohirio o bosibl y lansiad tan fis Medi 2019. Roedd hyn gan fod cyfarfod y Cyd-bwyllgor Lywodraethu ym mis Ionawr 2019 wedi cael ei ganslo oherwydd materion yn ymwneud â'r tywydd. Yn gyffredinol, roedd yr ymarfer cyfuno yn gwneud cynnydd da.

PENDERFYNWYD YN UNFRYDOL dderbyn y cyflwyniad.

11. UNRHYW FATER ARALL Y GALL Y CADEIRYDD OHERWYDD AMGYLCHIADAU ARBENNIG BENDERFYNU EI YSTRIED YN FATER BRYD YN UNOL AG ADRAN 100B(4)(b) O DDEDDF LLYWODRAETH LEOL 1972

Nid oedd dim materion brys i'w trafod.

12. GORCHYMYN I'R CYHOEDD ADAEL Y CYFARFOD

PENDERFYNWYD YN UNFRYDOL, yn unol â Deddf Llywodraeth Leol 1972, fel y'i newidiwyd gan Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywio) (Cymru) 2007, orchymyn i'r cyhoedd adael y cyfarfod tra oedd yr eitemau canlynol yn cael eu hystyried, gan fod yr adroddiadau'n cynnwys gwybodaeth eithriedig fel y'i diffiniwyd ym mharagraff 14 o Ran 4 o Atodlen 12A i'r Ddeddf.

13. ADRODDIAD YMGYNGHORYDD BUDDSODDI ANNIBYNNOL RHAGFYR 2018

Yn sgil gweithredu'r prawf budd y cyhoedd **PENDERFYNWYD YN UNFRYDOL**, yn unol â'r Ddeddf y cyfeiriwyd ati yng Nghofnod 12 uchod, ystyried y mater hwn yn breifat gan orchymyn i'r cyhoedd adael y cyfarfod, gan y byddai'r drafodaeth yn datgelu gwybodaeth eithriedig ynghylch materion ariannol neu faterion busnes unrhyw unigolyn penodol (gan gynnwys yr Awdurdod oedd yn meddu ar y wybodaeth honno).

Ystyriodd y Pwyllgor Adroddiad yr Ymgynghorydd Buddsoddi Annibynnol, a roddai wybodaeth mewn perthynas â pherfformiad y rheolwr buddsoddiadau ar gyfer pob chwarter, pob 12 mis a chyfnodau treigl o 3 blynedd, gan ddod i ben ar 31 Rhagfyr 2018.

PENDERFYNWYD YN UNFRYDOL nodi Adroddiad yr Ymgynghorydd Buddsoddi Annibynnol fel yr oedd ar 31 Rhagfyr 2018.

14. ADRODDIAD PERFFORMIAD NORTHERN TRUST

Yn sgil gweithredu'r prawf budd y cyhoedd **PENDERFYNWYD YN UNFRYDOL**, yn unol â'r Ddeddf y cyfeiriwyd ati yng Nghofnod 12 uchod, ystyried y mater hwn yn breifat gan orchymyn i'r cyhoedd adael y cyfarfod, gan y byddai'r drafodaeth yn datgelu gwybodaeth eithriedig ynghylch materion ariannol neu faterion busnes unrhyw unigolyn penodol (gan gynnwys yr Awdurdod oedd yn meddu ar y wybodaeth honno).

Ystyriodd y Pwyllgor adroddiad perfformiad Northern Trust ar gyfer Cronfa Bensiwn Dyfed fel yr oedd ar 31 Rhagfyr 2018 a oedd yn nodi dadansoddiad o berfformiad o ran lefel y gronfa gyfan a chan y rheolwr buddsoddi am y cyfnodau cyn i'r gronfa gychwyn.

PENDERFYNWYD YN UNFRYDOL dderbyn adroddiad perfformiad Northern Trust ar gyfer Cronfa Bensiwn Dyfed fel yr oedd ar 31 Rhagfyr 2018.

15. BENTHYCA GWARANNAU

Yn sgil gweithredu'r prawf budd y cyhoedd **PENDERFYNWYD YN UNFRYDOL**, yn unol â'r Ddeddf y cyfeiriwyd ati yng Nghofnod 12 uchod, ystyried y mater hwn yn breifat gan orchymyn i'r cyhoedd adael y cyfarfod, gan y byddai'r drafodaeth yn datgelu gwybodaeth eithriedig ynghylch materion ariannol neu faterion busnes unrhyw unigolyn penodol (gan gynnwys yr Awdurdod oedd yn meddu ar y wybodaeth honno).

Rhoddodd y Pwyllgor ystyriaeth i gais ynghylch benthyca gwarannau ar gyfer buddsoddiadau Cronfa Bensiwn Dyfed mewn Partneriaeth Pensiwn Cymru. Roedd y cais yn cynnwys adroddiad Mercer ynghylch benthyca gwarannau a chynnig Northern Trust. Rhoddwyd gwybod i'r Pwyllgor fod mabwysiadu'r ateb masnachu arfaethedig yn amodol ar gael cymeradwyaeth gan bob un o 8 cronfa y Cynllun Pensiwn Llywodraeth Leol yng Nghymru a byddai'r Pwyllgor yn derbyn y wybodaeth ddiweddaraf am gynnydd yn chwarterol os byddai'r ateb yn cael ei fabwysiadu. Cytunodd yr Ymgynghorydd Buddsoddi Annibynnol â'r egwyddor o fenthyca gwarannau.

PENDERFYNWYD YN UNFRYDOL gymeradwyo'r cais am fenthyca gwarannau, ar yr amod bod yr ateb masnachu yn cael ei fonitro'n rheolaidd ac ond yn cael ei roi ar waith yn y lle cyntaf i Gronfa Tyfu Byd-eang Partneriaeth Pensiwn Cymru.

CADEIRYDD

DYDDIAD

Mae'r dudalen hon yn wag yn fwriadol

PWYLLGOR CRONFA BENSIWN DYFED
DYDDIAD 19/06/2019

MONITRO CYLLIDEB 1 EBRILL 2018 – 31 MAWRTH 2019

YR ARGYMHELLION / PENDERFYNIADAU ALLWEDDOL SYDD EU HANGEN:

Y Pwyllgor i dderbyn adroddiad Monitro Cyllideb diwedd y flwyddyn 2018-19 y Gronfa Bensiwn Dyfed.

RHESYMAU:

Rhoi'r wybodaeth diwedd y flwyddyn i Bwyllgor Cronfa Bensiwn Dyfed am y sefyllfa gyllidebol fel yr oedd ar 31 Mawrth 2019, o ran 2018-2019.

Awdur yr Adroddiad:
Chris Moore

Swydd:
Cyfarwyddwr y Gwasanaethau
Corfforaethol,
Cyngor Sir Gâr

Rhif ffôn
01267 224120
e-bost:
CMoore@sirgar.gov.uk

DYFED PENSION FUND COMMITTEE

DATE 19/06/2019

Budget Monitoring 1 April 2018 – 31 March 2019

BRIEF SUMMARY OF PURPOSE OF REPORT

The position as at 31 March 2019 for 2018-2019 was an under spend compared to budget of £635k on cash items.

Expenditure

The net effect of Benefits Payable and Transfers Out is an over spend of £3.4m. This is mainly influenced by the un-controllable nature of lump sum payments and transfers out of the Fund. Management expenses are underspent by £0.2k.

Income

The net effect of Contributions, Investment Income and Transfers In is an increase in income of £3.9m than budgeted.

Total expenditure was £89.8m and total income was £90.4m resulting in a positive cash flow position of £0.6m.

DETAILED REPORT ATTACHED?	YES
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IMPLICATIONS

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
NONE	NONE	YES	NONE	NONE
Policy, Crime & Disorder and Equalities - None				
Legal - None				
Finance - Overall, the Fund needs to maintain a positive cash flow balance to meet its obligations. The cash flow was positive by £0.6m in 2018-19.				
Risk Management Issues - None				
Staffing Implications - None				

CONSULTATIONS

Details of any consultations undertaken are to be included here

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK

Dyfed Pension Fund									
Budget Monitoring									
1st April 2018 - 31st March 2019									
	Budget Type	Actual 2017-2018	Budget 2018-2019	Total income/ expenditure to date	Forecast Commitments	Actual income/ expenditure at year end	End of year variance		
	Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (c)	£ '000 (d)	£ '000 (e)	£ '000 (f)	%	
Expenditure									
Benefits Payable	Both	75,457	76,699	78,924	0	78,924	2,225	2.9	
Pensions Payable	Controllable	59,543	63,199	64,128	0	64,128	929		
Commutation and lump sum retirement benefits	Non Controllable	14,107	12,000	12,873	0	12,873	873		
Lump sum death benefits	Non Controllable	1,807	1,500	1,923	0	1,923	423		
Payments to and account of leavers	Non Controllable	2,304	2,620	3,853	0	3,853	1,233	47.1	
Management Expenses		6,356	7,168	6,992		6,992	-176	-2.5	
Computer Software	Controllable	269	350	364	0	364	14		
Printing charges	Controllable	12	20	11	0	11	-9		
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	58	68	70	0	70	2		
Fund Managers									
BlackRock	Controllable	1,428	1,520	1,561	0	1,561	41		
Baillie Gifford	Controllable	1,203	1,320	997	0	997	-323		
Columbia Threadneedle	Controllable	962	1,000	771	0	771	-229		
Schroders	Controllable	492	520	679	0	679	159		
Wales Pension Partnership	Controllable	69	200	476	0	476	276		
Partners Group	Controllable	730	800	811	0	811	11		
Custodian									
Northern Trust	Controllable	29	30	29	0	29	-1		
Actuary									
Mercer	Controllable	68	70	78	0	78	8		
Performance Manager									
Northern Trust / PIRC / CEM	Controllable	6	26	38	0	38	12		
Independent Advisor									
E. Lambert	Controllable	31	20	20	0	20	0		
Other									
Euraplan, LSE, Pension Board	Controllable	41	23	21	0	21	-2		
Central recharges	Non Controllable	930	1,172	1,038	0	1,038	-134		
Audit fees	Controllable	28	29	28	0	28	-1		
Controllable Expenditure		64,969	69,195	70,083	0	70,083	888		
Non Controllable Expenditure		19,148	17,292	19,686	0	19,686	2,394		
Total Expenditure		84,117	86,487	89,769	0	89,769	3,282		
Income									
Contributions									
Employer	Controllable	-48,697	-50,515	-51,360	0	-51,360	-845	1.7	
Member	Controllable	-18,229	-18,640	-18,986	0	-18,986	-346	1.9	
Investment Income	Controllable	-16,550	-15,832	-13,375	0	-13,375	2,457	-15.5	
Other Income	Controllable	-6	0	-32	0	-32	-32	100.0	
Transfers in from other pension funds	Non Controllable	-1,699	-1,500	-6,651	0	-6,651	-5,151	343.4	
Controllable Income		-83,482	-84,987	-83,753	0	-83,753	1,234		
Non Controllable Income		-1,699	-1,500	-6,651	0	-6,651	-5,151		
Total Income		-85,181	-86,487	-90,404	0	-90,404	-3,917		
Controllable Total		-18,513	-15,792	-13,670	0	-13,670	2,122		
Non Controllable Total		17,449	15,792	13,035	0	13,035	-2,757		
Total		-1,064	0	-635	0	-635	-635		
Cash Transfer to Fund Managers	Cash	6,900	0	0	0	0	0		
Net Total of Cash Related Items		5,836	0	-635	0	-635	-635		
Indirect Transactional Management Fees	Non Cash	4,866	1,900	4,079	0	4,079	2,179		
Investment Income	Non Cash	-2,399	-1,900	-4,079	0	-4,079	-2,179	114.7	
Realised gain/loss	Non Cash	-260,837	-50,000	-168,686	0	-168,686	-118,686	237.4	
Net Total of Non-Cash Related Items		-258,370	-50,000	-168,686	0	-168,686	-118,686		

Mae'r dudalen hon yn wag yn fwriadol

PWYLLGOR CRONFA BENSIWN DYFED

DYDDIAD 19/06/2019

DATGANIAD CYFRIFON 2018-2019

YR ARGYMHELLION / PENDERFYNIADAU ALLWEDDOL SYDD EU HANGEN:

Y Pwyllgor i derbyn y Datganiad Cyfrifon 2018-2019 heb eu harchwilio.

RHESYMAU:

Y Pwyllgor Cronfa Bensiwn Dyfed i derbyn y Datganiad Cyfrifon 2018-2019 heb eu harchwilio.

Report Author:
Chris Moore

Designation:
Director of Corporate Services,
Carmarthenshire County
Council

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CMoore@carmarthenshire.gov.uk

DYFED PENSION FUND COMMITTEE

DATE 19/06/2019

Statement of Accounts 2018-19

BRIEF SUMMARY OF PURPOSE OF REPORT

The Dyfed Pension Fund accounts provide information about the financial position, performance and financial adaptability of the Fund for the year 2018-19. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The main accounts and reports contained within the Statement of Accounts are:

- The Fund Account.
- The Net Assets Statement.
- The Statement by the Consulting Actuary

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
NONE	NONE	NONE	NONE	NONE
FINANCE				
<p>The closing net assets of the Dyfed Pension Fund was £2,575m up from £2,440m in 2017/18. Net withdrawals including fund management expenses is £16.8m and net return on investments was £152m.</p>				

CONSULTATIONS

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Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK

DYFED PENSION FUND STATEMENT OF ACCOUNTS 2018-2019

EXPLANATORY FOREWORD

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2018-19. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (the "Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

For readers with a more detailed or specialist interest of the operation of the Dyfed Pension Fund during 2018-2019, reference should be made to the Annual Report and Accounts 2018-19 (when published).

The main accounts and reports contained within this Statement of Accounts are as follows:

- The Fund Account.
- The Net Assets Statement.
- The Statement by the Consulting Actuary

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Director of Corporate Services
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts

The Director of Corporate Services' Responsibilities

The Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Corporate Services has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Kept proper and timely accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;

Certification of Accounts

I certify that the Statement of Accounts on pages 3 to 35 gives a true and fair view of the financial position of Carmarthenshire County Council and the Dyfed Pension Fund at 31st March 2019 and its income and expenditure for the year ended 31st March 2019.

Chris Moore FCCA
Director of Corporate Services

Dated: 07 June 2019

Fund Account for the Year Ended 31 March 2019

2017-18 £'000		<u>Note</u>	2018-19 £'000
	Dealings with members, employers and others directly involved in the Fund		
	Contributions		
	Employer		
42,417	Normal		45,164
7,475	Augmentation		6,895
3,549	Past Service Deficit		4,107
	Member		
18,077	Normal		18,883
152	Additional voluntary		103
1,699	Transfers in from other pension funds	6	6,651
<u>73,369</u>			<u>81,803</u>
	Benefits payable		
(64,232)	Pensions payable		(68,875)
(14,161)	Commutation and lump sum retirement benefits		(12,933)
(1,807)	Lump sum death benefits		(1,923)
(2,304)	Payments to and on account of leavers	7	(3,853)
<u>(82,504)</u>			<u>(87,584)</u>
(9,135)	Net Additions (Withdrawals) from dealings with Members		(5,781)
(11,216)	Management Expenses	8	(11,040)
<u>(20,351)</u>	Net Additions (Withdrawals) including fund management expenses		(16,821)
	Returns on Investments		
19,086	Investment Income	9	17,511
0	Other Income		0
(138)	Taxes on Income (Irrecoverable Withholding Tax)	10	(56)
	Changes in the market value of investments		
(162,391)	Unrealised	11.2	(33,746)
260,838	Realised	11.3	168,686
<u>117,395</u>	Net Return on Investments		<u>152,395</u>
97,044	Net Increase (Decrease) in the net assets available for benefits during the year		135,574
2,343,068	Opening Net Assets of Scheme		2,440,112
<u>2,440,112</u>	Closing Net Assets of Scheme		<u>2,575,686</u>

Net Assets Statement for the year ended 31 March 2019

31/03/18 £'000		<u>Note</u>	31/03/19 £'000
2,428,563	Investment Assets		2,563,796
6,587	Cash deposits		7,052
0	Investment liabilities		0
2,435,150		11.1	2,570,848
9,563	Current assets	16	9,245
(4,600)	Current liabilities	17	(4,407)
4,963	Net Current Assets/(Liabilities)		4,838
2,440,112	Total Net Assets		2,575,686

Reconciliation of the movement in Fund Net Assets

2017-18 £'000		2018-19 £'000
2,343,068	Opening Net Assets	2,440,112
(1,403)	Net New Money Invested	634
98,447	Profit and losses on disposal of investments and changes in the market value of investments	134,940
2,440,112	Closing Net Assets of Fund	2,575,686

Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2019

1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Carmarthenshire County Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report and Accounts 2018-2019 (when published) and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

1.1 General

The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Scheme Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined pension scheme administered by Carmarthenshire County Council to provide pensions and other benefits for pensionable employees of Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council and a range of other scheduled and admission bodies within the former Dyfed geographical area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Dyfed Pension Fund Committee (the Committee).

1.2 Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Dyfed Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 66 employer organisations within the Dyfed Pension Fund as at 31 March 2019 and these are detailed in Note 21. The membership details of these organisations are summarised below:

31/03/18		31/03/19
18,575	Number of active contributors in the Fund	18,342
12,585	Number of pensioners	13,187
15,354	Number of deferred pensioners	15,719
<u>46,514</u>	Total membership	<u>47,248</u>
51	Number of employers with active members	53

These figures reflect the recorded position as at 31 March 2019 but are always subject to some movement post year end for notifications from employing bodies received after this date.

1.3 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2016. Currently, employer contribution rates range from 7.4% to 27.6% of pensionable pay as detailed in Note 21.

1.4 Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 31 March 2008 - 31 March 2014
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. For more details, please refer to the Dyfed Pension Fund website – www.dyfedpensionfund.org.uk

2 **Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2018-2019 financial year and its position at year end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-2019 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

3 Summary of significant accounting policies

Fund Account – revenue recognition

3.1 Contributions

Normal contributions, both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

3.2 Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.3 Investment income

3.3.1 Interest income

Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

3.3.2 Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.3.3 Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.3.4 Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

3.4 Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

3.5 Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

As Carmarthenshire County Council is the administering Authority, VAT is recoverable on all Fund Activities. The Accounts are shown exclusive of VAT.

3.6 Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.67m in 2018-2019 (2017-2018: Fee was £0.58m).

Where an investment manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2018-2019, no fees are based on such estimates (2017-2018: £0).

The costs of the council's pension investments team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment

management is also charged to the fund. The Council charged the Pension Fund an amount of £1.0m (£0.9m in 2017/18) in respect of administration and support during 2018-19.

Net assets statement

3.7 Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

3.7.1 Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

3.7.2 Fixed interest securities

Fixed interest securities are recorded at net market value.

3.7.3 Unquoted investments

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the investment manager.

3.7.4 Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations by those controlling the partnership.

3.7.5 Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if available. If this is not available then these investments will be valued at the closing single price. In the case of accumulation funds, the change in market value will also include income which is reinvested in the Fund.

3.8 Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market value of overseas investments and purchases and sales outstanding at the end of the reporting period.

3.9 Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

The Fund has had its own bank accounts, which deal with the transactions of the Fund, since 1 April 2011, in accordance with section 6 of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009.

Cash balances held by the Fund are invested on a short term basis on the London Money Market by Carmarthenshire County Council until it is required to meet its liabilities or to transfer surplus cash to the investment managers for reinvestment.

3.10 Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

3.11 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a reference in the accompanying actuarial report.

3.12 Additional voluntary contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual scheme members to determine how much they contribute (subject to HM Revenue & Customs limits) and the investment components or its mix.

AVC's are invested separately from the assets of the Fund and are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only - Note 18.

4 Critical judgements in applying accounting policies

4.1 Fund liability

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded

financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31st March 2019 was £36.0m (31st March 2018: £44.0m).

5 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31st March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £26.6m for 2018-19.</p> <p>The carrying amount of the net pensions liability at 31st of March 2019 was £380m.</p> <p>However, the assumptions interact in complex ways. During 2018/19, the Authority's actuaries advised that the net pensions liability had increased by £77.1m due to updating of the assumptions.</p>
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Limited Partnership property investments are £36.0m. There is a risk that this investment may be under or overstated in the accounts.

6 Transfers in from other pension funds

2017-18 £'000		2018-19 £'000
0	Group transfers in from other schemes and scheme mergers	0
1,699	Individual transfers in from other schemes	6,651
<u>1,699</u>		<u>6,651</u>

7 Payments to and on account of Leavers

2017-18 £'000		2018-19 £'000
(150)	Refunds to members leaving service	(144)
(12)	Payments for members joining state scheme	(5)
0	Group transfers	0
(2,142)	Individual transfers	(3,704)
<u>(2,304)</u>		<u>(3,853)</u>

8 Management Expenses

2017-18 £'000		2018-19 £'000
(1,053)	Administrative costs	(1,188)
(9,710)	Investment management expenses	(9,292)
(453)	Oversight and governance costs	(560)
<u>(11,216)</u>		<u>(11,040)</u>

2018-19 Audit fees of £28,322 included within Oversight and governance costs. (2017-18 £28,054)

9 Investment Income

2017-18 £'000		2018-19 £'000
10,189	Equity dividends	8,373
8,879	Pooled property investments	9,067
18	Interest on cash deposits	55
0	Other	16
<u>19,086</u>		<u>17,511</u>

10 Taxation

2017-18 £'000		2018-19 £'000
0	Withholding tax - Bonds	0
(138)	Withholding tax - equities	(56)
0	Withholding tax - pooled	0
<u>(138)</u>		<u>(56)</u>

11 Investments

11.1 Net investment assets

Fair value 31/03/2018 £'000		Fair value 31/03/2019 £'000
	<u>Investment assets</u>	
	Bonds	
	UK Corporate Bonds	
240,907	- BlackRock	265,299
	Indexed Linked Securities	
248,675	- BlackRock	138,699
	Equities	
	UK Quoted Equities	
480,061	- BlackRock	510,928
	Alternatives	
0	- BlackRock UK SAIF	27,626
	Pooled Investments	
	Overseas equities	
673,513	- BlackRock	704,690
	Global equities	
306,577	- Baillie Gifford	0
240,409	- Columbia Threadneedle	0
0	- Wales Pension Partnership	588,671
	Pooled property investments	
196,129	- Schroders	293,605
35,745	- Partners Group	27,011
	Property	
343	- Schroders	327
5,714	- Partners Group	6,044
	Cash deposits	
258	- BlackRock	259
3,829	- Schroders	4,293
2,500	- Partners Group	2,500
	Investment income due	
265	- Schroders	689
	Tax reclaims due	
132	- BlackRock	85
93	- Schroders	122
0	Amounts receivable for sales	0
<u>2,435,150</u>	Total investment assets	<u>2,570,848</u>
	<u>Investment liabilities</u>	
0	Amounts payable for purchases	0
<u>0</u>	Total investment liabilities	<u>0</u>
<u><u>2,435,150</u></u>	Net investment assets	<u><u>2,570,848</u></u>

11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £958m whilst sales totalled £789m. The sales realised a net gain of £169m. Acquisition costs are included in the purchase price of the investment.

	Fair value 31/03/2018 £'000	Purchases at Cost £'000	Sales at Cost £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2019 £'000
Bonds	489,582	243,490	(280,773)	0	(48,301)	403,998
Equities	480,061	0	(170)	0	31,037	510,928
Pooled investments	1,220,499	588,983	(500,092)	0	(16,029)	1,293,361
Pooled property investments	231,874	97,771	(7,544)	0	(1,485)	320,616
Property	6,057	0	0	0	314	6,371
Alternatives	0	27,332	0	0	294	27,626
	2,428,073	957,576	(788,579)	0	(34,170)	2,562,900
Other investment balances						
Cash deposits	6,587	0	0	465	0	7,052
Amount receivable for sales investments	0	0	0	0	0	0
Investment income due	265	0	0	0	424	689
Tax reclaims due	225	0	0	(18)	0	207
Amounts payable for purchases investments	0	0	0	0	0	0
	2,435,150	957,576	(788,579)	447	(33,746)	2,570,848

	Fair value 31/03/2017 £'000	Purchases at Cost £'000	Sales at Cost £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2018 £'000
Bonds	440,696	40,488	(33)	0	8,431	489,582
Equities	568,252	573,159	(549,510)	0	(111,840)	480,061
Pooled investments	1,099,372	400,431	(207,119)	0	(72,185)	1,220,499
Pooled property investments	212,418	28,308	(20,504)	0	11,652	231,874
Property	5,966	25	(1,266)	0	1,332	6,057
	2,326,704	1,042,411	(778,432)	0	(162,610)	2,428,073
Other investment balances						
Cash deposits	4,880	0	0	1,707	0	6,587
Amount receivable for sales investments	258	0	0	(258)	0	0
Investment income due	3,171	0	0	(3,126)	220	265
Tax reclaims due	411	0	0	(186)	0	225
Amounts payable for purchases investments	(246)	0	0	246	0	0
	2,335,178	1,042,411	(778,432)	(1,617)	(162,390)	2,435,150

11.3 Realised gains and losses

2017-18		2018-19
£'000		£'000
1	Bonds	64,649
111,116	Equities	(3,024)
143,909	Pooled Investments	104,512
6,337	Pooled property investments	2,549
(525)	Property	0
<u>260,838</u>		<u>168,686</u>

11.4 Geographical analysis of investments

Fair value	Geographical analysis	Fair value
31/03/18		31/03/19
£'000		£'000
1,237,439	UK	1,329,108
137,572	Europe (excl UK)	126,805
487,562	North America	623,301
95,899	Japan	117,561
113,639	Pacific Rim	57,013
281,405	Emerging Markets	230,322
81,634	International pooled funds	86,738
<u>2,435,150</u>		<u>2,570,848</u>

11.5 Fund manager analysis

Fair value	Fund manager analysis	Fair value
31/03/18		31/03/19
£'000		£'000
1,643,546	BlackRock	1,647,585
200,659	Schroders	299,036
43,959	Partners Group	35,556
306,577	Baillie Gifford	0
240,409	Columbia Threadneedle	0
0	Wales Pension Partnership	588,671
<u>2,435,150</u>		<u>2,570,848</u>

11.6 Wales Pension Partnership (WPP)

Wales Pension Partnership costs included in the Dyfed Pension Fund accounts for 2018-19 and 2017-18 are below:

31/03/18		31/03/19
£'000		£'000
	WPP oversight and governance costs	
16	Host Authority costs	20
0	Operator and Other Services fees	91
	WPP Investment Management expenses	
0	Fund Manager fees	365
<u>16</u>		<u>476</u>

A Wales Investment Pool Operator has been appointed by the Wales Pension Partnership to manage the investments and the reduction of investment management expenses for all 8 Wales pension funds. The Joint Governance Committee has met on several occasions in 2018-19 and has approved an FCA prospectus submission for two Global Equity sub funds. These 2 sub funds for global equities were launched in January 2019. The Fund has placed its global equity allocation (Baillie Gifford and Columbia Threadneedle) into the global growth sub fund which targets a +2% excess return gross of fees. Underlying managers within this sub fund currently include: Baillie Gifford, Veritas and Pzena. This fund has yet to complete its first full quarter of operation as at 31st March 2019.

Carmarthenshire County Council is the Host Authority to provide administrative and secretarial support and implement decisions made by the Joint Governance Committee of the Wales Pension Partnership. The Director of Corporate Services is the Responsible Finance Officer of the Wales Pension Partnership. Similarly, the Council's Monitoring Officer is the Monitoring Officer of the Wales Pension Partnership.

12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31st March 2019:

	Value as at 31/03/2019	Proportion of Investment Portfolio
	£'000	%
Wales Pension Partnership (Global Growth Fund)	588,671	22.90
BlackRock Aquila Life UK Equity Index Fund	510,925	19.87
Blackrock Ascent Life US Equity Fund	277,376	10.79
Blackrock Active Selection Fund UK	265,299	10.32
Blackrock active selection fund - Emerging Market Index Fund	224,847	8.75
BlackRock Aquila Life over 5yr UK index linked	138,699	5.40

13 Investment Management Expenses

2017-18		2018-19
£'000		£'000
(4,190)	Management fees	(4,513)
(577)	Performance related fees	(671)
(29)	Custody fees	(29)
(4,914)	Transaction costs	(4,079)
<u>(9,710)</u>		<u>(9,292)</u>

14 Financial Instruments

14.1 Classification of financial instruments

Accounting policies describe how different asset classes are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading.

2017-18				2018-19			
Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets							
489,582	0	0	489,582	403,998	0	0	403,998
480,061	0	0	480,061	510,928	0	0	510,928
0	0	0	0	27,626	0	0	27,626
1,220,499	0	0	1,220,499	1,293,361	0	0	1,293,361
231,874	0	0	231,874	320,616	0	0	320,616
6,057	0	0	6,057	6,371	0	0	6,371
0	11,494	0	11,494	0	12,259	0	12,259
490	0	0	490	896	0	0	896
0	4,655	0	4,655	0	4,038	0	4,038
2,428,563	16,149	0	2,444,712	2,563,796	16,297	0	2,580,093
Financial liabilities							
0	0	0	0	0	0	0	0
0	0	(4,600)	(4,600)	0	0	(4,407)	(4,407)
0	0	(4,600)	(4,600)	0	0	(4,407)	(4,407)
2,428,563	16,149	(4,600)	2,440,112	2,563,796	16,297	(4,407)	2,575,686

14.2 Net gains and losses on financial instruments

2017-18 £'000	2018-19 £'000
Financial assets	
98,447	134,940
98,447	134,940
0 Total financial liabilities	
98,447	134,940

14.3 Fair value of financial instruments and liabilities

The following table summarises the carrying value of the financial assets and financial liabilities by class of instrument compared with their fair values:

Carrying value	Fair value		Carrying value	Fair value
31/03/18	31/03/18		31/03/19	31/03/19
£'000	£'000		£'000	£'000
Financial assets				
1,802,227	2,428,561	Fair value through profit and loss	1,971,208	2,563,796
16,151	16,151	Loans and receivables	16,297	16,297
1,818,378	2,444,712	Total financial assets	1,987,505	2,580,093
Financial liabilities				
0	0	Fair value through profit and loss	0	0
(4,600)	(4,600)	Financial liabilities at amortised cost	(4,407)	(4,407)
(4,600)	(4,600)	Total financial liabilities	(4,407)	(4,407)
1,813,778	2,440,112	Total	1,983,098	2,575,686

14.4 Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and certain unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include limited partnerships, where fair value is ascertained from periodic valuations provided by those controlling the partnership. Assurance over the valuation is gained from the independent audit of the partnership.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the value at which the fair value is observable.

Fair values at 31 March 2019	Quoted market price	Using observable inputs	With significant unobservable inputs	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets				
Financial assets at fair value through profit and loss	1,105,917	1,131,163	326,716	2,563,796
Loans and receivables	16,297	0	0	16,297
Total financial assets	1,122,214	1,131,163	326,716	2,580,093
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(4,407)	0	0	(4,407)
Total financial liabilities	(4,407)	0	0	(4,407)
Net financial assets	1,117,807	1,131,163	326,716	2,575,686

Fair values at 31 March 2018	Quoted market price	Using observable inputs	With significant unobservable inputs	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets				
Financial assets at fair value through profit and loss	1,125,306	1,066,610	236,646	2,428,562
Loans and receivables	16,151	0	0	16,151
Total financial assets	1,141,457	1,066,610	236,646	2,444,713
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(4,600)	0	0	(4,600)
Total financial liabilities	(4,600)	0	0	(4,600)
Net financial assets	1,136,857	1,066,610	236,646	2,440,112

14.5 Fair value – Basis of valuation

Description of Asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the Valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled Investments – Quoted Equity	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing policy	Not required
Pooled Investments – Property Funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing policy	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted Equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Vanture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

14.6 Reconciliation of fair value measurements within level 3

Asset Type	Market Value 01 April 2018 £'000	Transfers into Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	Unrealised Gains / (Losses) £'000	Realised Gains / (Losses) £'000	Market Value 31 March 2019 £'000
Equities - Unquoted overseas equity	0	0	0	0	0	0	0	0
Property	236,646	0	0	98,249	(9,450)	(1,271)	2,542	326,716
Total	236,646	0	0	98,249	(9,450)	(1,271)	2,542	326,716

14.7 Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2018-19.

15 Nature and extent of risks arising from financial instruments

15.1 Risk and risk management

The Fund has developed a formal risk assessment process and maintains a risk register which is updated annually. This ensures that risks are identified appropriately and are assessed and managed effectively. For more details, and to view the Risk Register, please refer to the Fund's website - www.dyfedpensionfund.org.uk

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Committee. Risk management policies are established to identify and analyse the risks faced by the Authority's pensions operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

15.2 Market risk

Market risk is the risk of loss from fluctuations in equity prices and interest and foreign exchange rates. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its independent investment adviser undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments
- By investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing

15.3 Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Committee to ensure it is within limits specified in the Fund's investment strategy.

15.4 Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities shown below, are consistent with a one standard deviation movement in the change in value of the assets over the latest three years:

Asset Type	Potential market movements (+/-)
Equity	10.50%
Bonds	6.50%
Index Linked	9.80%
Property	2.60%
Cash	0.50%

Had the market price of the Fund increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

Asset Type	Value as at 31 March 2019 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Cash	7,052	0.50%	7,087	7,017
UK Equities	510,928	10.50%	564,576	457,281
Overseas Equities	704,690	10.50%	778,682	630,697
Global Pooled Equities inc UK	588,671	10.50%	650,481	526,861
Alternatives	27,626	10.50%	30,527	24,725
UK Corporate Bonds	265,299	6.50%	282,543	248,054
Index Linked Gilts	138,699	9.80%	152,291	125,106
Property	326,987	2.60%	335,489	318,485
Sales receivable	(0)	0.00%	(0)	(0)
Purchases payable	(0)	0.00%	(0)	(0)
Income receivables	896	0.00%	896	896
Total Assets	2,570,848		2,802,573	2,339,123

Asset Type	Value as at	Change	Value on Increase	Value on Decrease
	31 March 2018			
	£'000	%	£'000	£'000
Cash	6,587	1.60%	6,692	6,481
UK Equities	480,061	9.90%	527,586	432,534
Overseas Equities	673,513	12.20%	755,681	591,344
Global Pooled Equities inc UK	546,986	9.80%	600,590	493,381
UK Corporate Bonds	240,907	7.20%	258,252	223,561
Index Linked Gilts	248,675	12.50%	279,760	217,591
Property	237,931	4.70%	249,114	226,749
Sales receivable	(0)	0.00%	(0)	(0)
Purchases payable	(0)	0.00%	(0)	(0)
Income receivables	490	0.00%	491	491
Total Assets	2,435,150		2,678,166	2,192,132

15.4.1 Sensitivity of assets valued at level 3

Asset Type	Value as at	Change	Value on Increase	Value on Decrease
	31 March 2019			
	£'000	%	£'000	£'000
Equities - Unquoted overseas	0	10.50%	0	0
Property	326,716	2.60%	335,211	318,221
Total Level 3 Assets	326,716		335,211	318,221

15.5 Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Committee in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates against the relevant benchmarks.

The actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

The Fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2019 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/18	Asset type	31/03/19
£'000		£'000
6,586	Cash and cash equivalents	7,052
4,908	Cash held at CCC	5,207
489,582	Bonds	403,998
501,076	Total	416,257

15.6 Interest rate risk sensitivity analysis

Interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Value as at 31/03/19 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	-1% £'000
Cash and cash equivalents	7,052	71	(71)
Cash held at CCC	5,207	52	(52)
Bonds	403,998	4,040	(4,040)
Total change in available assets	416,257	4,163	(4,163)

Asset type	Value as at 31/03/18 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	-1% £'000
Cash and cash equivalents	6,586	66	(66)
Cash held at CCC	4,908	49	(49)
Bonds	489,582	4,896	(4,896)
Total change in available assets	501,076	5,011	(5,011)

15.7 Discount Rate

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

15.8 Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£ GBP Sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than £ GBP Sterling.

The Fund's currency rate risk is routinely monitored by the Committee in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2018 and as at 31 March 2019:

Fair value 31/03/18 £'000	Asset type	Fair value 31/03/19 £'000
1,163,608	Overseas Equities	1,213,890
34,101	Property	27,846
0	Cash	4
1,197,709	Total overseas assets	1,241,740

15.9 Currency risk sensitivity analysis

The aggregate currency exposure within the Fund as at 31 March 2019 was 8.3% (2017-18: 9%).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 8.3% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	Fair value 31/03/19 £'000	Change in year in the net assets available to pay benefits	
		+8.30% £'000	-8.30% £'000
Overseas equities	1,213,890	100,753	(100,753)
Property	27,846	2,311	(2,311)
Cash	4	0	0
Total change in available assets	1,241,740	103,064	(103,064)

Asset type	Fair value 31/03/18 £'000	Change in year in the net assets available to pay	
		+9.00% £'000	-9.00% £'000
Overseas equities	1,163,608	104,725	(104,725)
Property	34,101	3,069	(3,069)
Cash	0	0	0
Total change in available assets	1,197,709	107,794	(107,794)

15.10 Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments

generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so Carmarthenshire County Council monitors membership movements on an annual basis.

New employers to the Fund have to agree to the provision of a bond to prevent the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. Carmarthenshire County Council currently guarantees to meet any future liabilities falling on the Fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

No collateral is held as security on financial assets. Carmarthenshire County Council does not generally allow credit to employers.

All investments held by investment managers are held in the name of the Dyfed Pension Fund at the custodian – Northern Trust, so if the investment manager fails the Fund's investments are not classed amongst the manager's assets.

Any cash held is in the Carmarthenshire County Council accounts and is invested in line with Carmarthenshire County Council's approved credit rated counterparty list.

15.11 Liquidity risk

This refers to the possibility that the Fund might not have sufficient Funds available to meet its commitments to make payments.

Carmarthenshire County Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed.

The amount held in the Fund's bank accounts meet the normal liquidity needs of the Fund and any surplus cash is invested. The Fund's actuaries establish what contributions should be paid in order that all future liabilities can be met.

The investments of the Fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss.

16 **Current assets**

31/03/18 £'000		31/03/19 £'000
	Contributions due from employer	
2,592	- Employer	1,804
1,539	- Employee	1,624
4,908	Cash Balances	5,207
524	Debtors	610
9,563		9,245

16.1 Analysis of Current assets

31/03/18 £'000		31/03/19 £'000
5	HMRC	3
8,247	Other local authorities	7,731
1	NHS bodies	1
4	Public corporations and trading funds	0
1,306	Other entities and individuals	1,509
9,563		9,245

17 Current liabilities

31/03/18 £'000		31/03/19 £'000
(2,585)	Unpaid benefits	(2,266)
(2,015)	Creditors	(2,141)
(4,600)		(4,407)

17.1 Analysis of Current liabilities

31/03/18 £'000		31/03/19 £'000
(599)	HMRC	(759)
(16)	Other local authorities	(106)
(1,023)	Public corporations and trading funds	(684)
(2,962)	Other entities and individuals	(2,858)
(4,600)		(4,407)

18 Additional Voluntary Contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual Scheme members to determine how much they contribute (subject to HMRC limits) and the investment components or its mix.

The contributions made to separately invested AVC schemes and the value of these investments as at the balance sheet date are shown below:

AVC Provider	Value as at 31/03/18 £ '000	Contributions £ '000	Expenditure £ '000	Change in Market Value £ '000	Value as at 31/03/19 £ '000
Prudential	4,592	1,728	(669)	103	5,754
Equitable Life	530	11	(35)	16	522
Standard Life	3,610	456	(830)	90	3,326
Total	8,732	2,195	(1,534)	209	9,602

19 Funding arrangements

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The valuation that these financial statements are based on took place as at 31 March 2016. The last such valuation took place as at 31 March 2013 and the next valuation will take place as at 31 March 2019.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2018-19.

20 Related Party Transactions

The Fund is administered by Carmarthenshire County Council (the Authority), consequently there is a strong relationship between the Authority and the Fund.

The Authority incurred costs of £1.038 million (2017-2018: £0.956 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £32.441 million to the Fund in 2018-2019 (2017-2018: £32.013 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2019, the Fund had an average investment balance of £13.58 million (2017-2018: £12.45 million) earning interest of £88,575 (2017-2018: £45,888).

20.1 Governance

Pension Committee

There are three members and one substitute member of the Pension Committee. During 2018-19 these were Councillor Elwyn Williams, Councillor John Prosser (active member) replaced by Councillor Robert Evans in February 2019, Councillor Jim Jones (active member) and the substitute was Councillor Dai Thomas (active member).

The Director of Corporate Services, Mr Chris Moore, who has the role of Section 151 Officer for the Authority, played a key role in the financial management of the Fund and is also an active member of the Fund.

The Committee members and the Senior Officers that advise the Committee are required to declare their interest at each meeting. The Committee members and Director of Corporate Services accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

Pension Board

A Pension Board was approved by County Council on the 11th February 2015 effective from 1st April 2015 in line with the Public Service Pension Act 2013. It consists of three employer representatives, three member representatives and an independent chair.

For more details, and to view the Governance Policy, please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2018-19.

20.2 Key Management Personnel

The key management personnel of the fund is the Section 151 Officer. Total remuneration payable to key management personnel is set out below:

31/03/18		31/03/19
£'000		£'000
14	Short-term benefits	14
3	Post-employment benefits	3
<u>17</u>		<u>17</u>

21 Employing bodies contribution rates, contributions receivable and benefits payable

Contri- bution rate %	2017-18				Contri- bution rate %	2018-19		
	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000			Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
Scheduled bodies								
15.1	2,529	29,484	34,037	Carmarthenshire County Council	15.1	2,623	29,818	35,526
15.6	270	15,687	17,365	Pembrokeshire County Council	15.6	864	16,468	17,794
15.3	90	10,934	10,915	Ceredigion County Council	15.3	140	11,505	11,621
				Office for the Police & Crime				
13.5	86	4,467	2,398	Commissioner for Dyfed-Powys	13.5	90	4,732	3,002
14.1	71	1,341	1,434	Mid & West Wales Fire Authority	14.1	74	1,294	1,248
15.2	(2)	311	366	Coleg Ceredigion	16.2	0	291	313
14.3	150	1,304	802	Coleg Sir Gar	16.1	113	1,531	1,058
15.1	(26)	605	968	Pembrokeshire Coast National Park	15.8	(84)	633	778
12.8	59	899	297	Pembrokeshire College	15.0	84	1,081	423
	3,227	65,032	68,582			3,904	67,353	71,765
Designated (Resolution) bodies								
20.0	0	8	12	Aberystwyth Town Council	23.0	0	11	13
12.6	0	1	0	Aberaeron Town Council	24.9	0	0	0
18.6	14	78	74	Carmarthen Town Council	17.9	17	80	111
18.7	0	21	0	Cwmamman Town Council	21.6	0	31	0
21.7	0	11	0	Llanedi Community Council	21.7	0	12	0
27.7	1	5	4	Gorslas Community Council	24.0	1	5	4
-	0	11	31	Haverfordwest Town Council	-	0	11	31
27.6	8	15	12	Kidwelly Town Council	27.6	9	13	12
17.3	0	2	1	Llanbadarn Fawr Community Council	20.7	0	2	1
21.2	0	1	1	Llanarthne Community Council	24.9	0	0	1
15.0	10	164	146	Llanelli Rural Council	15.9	6	194	156
17.8	9	50	82	Llanelli Town Council	19.1	7	57	91
12.8	0	7	0	Llangennech Community Council	15.9	0	8	0
18.2	4	23	15	Llannon Community Council	19.5	5	39	21
23.5	3	41	7	Pembrey & Burry Port Town Council	19.6	(2)	39	7
13.0	(1)	8	12	Tenby Town Council	16.3	(2)	10	12
12.0	0	11	0	Pembroke Town Council	16.6	1	13	0
8.5	0	7	0	Pembroke Dock Town Council	13.5	1	9	0
	48	464	397			43	535	460

(continued overleaf)

(continued from previous page)

2017-18				2018-19				
Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000	Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000	
Admission bodies								
Community Admission Body (CAB)								
13.2	14	32	17	Ceredigion Association of Voluntary Org.	17.9	11	44	53
13.3	43	812	982	Careers Wales	15.1	(21)	1,148	1,323
11.7	7	24	32	Carmarthenshire Association of Voluntary Services	17.0	10	32	40
26.5	(5)	11	0	Carmarthenshire Federation of Young Farmers Clubs	27.6	(9)	10	0
17.9	0	13	39	laith Cyf	15.9	2	14	40
20.0	5	2	15	Leonard Cheshire Disability	23.3	5	3	15
18.1	3	9	34	Llanelli Burial Board	0.0	0	0	34
7.8	4	56	10	Menter Bro Dinefwr	11.7	11	71	10
11.5	17	34	49	Menter Cwm Gwendraeth	10.5	29	36	32
7.4	0	18	0	Menter Gorllewin Sir Gar	10.8	1	38	0
23.7	1	24	10	Menter laith Castell-Nedd Port Talbot	7.4	(2)	13	10
16.0	2	9	2	Narberth & District Community & Sports Association	19.3	(3)	9	15
14.5	4	62	103	Pembrokeshire Association of Voluntary Services	20.1	1	66	100
12.6	8	55	34	PLANED	13.7	4	83	69
14.2	(44)	260	226	Tai Ceredigion	15.8	(5)	267	222
16.5	109	555	511	University of Wales-Trinity St David	18.4	72	602	497
22.5	80	11	214	Aberystwyth University	22.3	83	11	219
15.1	23	220	351	Welsh Books Council	14.7	(24)	223	334
13.8	7	26	40	West Wales Action for Mental Health	14.8	5	28	41
17.8	1	136	188	Valuation Tribunal Wales	15.8	(3)	26	73
13.5	0	8	0	Swim Narberth	14.2	1	7	0
	279	2,377	2,857			168	2,730	3,128
Transferee Admission Body (TAB)								
19.3	(4)	16	37	Grwp Gwalia	19.3	0	16	38
21.5	0	10	6	DANFO	26.6	(1)	6	54
0.0	0	0	0	Llesiant DELTA wellbeing	15.3	0	214	27
20.3	0	144	117	Human Support Group (HSG)	21.2	(7)	117	106
	(4)	170	160			(7)	353	225
Bodies with no pensionable employees								
0.0	0	5	6	DVLA	0.0	0	5	6
0.0	0	0	12	Cardigan Swimming Pool	0.0	0	0	13
0.0	0	0	23	PRISM	0.0	0	0	90
0.0	0	51	300	Dyfed Powys Magistrates Courts	0.0	0	52	317
0.0	0	1	6	Carmarthen Family Centre	0.0	0	1	7
0.0	0	2	3	Milford Haven Town Council	0.0	0	2	10
0.0	0	0	2	Mencap	0.0	0	0	2
0.0	0	0	7,796	Dyfed County Council	0.0	0	0	7,668
0.0	0	0	2	Dyfed AVS	0.0	0	0	2
0.0	0	6	7	NHS	0.0	0	7	7
0.0	0	11	35	Welsh Water	0.0	0	4	16
0.0	0	0	7	Cwm Environmental	0.0	0	0	7
0.0	0	0	5	Cartrefi Cymru	0.0	0	0	6
0.0	0	1	1	Rent Officer Service	0.0	0	2	2
	0	77	8,205			0	73	8,154
	3,550	68,120	80,201	Total		4,107	71,045	83,731

21.1 Bodies with No Pensionable Employees where pension increase is recharged

It has been assumed that for the following bodies, the proportion of pension increases stated below will continue to be recharged.

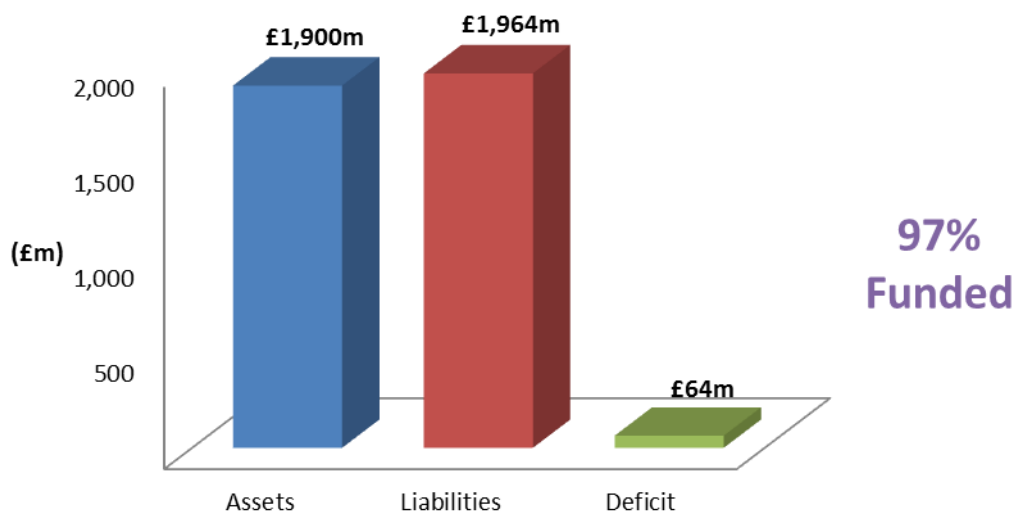
	Proportion to be recharged %
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Welsh Water	50

22 Actuarial Statement

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £1,900 million represented 97% of the Fund's past service liabilities of £1,964 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £64 million.



The valuation also showed that a Primary contribution rate of 15.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 17 years, and the total initial recovery payment

(the "Secondary rate") for 2019/20 is approximately £4.8 million per annum (which also includes allowance for some employers to phase in any increases and to prepay contributions). For all employers, the

Secondary rate will increase at 3.7% per annum, except where phasing has been applied. With the agreement of the Administering Authority employers may also opt to pay some of their deficit contributions early in return for a suitably agreed reduction.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017. In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process. The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.4% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2018	31 March 2019
Rate of return on investments (discount rate)	2.6% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.2% per annum
Rate of pay increases*	3.6% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP)/Deferred revaluation	2.2% per annum	2.3% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £2,993 million. Interest over the year increased the liabilities by c£78 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£44 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £176 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2019 is therefore £3,291 million.

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government is attempting to appeal the cases, but it is not known at this stage whether an appeal will even be possible. If the Government ultimately loses these cases then remedial action in the form of increases in benefits for some members is likely to be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is uncertain whether remedial action will be required, nor is it clear what the extent of any potential remedial action might be.

The LGPS Scheme Advisory Board has commissioned the Government Actuary's Department (GAD) to calculate some indicative costs on an LGPS-wide basis so that Funds can give some consideration to the overall issue and form a view on whether any more detailed work is required. Whilst GAD have not yet reported on their findings, initial indications are that the impact on liabilities could be of the order of 0.5% to 1% of liabilities. This is well within the approximations inherent in the liability calculation shown above, which is based on a "roll-forward" of the 2016 actuarial valuation results rather than being a full recalculation, and in any case is within normal acceptable tolerances for this type of work given the general approximations which need to be made. We have therefore not included a specific provision for the potential additional liabilities arising from the McCloud case.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October

2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the

main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

John Livesey

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

June 2019

23 Events after the balance sheet date

There have been no events since 31st March 2019, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

PWYLLGOR CRONFA BENSIWN DYFED
DYDDIAD 19/06/2019

CYSONI ARIAN PAROD FEL YR OEDD AR 31 MAWRTH 2019

YR ARGYMHELLION / PENDERFYNIADAU ALLWEDDOL SYDD EU HANGEN:

Y Pwyllgor i gael adroddiad cysoni arian parod diweddaraf Cronfa Bensiwn Dyfed ac ystyried y sefyllfa o ran arian parod.

RHESYMAU:

Rhoi'r wybodaeth ddiweddaraf i Bwyllgor Cronfa Bensiwn Dyfed am y sefyllfa arian parod fel yr oedd ar 31 Mawrth 2019.

Awdur yr Adroddiad:
Chris Moore

Swydd:
Cyfarwyddwr y Gwasanaethau
Corfforaethol,
Cyngor Sir Gâr

Rhif ffôn
01267 224120
e-bost:
CMoore@sirgar.gov.uk

DYFED PENSION FUND COMMITTEE

DATE 19/06/2019

Cash Reconciliation as at 31 March 2019

BRIEF SUMMARY OF PURPOSE OF REPORT

The position as at 31 March 2019 reports £5.2m cash held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

DETAILED REPORT ATTACHED?	YES
----------------------------------	------------

IMPLICATIONS

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
NONE	NONE	YES	NONE	NONE
Policy, Crime & Disorder and Equalities - None				
Legal - None				
Finance – A sufficient cash balance is required to be held by Carmarthenshire to ensure the Fund can meet its immediate cash flow requirements.				
Risk Management Issues - None				
Staffing Implications - None				

CONSULTATIONS

Details of any consultations undertaken are to be included here

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK

Dyfed Pension Fund Cash Reconciliation**End of Year 18-19**

Balance b/f 1st April 2018 £4,963,193.53

Investment trades

Sales 734,893,705.98

Purchases -729,653,502.24

£5,240,203.74

Contributions received £77,002,949.92

Payments made -£89,784,195.89

Dividend Income £7,416,276.28 -£5,364,969.69

£4,838,427.58

Total Available for Investment

£4,838,427.58

Represented by :

Cash at Carmarthenshire £5,207,153.35

Cash due to be received/deducted £0.00

CCC Debtors £4,037,859.43

CCC Creditors -£4,406,585.20

£4,838,427.58

£0.00

Item 6

PWYLLGOR CRONFA BENSIWN DYFED DYDDIAD 19/06/2019

MONITRO CYLLIDEB 1 EBRILL 2018 – 31 MAWRTH 2019

YR ARGYMHELLION / PENDERFYNIADAU ALLWEDDOL SYDD EU HANGEN:

Y Pwyllgor i dderbyn adroddiad Monitro Cyllideb diwedd y flwyddyn 2018-19 y Gronfa Bensiwn Dyfed.

RHESYMAU:

Rhoi'r wybodaeth diwedd y flwyddyn i Bwyllgor Cronfa Bensiwn Dyfed am y sefyllfa gyllidebol fel yr oedd ar 31 Mawrth 2019, o ran 2018-2019.

Awdur yr Adroddiad:
Chris Moore

Swydd:
Cyfarwyddwr y Gwasanaethau
Corfforaethol,
Cyngor Sir Gâr

Rhif ffôn
01267 224120
e-bost:
CMoore@sirgar.gov.uk

DYFED PENSION FUND COMMITTEE

DATE 19/06/2019

Budget Monitoring 1 April 2018 – 31 March 2019

BRIEF SUMMARY OF PURPOSE OF REPORT

The position as at 31 March 2019 for 2018-2019 was an under spend compared to budget of £635k on cash items.

Expenditure

The net effect of Benefits Payable and Transfers Out is an over spend of £3.4m. This is mainly influenced by the un-controllable nature of lump sum payments and transfers out of the Fund. Management expenses are underspent by £0.2k.

Income

The net effect of Contributions, Investment Income and Transfers In is an increase in income of £3.9m than budgeted.

Total expenditure was £89.8m and total income was £90.4m resulting in a positive cash flow position of £0.6m.

DETAILED REPORT ATTACHED?	YES
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IMPLICATIONS

Policy, Crime & Disorder and Equalities NONE	Legal NONE	Finance YES	Risk Management Issues NONE	Staffing Implications NONE
Policy, Crime & Disorder and Equalities - None				
Legal - None				
Finance - Overall, the Fund needs to maintain a positive cash flow balance to meet its obligations. The cash flow was positive by £0.6m in 2018-19.				
Risk Management Issues - None				
Staffing Implications - None				

CONSULTATIONS

Details of any consultations undertaken are to be included here

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK

Breaches Report

Breach Number	Year	Date of Breach / Likely Breach	Failure Type	A description of the breach (including relevant dates), its cause and effect, including the reasons it is, or is not, believed to be of material significance	Been reported to tPR before	RAG Status	Report to tPR	Actions taken to rectify the breach. A brief descriptions of any longer term implications and actions required to prevent similar types of breaches recurring in the future
38	2018-19	19/5/18	Contributions	April contributions not received until 8/6/18 - 20 days late. Cause: Clerk on sick leave. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
39	2018-19	19/5/18	Contributions	April contributions not received until 8/6/18 - 20 days late. Cause: Clerk on sick leave. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
40	2018-19	22/6/18	Contributions	May contributions not received until 17/07/18 - 25 days late. Cause: Finance Officer left, person covering didn't realise payment was due. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
41	2018-19	22/6/18	Contributions	May contributions not received until 3/7/2018 - 11 days late. Cause: Premises has been closed to staff for the past 6 months as major renovation work going on, manager had to contact committee to make payment. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
42	2018-19	22/7/18	Contributions	June contributions not received until 30/7/18 - 11 days late. Cause: Clerk has left. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
43	2018-19	22/7/18	Contributions	June contributions not received until 30/7/18 - 11 days late. Cause: Clerk has left. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
44	2018-19	22/8/18	PSD	July (£2,383.33) Past Service Deficit payment not received until 26/09/2018 - 35 days late. Cause: Staff shortages due to annual leave. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
44	2018-19	22/9/18	PSD	August (£2,383.33) Past Service Deficit payment not received until 26/09/2018 - 4 days late. Cause: Staff shortages due to annual leave. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
45	2018-19	22/9/18	Contributions	August (£3,482.32) contributions payment not received until 27/09/2018 - 5 days late. Cause: Staff sickness. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
45	2018-19	22/9/18	Contributions	August (£2,875.55) contributions payment (by cheque) not received until 27/09/2018 - 8 days late. Cause: Payment missed from batch. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
46	2018-19	22/9/18	Contributions	August (£578.17) payment not received until 26.11.18 - 65 days late. Cause: Staff dispute as to who does payments. Effect: Contributions have now been received although using wrong employer rate (underpaying) and no PSD paid as yet	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.

47	2018-19	22/10/18	Contributions	September (£1,914.90) contributions payment not received until 5/11/2018 - 17 days late. Cause: Forgot to do payment. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
48	2018-19	22/10/18	PSD	September (£2,383.33) Past Service Deficit payment not received until 26/10/2018 - 4 days late. Cause: Staff shortages due to annual leave. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
49	2018-19	22/11/18	Contributions	October (£1,197.13) contributions payment not received until 28.11.18 - 6 days late. Cause: Payment missed. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
50	2018-19	22/1/19	Contributions	December 2018 contributions (£2,141.64) received 4.2.19 - 17 days late. Cause: Clerk emailed to say that she had a query with one employee's contributions and had to speak to pensions admin before making the payment. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
51	2018-19	22/1/19	PSD	Oct-Dec 18 PSD payment (£25) not received yet. Cause: New clerk has started since the last payment was received, she was unaware that a payment was due. Treasury and Pension admin team will assist her with any further queries. Effect: Payment expected shortly	No	Amber	No Report	There are no long term implications associated with this breach. Payment expected shortly.
52	2018-19	2018-19	PSD	No PSD payment received yet (£500 for year). Underpaying employer rate. Cause: Due to major refit at premises, issues with emails and communication in general. Effect: Payments expected shortly	No	Amber	No Report	Manager has spoken to accountants and committee members with these outstanding queries. Further email/telephone call will be actioned in early March if no payment has been received
53	2018-19	22/2/19	Contributions	January (£3,557.05) contributions payment not received until 18/04/2019 - 55 days late. Cause: Employer advised that there had been a delay in getting the signatories to process payments. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
54	2018-19	22/2/19	PSD	January 19 (£404) Past Service Deficit payment not received until 4/03/2019 - 10 days late. Cause: Finance Officer forgot to make payment. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
55	2018-19	22/3/19	Contributions	February (£3,339.85) contributions payment not received until 29/04/2019 - 38 days late. Cause: Employer advised that there had been a delay in getting the signatories to process payments. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
56	2018-19	22/4/19	Contributions	March (£3,122.65) contributions payment not received until 30/04/2019 - 8 days late. Cause: Employer advised that there had been a delay in getting the signatories to process payments. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.

57	2018-19	19/4/19	Contributions	March (£8,704.35) contributions payment not received until 03/05/2019 - 14 days late. Cause: Clerk had issues due to change of payroll provider. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
58	2018-19	19/4/19	Contributions	March (£3,441.67) contributions payment not received until 26/04/2019 - 7 days late. Cause: Clerk on annual leave. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
59	2018-19	19/4/19	Contributions	March (£1,121.22) contributions payment not received until 26/04/2019 - 7 days late. Cause: Clerk on annual leave. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
60	2018-19	19/4/19	PSD	Remainder of 2018-19 Past Service Deficit (£50) received 31/05/2019 (19 days late). Cause: New Town Clerk appointed 1.2.19. Effect: Payment has now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
61	2018-19	2018-19	Contributions and PSD	The following are outstanding as at 31/3/19: £500 PSD for 2018-19; £222.59 underpayment of ERS for 2018-19; £804.42 underpayment of EES and ERS for 2017-18. Cause: Have had communication issues previously as major refit at premises. Accountant has contacted staff who are responsible for making payments on several occasions to request that the payments are made and to complete the remittance advices. Effect: Payments and remittances are still outstanding to date	No	Amber	No Report	Accountant will contact staff who are responsible for making payments.
62	2019-20	April, May and June 19	Automatic payment of refund after 5 years for post 2014 leavers	Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members. April - 3 members & total refunds = £145.90, May - 5 members & total refunds = £126.58, June - 6 members and total refund = £64.55	No	Amber	No Report	The National Technical Group has recommended to the SAB that the regulations in respect of refunds is amended and reflects the position prior to April 2014.
63	2019-20	19/5/19	PSD	April 2019 PSD payment of £2,475 not yet received.	No	Amber	No Report	There are no long term implications associated with this breach. Awaiting reply to email.

Mae'r dudalen hon yn wag yn fwiadol

PWYLLGOR CRONFA BENSIWN DYFED

DYDDIAD 19/06/2019

PWNC

Y DIWEDDARAF AM BARTNERIAETH PENSIYNAU CYMRU

YR ARGYMHELLION / PENDERFYNIADAU ALLWEDDOL SYDD EU HANGEN:

Yr awdurdod lletyol i ddarparu'r wybodaeth ddiweddaraf am garreg filltir a chynnydd Partneriaeth Pensiynau Cymru.

RHESYMAU:

Y pwyllgor cronfa bensiwn Dyfed i gael y wybodaeth ddiweddaraf gan yr awdurdod lletyol am gerrig milltir a chynnydd Partneriaeth Pensiwn Cymru.

Awdur yr Adroddiad:
Chris Moore

Swydd:
Cyfarwyddwr Gwasanaethau
Corfforaethol
Cyngor Sir Gâr

Rhif ffôn. 01267 224160
e-bost:
CMoore@sirgar.gov.uk

DYFED PENSION FUND COMMITTEE

DATE 19/06/2019

WALES PENSION PARTNERSHIP UPDATE

BRIEF SUMMARY OF PURPOSE OF REPORT

The host authority to provide an update on the milestones and progress of the Wales Pension Partnership.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

Policy, Crime & Disorder and Equalities NONE	Legal NONE	Finance NONE	Risk Management Issues NONE	Staffing Implications NONE

CONSULTATIONS

Details of any consultations undertaken are to be included here

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK

WPP Joint Governance Committee

Date 27 March 2019

Version 0.1

Key Milestones

Fundaten 76

Task	Date	RAG	Comment/Responsible
Reporting Template agreed	31/01/19	G	First monthly reporting pack issued March
Investment Manager Agreements	31/12/18	C	Tranche 1 all complete
Approval of Fund Prospectus	11/06/18	C	
FCA Submission	24/06/18	C	
Global Equity Sub Funds Fund Launch	14/01/19	C	Funds launched on schedule, restructuring of portfolios commenced 24 th January. Handover to underlying managers completed on 6 th & 15 th February
Agree Funds – Tranche 2	25/07/18	C	Two funds agreed UK Equity and European ex UK Equity
Approval of Fund Prospectus	05/10/18	C	
FCA Submission – Tranche 2	18/01/19	C	FCA approval received 22 nd February, agreeing launch date with intended investors
Fund Launch – Tranche 2	TBC	G	
Agree Funds – Tranche 3	27/03/19	G	Agree structure of funds
Approval of Fund Prospectus	May 19	G	
FCA Submission – Tranche 3	June 19	G	
Fund Launch – Tranche 3	TBC	G	

Progress to date

Initial Funds (Global Equity)

- Launch and transition of assets completed over 11th and 14th January
- Restructuring of portfolios commenced 24th January
- Hand over to underlying portfolio managers completed on 6th & 15th February
- Post trade reports issued

Tranche 2 (UK and European Equities)

- FCA approval received 22nd February
- Agreeing launch date for funds with the underlying investors
- Transition proposal shared with pool

Tranche 3 (Fixed Income)

- Final fund structure proposal agreed with Officers
- Initial Investment Manager proposals to be agreed

Next Steps

Fudalen 78

- Tranche 3 agree fund structures – **WPP March 2019**
- Agree approach to transition for tranche 2 – **WPP March 2019**
- Agree future tranches – **WPP April 2019**
- Agree Stock Lending requirements – **WPP March 2019**

Host Authority Update

- Staffing
- Communications
- Governance
- Reporting

Mae'r dudalen hon yn wag yn fwriadol

DYDDIAD 19/06/2019

PWNC

DRAFFT WPP DATBLYGU POLISI BUDDSODDI CYFRIFOL

ARGYMHELLION / Y PENDERFYNIADAU ALLWEDDOL SY'N OFYNNOL:

Y Pwyllgor i nodi egwyddorion drafft y WPP ar gyfer Polisi Buddsoddi Cyfrifol Partneriaeth Pensiynau Cymru

RHESYMAU:

Mae dogfen ddatblygu Polisi Buddsoddi Cyfrifol wedi'i chynhyrchu ac mae'n cynnwys adborth o holiadur a gwblhawyd yn ddiweddar, ynghyd â'r egwyddorion a ymgorfforir yn y Polisi ar gyfer Partneriaeth Pensiynau Cymru .

Os cymeradwyir yr egwyddorion, bydd Polisi Buddsoddi Cyfrifol yn cael ei baratoi a'i gyflwyno i bwyllgor y Cydbwyllgor Llywodraethu ym mis Mehefin, er mwyn ei gymeradwyo'n derfynol.

Awdur yr Adroddiad:
Chris Moore

Swydd:
Cyfarwyddwr Gwasanaethau
Corfforaethol

Cyngor Sir Gâr

Rhif Ffôn: 01267 224160

E-bost:
CMoore@carmarthenshire.gov.uk

DYFED PENSION FUND COMMITTEE

DATE 19/06/2019

DEVELOPMENT OF RESPONSIBLE INVESTMENT POLICY

BRIEF SUMMARY OF PURPOSE OF REPORT

A Responsible Investment Policy is to be developed for the Wales Pension Partnership.

The development of a Responsible Investment Policy document has been drafted which includes an evaluation of the Questionnaire responses, draft Responsible Investment policy principles and comparison of voting policies.

These principles will be used to draft the Policy for the Wales Pension Partnership.

DETAILED REPORT ATTACHED?	YES
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IMPLICATIONS

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
YES	NONE	NONE	NONE	NONE
Policy A Responsible Investment policy will be developed which will become a formal document for the Wales Pension Partnership.				

CONSULTATIONS

Details of any consultations undertaken are to be included here

**Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:
THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK

Wales Pension Partnership Responsible Investment Policy

1 Introduction and oversight

- 1.1 The Wales Pension Partnership (“WPP”) is the pooling arrangement for the assets of the eight Welsh Local Government Pension Scheme funds (“Constituent Authorities”).
- 1.2 The investment arrangements of WPP are overseen by a Joint Governance Committee (“JGC”) and supported by an Officer Working Group (“OWG”) and implemented through pooled funds managed by its “Investment Managers”.
- 1.3 This document sets out WPP’s policy on responsible investment for all assets invested within the WPP. This policy has been developed by WPP in consultation with the Constituent Authorities.
- 1.4 WPP’s objective in preparing and implementing this policy is to be able to:
 - 1.4.1 demonstrate to its stakeholders that the WPP is a Responsible Investor; and
 - 1.4.2 enable the Constituent Authorities to substantially deliver their own Responsible Investment and Social Impact policies through the WPP.
- 1.5 WPP recognises that responsible investment considerations pose financially material risks to the assets of Constituent Authorities held within WPP. Such considerations are relevant in relation to both the way the assets of Constituent Authorities are invested and in the exercise of stewardship responsibilities.
- 1.6 This policy will be reviewed by WPP on an annual basis and, if necessary, changes to the policy will be proposed to and agreed by the JGC and OWG. In order to inform the policy review, WPP will consult with or otherwise obtain the views and requirements of all Constituent Authorities.
- 1.7 In developing and implementing this policy, WPP will have regard to the Well-being of Future Generations (Wales) Act 2015, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any relevant guidance provided by the Scheme Advisory Board (“SAB”), the Ministry of Housing Communities and Local Government (“MHCLG”) and the Welsh Government.

2 Ambition and beliefs

- 2.1 WPP’s long-term ambition is to demonstrate leadership on RI practices in managing assets for and on behalf of the Constituent Authorities. WPP, in conjunction with the OWG & JGC, will update its annual business plan to ensure that sufficient time and resources are provided to implement the requirements of this policy.
- 2.2 WPP recognises that the development of beliefs represents best practice for asset owners. In consultation with the Constituent Authorities, the WPP has developed and agreed the following responsible investment beliefs which serve to underpin its decision-making and governance processes.
 - 2.2.1 The RI behaviours we want to see demonstrated by all our stakeholders must be led by WPP;

- 2.2.2 Integration of ESG factors, including climate change, into investment processes is a prerequisite for any strategy given the potential for financial loss;
 - 2.2.3 WPP is most effective as an investor engaging for change from within, particularly in collaboration with other like-minded investors, as opposed to a campaigner lobbying for change from outside.
 - 2.2.4 Our impact on corporate behaviours will be greatest when we speak with one voice;
 - 2.2.5 Effective oversight of RI practices requires clear disclosure and measurement of comprehensive data.
- 2.3 WPP recognises that these beliefs represent a starting point for the guidance of its approach to responsible investment. Although WPP does not expect to regularly change these beliefs, it will test the ongoing appropriateness of them on a periodic basis in light of changing best practice and developing knowledge.

3 Investment strategy

- 3.1 The Constituent Authorities are individually responsible for setting investment strategy for their own funds which reflect their membership profile and funding position. The investment strategy is the high-level split between asset classes including but not limited to equities, debt, property and infrastructure. The role of WPP is to provide a means for each Constituent Authority to implement its agreed strategy.
- 3.2 WPP openly encourages the Constituent Authorities to develop their own RI policy as part of their investment strategy. WPP has developed and may periodically amend this RI policy to ensure that it complements those of the Constituent Authorities.
- 3.3 WPP will consult with Constituent Authorities on at least an annual basis to determine their individual investment requirements and longer-term aspirations, including strategies which either meet the responsible investment requirements of Constituent Authorities or have the potential to deliver benefit within the regions covered by the Constituent Authorities. WPP will use this information to prioritise the development and launch of future investment solutions/funds within the WPP.
- 3.4 In conjunction with its advisers the WPP will also consider opportunities arising from a greater understanding of ESG factors. These opportunities could include impact and/or sustainability themed strategies, as well as social beneficial investments. WPP may propose such opportunities directly for consideration by Constituent Authorities.

4 Climate change

- 4.1 Climate change presents a systemic risk that has the potential to affect economies, financial returns and demographics. The risks arising from climate change may arise from environmental, social, governance or other factors and are generally characterised as follows:
 - 4.1.1 Physical risks, such as damage to property from flooding or lower precipitation giving rise to crop failure;
 - 4.1.2 Transition risks, being the financial risks arising from changes in policy and technology to adjust to a lower-carbon economy; and

- 4.1.3 Liability risks, being the potential costs arising from parties who have suffered loss or damage due to climate change seeking compensation from those they hold responsible.
- 4.2 Climate change is increasingly being recognised by regulatory bodies and legislators as an issue that must be explicitly addressed by asset owners and investment managers. The uncertainty arising from climate change has implications for Constituent Authorities through the investments made within WPP.
- 4.3 WPP will engage with its providers to ensure that a common mechanism for monitoring climate related risks can be developed in respect of all WPP assets. Through this, WPP aims to provide support to Constituent Authorities in developing and implementing their own climate risk management policies.
- 4.4 WPP will encourage, through its delegates, all investee companies to disclose in line with the requirements of the Taskforce for Climate Related Financial Disclosures.
- 4.5 In developing its ongoing approach to responsible investment, WPP will consult further with Constituent Authorities with a view to developing a WPP-specific climate risk policy.

5 Exclusions

- 5.1 WPP has not adopted a policy of exclusionary practices within its underlying active manager portfolios. However, the WPP recognises that the Constituent Authorities may individually adopt an exclusionary policy.
- 5.2 WPP recognises that active investment management is by its very nature exclusionary and therefore expects that all the investment managers employed within WPP will properly consider climate-related and other ESG risks in decision making within their respective portfolios.
- 5.3 Constituent Authorities have the ability to invest in passive or other rules-based strategies through WPP's passive Investment Manager which may follow an exclusionary approach.

6 Implementation of strategy

- 6.1 WPP expects that the Investment Managers employed to manage WPP assets will take account of ESG-risks as part of their investment analysis and decision-making process. WPP further expects that its Investment Managers can demonstrate they are 'best-in-class' with regards to their integration of responsible investment considerations.
- 6.2 WPP expects that, in all relevant circumstances, its Investment Managers will be signatories to the Principles for Responsible Investment ("PRI") and the Financial Reporting Council ("FRC") UK Stewardship Code.
- 6.3 WPP will engage with its Investment Managers on an ongoing basis to ensure that ESG factors are transparently reflected in decision making processes and that the approach taken to the management of ESG factors can be properly evidenced. WPP expects that such processes extend beyond reliance purely on third party ratings/data.
- 6.4 Within rules-based or index tracking mandates managed, WPP recognises the influence of benchmarks on the selection of assets. Where appropriate, WPP will work with its Investment

Managers and Constituent Authorities to ensure that the potential implications and impact of ESG factors on different approaches are properly understood.

7 Stewardship

- 7.1 WPP believes that failing to exercise voting or other rights attached to assets could be contrary to the interest of the beneficiaries of the Constituent Authorities. WPP also believes that successful engagement with investee companies can protect and enhance the long-term value of the Constituent Authorities' investments within WPP.

Voting

- 7.2 WPP has agreed a set of voting principles with its Operator which is responsible for the implementation of these principles. The Operator has instructed the underlying active investment managers within pooled funds to apply these voting principles on a comply or explain basis in respect of their portfolio(s).
- 7.3 WPP recognises that its passive Investment Manager may adopt a single voting policy across their pooled funds and WPP will review the appropriateness of such a policy on a periodic basis. WPP will engage with its passive Investment Manager to consider how WPP's voting principles can be extended to assets managed by its passive Investment Manager.
- 7.4 WPP will receive a report on all voting activity, including details of any votes which have not been cast and explanations where votes have not been cast in accordance with the agreed principles on a quarterly basis. WPP will discuss any issues of concern with its Investment Managers or other delegates as necessary.
- 7.5 WPP will review the voting principles in conjunction with its advisers and Investment Managers on an annual basis. WPP has also agreed an ambition to appoint a single proxy voting adviser to ensure that voting on all shares held within WPP is undertaken on a consistent basis.
- 7.6 All the Constituent Authorities are members of the Local Authority Pension Fund Forum ("LAPFF"). As members, the Constituent Authorities receive LAPFF Alerts when there is a campaign to vote in a certain way. WPP and its Constituent Authorities will give consideration to all such LAPFF Alerts and, where possible, instruct its Investment Managers to vote in line with the LAPFF Alert unless there is sufficient reason not to.

Stock lending

- 7.7 WPP has agreed that stock lending will be permitted within WPP's actively managed pooled funds, subject to consultation with Constituent Authorities in respect of each underlying sub-fund at the point of set up. However, WPP will not lend 100% of the holding in any single stock so WPP can express its views and make a policy stance on any topic it deems worthy though its right to vote.
- 7.8 WPP recognises that stock lending may inhibit the full application of its voting policy as votes may not be cast on stock on loan. WPP will continue to monitor the impact of this policy stance over time and revise its policy if required.

Shareholder engagement

7.9 WPP considers that, in many cases, its Investment Managers are best placed to engage with investee company management due to:

- the practical constraints of the investment structure;
- the resources available to these managers which are funded by the fees paid through WPP; and
- the existence of relationships between investment managers and the underlying investee companies.

7.10 The Investment Managers are ultimately accountable to WPP for all engagement activity; they should be able to demonstrate, when challenged, the reason for any engagement activity and the objectives of the engagement. Further to this Investment Managers should be able to justify the approach taken to achieve their objectives and explain the timeframe over which the engagement is expected to take place and the consequences should engagement be unsuccessful.

7.11 WPP adopts an evidence-based approach to assessing engagement activity by managers. WPP will receive a report on engagement activity undertaken by investment managers on a quarterly basis. WPP will discuss any issues of concern with the Investment Managers.

7.12 WPP has agreed to explore the possibility of employing a single engagement provider in conjunction with the prospective consideration of a proxy voting agent.

8 Collaboration

8.1 WPP believes that collaboration has an important role in helping the WPP achieve its RI objectives. WPP will continually assess potential collaboration opportunities and will inform and seek input from the Constituent Authorities on any such opportunity that it deems to be relevant.

8.2 WPP together with all Constituent Authorities are members of LAPFF and engagement takes place with companies on behalf of members of the Forum.

8.3 WPP has an ambition to work collaboratively with other like-minded investors and representative bodies in order to maximise the influence of WPP's assets on investee companies. WPP will seek to identify investor led responsible investment initiatives and collaborations that can be actively supported.

8.4 WPP will encourage underlying investment managers to participate in or support collaborative engagements where it is deemed to be in the best overall financial interests of Constituent Authorities.

8.5 WPP will continue to collaborate with the cross-pool RI collaboration project at any suitable opportunity.

9 Monitoring, Reporting and Measurement

9.1 WPP aims to be aware of, and monitor, financially material ESG-related risks and issues within WPP assets. In consultation with Constituent Authorities, Advisers and the Investment Managers, WPP will develop appropriate monitoring metrics for its portfolios. Such metrics

are expected to include climate-related risk exposures. WPP expects that such metrics will be incorporated within quarterly reporting to Constituent Authorities.

- 9.2 WPP requires that the responsible investment credentials of all appointed Investment Managers are subject to annual review. In conjunction with the relevant parties, the WPP will develop an appropriate reporting framework for its Investment Managers.
- 9.3 On an annual basis, the WPP will prepare and publish a stewardship report detailing the actions undertaken in fulfilment of this policy and the results achieved.

10 Other

- 10.1 WPP recognises the need for ongoing education for Constituent Authorities on a broad range of investment matters, including responsible investment. As part of its annual business planning, WPP will ensure there is at least one formal training session is directly focused on Responsible Investment.
- 10.2 WPP is investigating, and will seek guidance from the Constituent Authorities, on whether it should become a signatory to the PRI and the updated FRC UK Stewardship Code. WPP will also explore the possibility of incorporating the United Nations' Sustainable Development Goals into its RI beliefs and its monitoring and measurement mechanisms.
- 10.3 WPP expects that all investment managers employed on behalf of WPP will disclose costs in accordance with the SAB Code of Transparency.
- 10.4 WPP will review the adherence of all parties to this policy on an annual basis. WPP will publish the results of their assessment as part of their annual stewardship and governance report.

11 Further Information

- 11.1 If you require any further details on the RI Policy please contactand refer to the WPP website.

Version 1.0
May 2019

Glossary

Engagement refers to the process of interaction between an investor (or its delegate) and the management of an investee company with the objective of creating change in how the underlying company is managed or governed.

ESG is used to collectively describe a series of different risk factors arising from Environmental (e.g. resource scarcity, waste management, pollution, energy efficiency), Social (e.g. health & safety, workforce diversity, working conditions, data protection) and Governance (e.g. board structure, business ethics, shareholder rights, executive compensation) issues.

Impact is a term generally used to describe the social or environmental outcome arising from a particular investment or investment decision, being distinct from the associated financial outcome.

Investment Managers refers to those investment managers appointed directly or indirectly by WPP for the purposes of managing assets on behalf of WP.

Operator means Link Fund Solutions as the appointed operator of the Authorised Contractual Scheme through which sub-funds are implemented for WPP.

Principles for Responsible Investment is a global network of asset owners, asset managers and service providers which has the objective of advancing responsible investment practices.

Proxy Voting Agent means an entity which is instructed to advise on and/or cast votes on resolutions on behalf of an asset owner.

Responsible investment refers to investment practices that integrate the consideration of ESG factors into investment management processes and ownership practices, recognising that these factors can have a material impact on financial performance.

Stewardship describes the activities of investors in exercising the rights and responsibilities that come with asset ownership. These practices can include voting on shares and engaging with company management but also includes the oversight of those to whom such responsibilities are delegated.

UK Stewardship Code is a set of principles and provisions produced by the Financial Reporting Council which sets out best practice in stewardship activities by Asset Owners and Asset Managers.

UN Sustainable Development Goals are a set of 17 global goals for 2030 set by the UN General Assembly in 2015.

Mae'r dudalen hon yn wag yn fwriadol

Eitem Rhif 11

Yn rhinwedd paragraff(s) 14 o Rhan 4 o Atodlen 12A% o ddeddf Llywodraeth Leol 1972 fel y'i diwygiwyd
Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywio) (Cymru) 2007

Document is Restricted

Mae'r dudalen hon yn wag yn fwriadol

Yn rhinwedd paragraff(s) 14 o Rhan 4 o Atodlen 12A% o ddeddf Llywodraeth Leol 1972 fel y'i diwygiwyd
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Mae'r dudalen hon yn wag yn fwriadol

Eitem Rhif 13

Yn rhinwedd paragraff(s) 14 o Rhan 4 o Atodlen 12A% o ddeddf Llywodraeth Leol 1972 fel y'i diwygiwyd
Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywio) (Cymru) 2007

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Mae'r dudalen hon yn wag yn fwriadol