DYFED PENSION FUND COMMITTEE

Wednesday, 18 September 2019

PRESENT: Councillor D.E. Williams (Chair)

Councillors:
T.J. Jones and D. Thomas (Substitute Member)

Also in attendance:
Mr E. Lambert, Independent Investment Adviser
Mr J. Leggate, Russell Investments
Mr S. Mandich, Russell Investments
Mr D. Lowman, Link Asset Services

The following Officers were in attendance:
C. Moore, Director of Corporate Services
K. Gerard, Pensions Manager
A. Parnell, Treasury and Pension Investments Manager
J. Laimann, Democratic Services Officer

Democratic Services Committee Room, County Hall, Carmarthen, 1.00 - 3.35 pm

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Rob Evans and Beverley Owen. Councillor Dai Thomas attended the meeting as a Substitute Member.

VARIATION OF BUSINESS
The Committee agreed, at the Chair's request, to vary the order of the business on the agenda so as to bring forward Item 10 (Link and Russell Presentation) to discuss after Item 2 (Declarations of Personal Interests), and so as to bring forward Item 5 (Budget Monitoring 1 April 2019 – 30 June 2019) to discuss after Item 3 (Minutes of the meeting of the Committee held on 19 June 2019).

2. DECLARATIONS OF PERSONAL INTERESTS

Councillor	Nature of Interest
D.E. Williams	Member of the Dyfed Pension Fund
T.J. Jones	Member of the Dyfed Pension Fund
D. Thomas	Member of the Dyfed Pension Fund

3. LINK AND RUSSELL PRESENTATION [FORMERLY AGENDA ITEM 10]

The Chair welcomed to the meeting Duncan Lowman of Link Asset Services and Jim Leggate and Sasha Mandich of Russell Investments, who provided a presentation on the key milestones and progress of the Wales Pension Partnership (WPP). The presentation gave an overview of the services provided by the Wales Pension Partnership operator, including the appointment and overseeing of investment managers, the monitoring of investments, the oversight of the administrator (Northern Trust) and key milestones. The presentation further

provided information on the benefits and regulatory requirements of the Authorised Contractual Scheme (ACS) structure, which had been adopted by the Wales Pension Partnership.

In response to a query regarding the suspension of the Woodford fund, the Committee was advised that Link was providing asset services to the fund however the suspension had no impact on the WPP and its operations. It was further advised that investment managers for the WPP would be hired on a segregated account basis where possible and that systems were in place to monitor the liquidity of the fund.

In response to a query, the Committee was advised that the Global Growth Fund was operated by Link and the Global Opportunities Fund was operated by Russell due to its more complex investment structure.

A query was raised in relation to responsible investment and climate change. In response, the Director of Corporate Services advised that a constructive meeting had recently taken place with Friends of the Earth in which the value of investment strategies in influencing and engaging companies had been discussed.

UNANIMOULSY RESOLVED that the presentation be received.

4. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON 19 JUNE 2019 [FORMERLY AGENDA ITEM 3]

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 19 June 2019 be signed as a correct record.

5. BUDGET MONITORING 1 APRIL 2019 - 30 JUNE 2019

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2019/20 financial year. It was noted that the current position, as at 30 June 2019, forecast an under-spend of £0.8m in cash terms. With regard to expenditure, the net effect of benefits payable and transfers out represented a £648k over-spend mainly influenced by an increase in benefits payable. Management expenses were overspent by £616k. With regard to income, the net effect of contributions, investment income and transfers in represented an increase of £2m. Overall, total fund expenditure was forecast to be £89.0m and total income £89.8m representing a positive cash flow position of £0.8m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Monitoring Report be received.

6. AUDIT OF FINANCIAL STATEMENTS REPORT 2018-19 (ISA260) [FORMERLY AGENDA ITEM 4]

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

It was noted that the Auditor General was responsible for providing an opinion on whether the financial statements of the Dyfed Pension Fund gave a true and fair view of their financial position as at 31 March 2019 and of its income and expenditure for the year end. The Committee was advised that an unqualified audit report on the financial statements had been issued and the finalised report had been considered by the Audit Committee on 13 September 2019.

Wales Audit Office found that there were no misstatements identified in the financial statements which remained uncorrected but there had been a slight delay in the receipt of the accounts. A number of minor misstatements had been corrected by management as listed in Appendix 3.

RESOLVED that the Audit of Financial Statement Report 2017-18 be received.

7. CASH RECONCILIATION AS AT 30 JUNE 2019 [FORMERLY AGENDA ITEM 6]

The Committee considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund. It was noted that, as at 30 June 2019, £13.8m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

The Committee was advised that the current figure was partly driven by the fact that the Council was paying employer contributions for the whole year in advance and was expected the decrease over the following months.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Cash Reconciliation report be received.

8. BREACHES REPORT 2019-20 [FORMERLY AGENDA ITEM 7]

The Committee received for consideration the Breaches Report in relation to the Dyfed Pension Fund. The Committee noted that Section 70 of the Pension Act 2004 sets out the legal duty to report breaches of the law. In the Code of Practice No. 14, published by the Pensions Regulator in April 2015, paragraphs 241 to 275 provide guidance on reporting these breaches. The Dyfed Pension Fund Breaches Policy was approved by the Dyfed Pension Fund Panel in March 2016. Under the policy, breaches of the law were required to be reported to the Pensions Regulator where there was a reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with;
- the failure to comply was likely to be of material significance to the Regulator in the exercise of any of its functions.

The Committee noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time. However, all contribution payments were now up to date or expected to be received shortly and no report had been sent to the Pensions Regulator.

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

9. RISK REGISTER [FORMERLY AGENDA ITEM 8]

The Committee received for consideration a Risk Register which captured all the risks identified in relation to the functions of the Dyfed Pension Fund. The register, which was regularly monitored and reviewed, included information as follows:

- Details of all identified risks
- Assessment of the potential impact, probability and risk rating
- The risk control measures that are in place
- The responsible officer
- Target Date (if applicable)

The risks would continue to be reviewed on a quarterly basis and any amendments would be drawn to the Committee's attention.

UNANIMOUSLY RESOLVED that the Risk Register be approved subject to minor changes to the "assigned to" column.

10. WALES PENSION PARTNERSHIP UPDATE [FORMERLY AGENDA ITEM 9]

The Treasury & Pension Investments Manager provided the Committee with an update on the milestones and progress of the Wales Pension Partnership. He advised that the Global Growth and the Global Opportunities sub-funds had both increased in value since having been launched. Work on Fixed Income sub-funds was ongoing and all eight constituent funds were committed to completing this by the end of the year. A sub-group of the Officer Working Group was exploring options regarding Private Markets. Following review meetings with Link, it had been decided that one of their employees would be fully dedicated to working on the WPP. The Committee was further advised that the WPP website would be launched on 20 September 2019 and would be available to the public on 23 September 2019. A communications policy would be developed and a governance workshop would be taking place after the next WPP Joint Governance Committee meeting on 20 September 2019.

UNANIMOUSLY RESOLVED that the presentation be received.

11. EXCLUSION OF THE PUBLIC

UNANIMOUSLY RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information)(Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

12. INDEPENDENT INVESTMENT ADVISER REPORT TO 30 JUNE 2019

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 11 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Committee received the Independent Investment Adviser Report which provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3 year periods ending 30 June 2019.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 30 June 2019 be noted.

13. NORTHERN TRUST PERFORMANCE REPORT 30 JUNE 2019

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 11 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Committee considered the Northern Trust Performance report for the Dyfed Pension Fund as at 30 June 2019, which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

UNANIMOUSLY RESOLVED that the Northern Trust Performance report for the Dyfed Pension Fund as at 30 June 2019 be received.

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CHAIR **DATE**