

Pecyn Dogfennau



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

DYDD MERCHER, 16 HYDREF 2019

AT: HOLL AELODAU'R BWRDD PENSIWN

YR WYF DRWY HYN YN EICH GALW I FYNYCHU CYFARFOD O'R BWRDD PENSIWN A GYNHELIR YN YSTAFELL BWYLLGOR GWASANAETHAU DEMOCRATAIDD, NEUADD Y SIR, CAERFYRDDIN. SA31 1JP AM 2.00 YP, DYDD MERCHER, 23^{AIN} HYDREF, 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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BWRDD PENSIWN

Gwyn Jones	Cynrychiolydd Aelod
Paul Ashley-Jones	Cynrychiolydd o'r Cyflogwyr
Y Cyng. Philip Hughes	Cynrychiolydd o'r Cyflogwyr
John Jones	Cynrychiolydd Annibynnol (Cadeirydd y Panel)
Cllr Gareth Lloyd	Cynrychiolydd o'r Cyflogwyr
Mike Rogers	Cynrychiolydd Aelod Pensiynwyr
Tommy Bowler	Cynrychiolydd Undeb

AGENDA

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4. CYFARFOD Y PWYLLGOR CRONFA BENSIWN DYFED A GYNHALIWDYD AR 18 MEDI 2019 11 - 14
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6. ADRODDIAD PERFFORMIAD A RISG YMGYNGHORYDD BUDDSODDI ANNIBYNNOL 30 MEHEFIN 2019 87 - 96
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Mae'r dudalen hon yn wag yn fwriadol

DYFED PENSION FUND PENSION BOARD

Tuesday, 9 July 2019

PRESENT: Mr. John Jones (Chair)

Cllr. G. Lloyd [Ceredigion County Council – Employer Member Representative];
Mr. T. Bowler [Union Member Representative];
Mr. I. Eynon [Pembrokeshire County Council – Employer Member Representative];
Mr. G. Jones [Member Representative];

Also present as an observer:

Cllr. D.E. Williams, Chair of the Dyfed Pension Fund Committee;
Mr. P. Ashley-Jones, Head of Procurement, Pembrokeshire County Council

The following Officers were in attendance:

K. Gerard, Pensions Manager;
A. Parnell, Treasury and Pension Investments Manager;
R. Lewis, Assistant Accountant;
J. Laimann, Assistant Democratic Services Officer.

Democratic Services Committee Room, County Hall, Carmarthen, 2.00 pm – 3.20 pm.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Philip Hughes (Carmarthenshire County Council – Employer Member Representative), Mr Mike Rogers (Pensioner Representative), Mr Chris Moore and Mr Randal Hemingway.

The Chair thanked Mr Ian Eynon (Employer Member Representative) for his contributions to the Board and extended best wishes upon his retirement.

2. DECLARATIONS OF PERSONAL INTEREST

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

3. MINUTES OF THE PENSION BOARD MEETING HELD ON THE 21 MARCH 2019

With regard to Item 9 (Securities Lending), Mr Parnell advised that Torfaen Council had now agreed to the principle of Securities Lending.

AGREED that the minutes for the Pension Board meeting held on the 21st March 2019 be confirmed as a correct record.

4. DYFED PENSION FUND COMMITTEE 19 JUNE 2019

The Board received for consideration the following reports which had been considered by the Dyfed Pension Fund Committee at its meeting held on the 19th June 2019.

4.1. MINUTES OF THE DYFED PENSION FUND COMMITTEE MEETING 21 FEBRUARY 2019

The Board received the draft minutes of the Dyfed Pension Fund Committee meeting held on the 21st February 2019.

AGREED that the minutes be noted.

4.2. BUDGET MONITORING ACTUALS 1 APRIL 2018 - 31 MARCH 2019

The Board considered the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2018/19 financial year.

AGREED that the report be noted.

4.3. UNAUDITED STATEMENT OF ACCOUNTS 2018-19

The Board considered the Dyfed Pension Fund Statement of Accounts for 2018/19, produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19, detailing the financial position, performance and financial viability for the year 2018-19 together with the results of stewardship of management i.e. – accountability of management for the resources entrusted to it and the disposition of its assets at the period end.

It was noted that the position of the Fund, as at 31st March 2019 valued the total assets at £2.575bn, up from £2.44bn in 2017/18. This represented an increase in net assets of £135m from 2017/18 to 2018/19. With regard to Fund expenditure, benefits payable and transfers were totalling £87m and returns on investments £152m.

In response to a query, Mr Parnell advised that the transition to the Wales Pension Partnership was expected to incur short term costs due to transition costs but to make savings in investment manager costs over the longer term. Progress would be monitored and reported to the Joint Governance Committee (JGC) on a quarterly basis. Details on the transaction cost would be provided to the Pension Committee and Board at their next meetings.

In response to a query on contributions, Mr Parnell advised that differences between figures in the Budget Monitoring and Fund Account were largely due to different ways of accounting in relation to early retired teachers.

In response to a query on the McCloud case, the Board was advised that the issues would apply to any employee or former employee with a date of birth before 1st April 1957. The appeal had now been rejected and accounts would be amended accordingly and regular updates provided.

It was suggested that Pension Board Members' name be included in the relevant section of the report.

AGREED that the report be noted.

4.4. CASH RECONCILIATION AS AT 31 MARCH 2019

The Board considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund. It was noted that as at 31st March 2019, £5.2m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

AGREED that the report be noted.

4.5. BREACHES REPORT 2018-19

The Board received for consideration the Breaches Report in relation to the Dyfed Pension Fund. Section 70 of the Pension Act 2004 set out the legal duty to report breaches of the law.

With regard to Item 62 in the report, Board Members were advised that the breach related to a requirement to pay automatic refunds after five years to scheme members that had left after April 2014. Scheme members affected by this had been contacted to request their bank details but no response had been received. The LGPS Technical Group recognised this issue on a national scale, especially in relation to refunds of small amounts of money, and the Scheme Advisory Board had asked Ministers to amend the Regulation.

With regard to Item 61, the Board was advised that the breach was due to staffing issues but there was regular engagement with the accountant who was seeking to resolve the issue. The Board was further advised that the majority of breaches related to short-term delays of small employers.

AGREED that the report be noted.

4.6. WALES PENSION PARTNERSHIP (WPP) UPDATE

The Board received a report on the Wales Pension Partnership which provided an update on the milestones and progress to date.

The Board noted key updates which included:

- Key Milestones
- Progress to date
 - Initial Funds (Global Equity)
 - Tranche 2 (UK and European Equities)
 - Tranche 3 (Fixed Income)
- Next steps

Board Members were advised that the WPP was currently exploring private markets. A subgroup of the Officer Working Group would hold a meeting on the subject in July. Tracey Williams had been appointed as Senior Financial Services Officer for the Wales Pension Partnership. With regard to Communications, the Wales Pension Partnership website would be functional by the beginning of August and a LinkedIn page had been set up. A workshop on communications policy had been held after the JGC meeting in June. This would be followed by a workshop on governance after the next JGC meeting in September.

AGREED that the report be noted.

4.7. DRAFT WPP RESPONSIBLE INVESTMENT POLICY

The Board received for consideration the Wales Pension Partnership Draft Responsible Investment (RI) Policy. It was advised that this overarching policy contained principles that every fund would need to consider but had been drafted in a way that could accommodate the RI policies of individual funds. The draft policy would have to be considered by all eight participant funds and would go back to the JGC for signing off in September.

In response to a query, Mr Parnell advised that discussions on the possibility of employing an engagement provider (Paragraph 7.12) were ongoing. With regard to monitoring metrics (Paragraph 9.1), the Board was advised that potential metrics would be explored by the Officer Working Group in collaboration with Russell. Monitoring and reporting on the policy would be provided by Link and Russell.

AGREED that the report be received.

5. 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.

6. FIXED INCOME SUB-FUNDS

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 5 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Board considered a report on the proposed sub-funds and manager structures for the WPP Fixed Income Sub-Funds. Mr Parnell advised that, with regard to the proposed sub-fund structure, only the Global Credit Fund was relevant to the Dyfed Pension Fund. Sub-fund monitoring reports would provide details on the performance of individual managers.

AGREED that the report be noted.

7. INDEPENDENT INVESTMENT ADVISER REPORT

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 5 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 Board received the Independent Investment Adviser Report which provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3 year periods ending 31st March 2019.

AGREED that the report be noted.

8. NORTHERN TRUST PERFORMANCE REPORT

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 5 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 Board considered the Northern Trust Performance report for the Dyfed Pension Fund as at 31st March 2019, which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

AGREED that the report be noted.

CHAIR

DATE

Mae'r dudalen hon yn wag yn fwriadol

BWRDD PENSIYNAU CRONFA BENSIWN DYFED 23^{AIN} HYDREF 2019

CYFARFOD PWYLLGOR CRONFA BENSIWN DYFED 18 MEDI 2019

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Y Bwrdd Pensiwn i nodi a rhoi sylwadau ar gofnodion a gweithredoedd cyfarfod pwyllgor Cronfa Bensiwn Dyfed ar 18/09/2019.

Y Rhesymau:

I gynghori'r Bwrdd Pensiwn am y cyfarfod a gynhaliwyd gan bwyllgor Cronfa Bensiwn Dyfed ar 18/09/2019.

Ymgynghorwyd â'r pwyllgor craffu perthnasol

AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad AMHERTHNASOL

Y Gyfarwyddiaeth:

Pennaeth y Gwasanaeth:

Chris Moore

Awdur yr Adroddiad:

Chris Moore

Swyddi:

Cyfarwyddwr y Gwasanaethau

Corfforaethol,

Cyngor Sir Gâr

Rhifau ffôn: 01267 224120

Cyfeiriadau E-bost:

CMoore@sirgar.gov.uk

**EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
23 OCTOBER 2019**

DYFED PENSION FUND COMMITTEE MEETING 18 SEPTEMBER 2019

A Pension Fund Committee meeting was held on 18/09/2019 and the following agenda items were considered and noted:

- Minutes of the Committee Meeting 19 June 2019
- WAO Audit of Financial Statements Report 2018 – 19 (ISA 260)
- Budget Monitoring 1 April 2019 – 30 June 2019
- Cash Reconciliation as at 30 June 2019
- Breaches Report 2019 – 20
- Risk Register
- Wales Pension Partnership (WPP) update
- Link and Russell Presentation

The minutes of the Pension Fund Committee meeting on 18 September 2019 are attached for information.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: C Moore

Director

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

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: C Moore

Director

1. Scrutiny Committee

NA

2. Local Member(s)

NA

3. Community / Town Council

NA

4. Relevant Partners

NA

5. Staff Side Representatives and other Organisations

NA

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

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

THERE ARE NONE

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

DYFED PENSION FUND COMMITTEE

Wednesday, 19 June 2019

PRESENT: Councillor D.E. Williams (Chair)**Councillors:**

R.E. Evans and T.J. Jones

Also in attendance:Mr E. Lambert, Independent Investment Adviser
Cllr D. Thomas**The following Officers were in attendance:**K. Gerard, Pensions Manager
C. Moore, Director of Corporate Services
B. Owen
A. Parnell, Treasury & Pensions Investments Manager**Committee Room 2, 3 Spilman Street, Carmarthen, SA31 1LE - 10.00 - 11.40 am****1. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

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
R. Evans	Member of the Dyfed Pension Fund

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 21ST FEBRUARY, 2019.**UNANIMOUSLY RESOLVED** that the minutes of the meeting of the Committee held on the 21st February 2019 be signed as a correct record.**4. BUDGET MONITORING ACTUALS 1 APRIL 2018 - 31 MARCH 2019**

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2018/19 financial year. It was noted that the current position, as at 31st March 2019, forecast an under-spend of £635k in cash terms. With regard to expenditure, the net effect of benefits payable and transfers out represented a £3.4m over-spend mainly influenced by the uncontrollable nature of lump sum payments and transfers out of the fund. Management expenses were underspent by £0.2k. With regard to income, the net effect of contributions, investment income and transfers in represented an increase in income of £3.9m. Overall, total fund expenditure was £89.8m and total income £90.4m representing a positive cash flow position of £0.6m.

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

5. STATEMENT OF ACCOUNTS 2018-19

The Committee considered the Dyfed Pension Fund Statement of Accounts for 2018/19, produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19, detailing the financial position, performance and financial viability for the year 2018-19 together with the results of stewardship of management i.e. – accountability of management for the resources entrusted to it and the disposition of its assets at the period end.

It was noted that the position of the fund, as at 31st March 2019 valued the total assets at £2.575bn, up from £2.44bn in 2017/18. This represented an increase in net assets of £135m from 2017/18 to 2018/19. With regard to Fund expenditure, benefits payable and transfers were totalling £87m and returns on investments £152m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Statement of Accounts 2018/19 be received.

6. CASH RECONCILIATION AS AT 31 MARCH 2019

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

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

7. BREACHES REPORT

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.

8. WALES PENSION PARTNERSHIP (WPP) UPDATE

The Treasury & Pension Investments Manager provided the Committee with an update on the milestones and progress of the Wales Pension Partnership. The Committee noted that the launch and transition of assets into two Global Equity sub-funds (£3.5bn) had been completed and post-trade reports had been issued. Tracey Williams had been appointed as Senior Financial Services Officer for the Wales Pension Partnership. With regard to Communications, the Wales Pension Partnership website would be functional by the beginning of August. There would be a workshop on communications policy after the next Joint Governance Committee meeting in June. With regard to reporting, Mr Parnell advised that LINK had reallocated staffing in order to address previous challenges.

UNANIMOUSLY RESOLVED that the presentation be received.

9. DRAFT WPP RESPONSIBLE INVESTMENT POLICY

The Committee received for consideration the Wales Pension Partnership Draft Responsible Investment (RI) Policy. It was advised that this overarching policy contained principles that every fund would need to consider but had been drafted in a way that could accommodate the RI policies of individual funds. The draft policy would have to be considered by all eight participant funds and would go back to the JGC for signing off in September.

UNANIMOUSLY RESOLVED that the Draft Wales Pension Partnership Responsible Investment Policy be received.

10. 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.

11. GLOBAL CREDIT FIXED INCOME SUB FUND

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 10 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Committee considered a report on the proposed sub-funds and manager structures for the Wales Pension Partnership Global Credit Fixed Income Sub-Funds. The Treasury & Pension Investments Manager advised that, with regard to the proposed sub-fund structure, only the Global Credit Fund was relevant to the Dyfed Pension Fund. If the proposal was agreed, the Fund's corporate bonds

would be transferred into the Global Credit Fund. The Independent Investment Adviser advised that the proposal should be supported.

UNANIMOUSLY RESOLVED that

11.1 The report be received;

11.2 The transfer of Corporate Bonds into the Wales Pension Partnership Global Credit Fund be agreed.

12. INDEPENDENT INVESTMENT ADVISER REPORT TO 31 MARCH 2019

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 10 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 31st March 2019.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 31st March 2019 be noted.

13. NORTHERN TRUST PERFORMANCE REPORT TO 31 MARCH 2019

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 10 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 31st March 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 31st March 2019 be received.

CHAIR

DATE



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – Dyfed Pension Fund

Audit year: 2018-19

Date issued: September 2019

Document reference: **1487A2019-20**

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Dyfed Pension Fund at 31 March 2019 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for Dyfed Pension Fund is £25.7 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of Dyfed Pension Fund, for 2018-19, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2019 on 14 June 2019, seven days later than the date agreed in the closure timetable.
- 7 We have now substantially completed the audit work. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Director of Corporate Services.

Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 10 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.**

We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.

- **We did not encounter significant difficulties during the audit.**

We received information in a helpful manner and were not restricted in our work.

- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**

- **There is one other matter significant to the oversight of the financial reporting process that we need to report to you.**

The Pension Fund's closure of accounts timetable set a date of 7 June 2019 for the draft statement of accounts and all supporting working papers to be provided for audit. We planned to commence the audit the week commencing 10 June 2019.

We were advised prior to this date by Council officers that the draft accounts were not going to be completed as at 7 June 2019 and we had to delay the start of the audit. We received the draft accounts on 14 June 2019, but several supporting working papers were not available until later in the month. As a result, the audit did not start until 24 June 2019.

We will work with officers during the Autumn to learn lessons from the 2018-19 accounts preparation and audit processes. This exercise will help ensure that the Pension Fund delivers a high-quality set of financial statements and a full set of supporting working papers next year in line with its account's closedown deadlines.

- **We did not identify any material weaknesses in your internal controls**
- **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

- 13 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 14 We have complied with ethical standards and in our professional judgment, we are independent, and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Dyfed Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

[Date]

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of Dyfed Pension Fund for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice for Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Dyfed Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Audit Committee on 13 September 2019.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Director of Corporate Services - signed on behalf of management

Date:

Signed by:

Chair of Audit Committee – signed on behalf of those charged with governance

Date:

Appendix 2

Proposed audit report of the Auditor General to the Members of Carmarthenshire County Council as Administering Authority for Dyfed Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Dyfed Pension Fund for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004. Dyfed Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the statement of accounts. The other information comprises the information included in the narrative report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the narrative report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Dyfed Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on pages 1 to 2, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
Date

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Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
£71.845 million (2018-19) £65.010 million (2017-18)	International Pooled Fund values were reclassified as European Equities in Note 11.4 Geographical Analysis of Investments.	To ensure that the most appropriate geographical analysis was disclosed in the financial statements.
£2.255 million	Transition Costs deducted at source as part of the transfer of investments to the Wales Pension Partnership arrangements were included in investment income rather than being recognised in the movement in the net asset balance.	To ensure compliance with CIPFA requirements.
£33 million	The draft financial statements were prepared before the Supreme Court denied the Government's application for leave to appeal the legal judgement about age discrimination in public sector pension schemes, including the local government pension scheme. As a result, the actuarial statement was updated to disclose the probable impact on pension fund liabilities.	To disclose the increased actuarial value of promised retirement benefits due to the McCloud judgement.
Various	Several minor narrative and disclosure amendments were made to the financial statements.	To ensure compliance with CIPFA requirements.

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Dyfed Pension Fund									
Budget Monitoring									
1st April 2019 - 30th June 2019									
Budget Type	Actual 2018-2019	Budget 2019-2020	Total income/ expenditure to date	Forecast Commitments	Actual income/ expenditure at year end	End of year variance	Assumptions/Comments		
Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (c)	£ '000 (d)	£ '000 (e)	£ '000 (f)	%		
Expenditure									
Benefits Payable	Both	78,924	79,521	19,203	60,966	80,169	648	0.8	Budget includes £2.5m for 2.4% pensions increase (based on CPI) and 2% net effect of new and deferred pensioners.
Pensions Payable	Controllable	64,128	66,021	16,667	50,002	66,669	648		
Basic Pension - Funded	Hide	44,703	46,877	11,431	34,292	45,723	686		
Widows Pension/Child Allowance	Hide	2,873	2,922	736	2,207	2,943	93		
PI Acts - Funded - Dependants	Hide	189	217	66	197	263			
Rate Increase	Hide	19	20	4	13	17	-5		
PI Acts - Lg - Funded	Hide	16,235	15,872	4,403	13,209	17,612	2,552		
Widows Pensions Unfunded	Hide		1	0	0	0	0		
PI Acts - Unfunded	Hide		1	0	0	0	-1		
Augmentation - Pension	Hide	96	98	24	72	96	-5		
Augmentation - Pension Increase	Hide	13	13	3	10	13	1		
Commutation and lump sum retirement benefits	Non Controllable	12,873	12,000	2,443	9,557	12,000	0		Based on likely outturn for 19-20.
Lump sum death benefits	Non Controllable	1,923	1,500	93	1,407	1,500	0		Based on likely outturn for 19-20.
Payments to and account of leavers	Non Controllable	3,853	2,620	1,003	1,617	2,620	0	0.0	Based on likely outturn for 19-20.
Pension Transfer Values	Hide	3,704	2,500	966	1,534	2,500	0		
Refund Of Contributions	Hide	144	120	37	83	120	0		
Contract Equivalent Premium	Hide	5	0	0	0	0	0		
Contract Equivalent Premium	Hide	0	0	0	0	0	0		
Management Expenses		6,992	5,610	1,495	4,731	6,226	616	11.0	
Computer Software	Controllable	364	355	1	354	355	0		Based on likely outturn for 19-20.
Printing charges	Controllable	11	20	7	13	20	0		Based on likely outturn for 19-20.
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	70	68	14	58	72	4		Based on likely outturn for 19-20.
Pension Fund Medical Fees	Hide	18	14	1	12	13			
Training Of Staff	Hide	2	5	0	5	5			
Vehicle fuel (purchased off site)	Hide			0	0	0	0		
Plant/Vehicle Spot Hire	Hide			0	0	0			
Plant/Vehicle Spot Hire via the Fleet section	Hide	0		0	0	0	0		
Public Transport - Staff	Hide	1	2	0	2	2			
Staff Travelling Expenses	Hide	3	3	0	3	3			
Reference Books & Periodic Literature	Hide			0	0	0			
	Hide			0	0	0			
Legal Fees And Costs	Hide			0	0	0			
Other Hired & Cont Services	Hide			0	0	0			
Postages	Hide	0		0	0	0			
Translation/Interpret Services	Hide	2	5	0	5	5			
Subsistence	Hide	9	1	3	2	5	4		
Hospitality Allowance/Expenses	Hide	0	8	0	8	8			
Conference/Seminar Expenses	Hide			0	0	0			
Subscriptions	Hide	35	30	10	21	31			
Advertising (Other Than Staff)	Hide			0	0	0			
Fund Managers									
BlackRock	Controllable	1,561	1,265	237	1,438	1,675	410		Full year estimate based on Apr-June 19 management fee
Baillie Gifford	Controllable	997	0	0	0	0	0		Disinvested in 2018/19
Columbia Threadneedle	Controllable	771	0	0	0	0	0		Disinvested in 2018/19
Schroders	Controllable	679	849	0	760	760	-89		Full year estimate based on Apr-June 19 management fee
Wales Pension Partnership	Controllable	476	750	3	1,147	1,150	400		Full year estimate based on Apr-June 19 management fee
Partners Group	Controllable	811	910	0	800	800	-110		Full year estimate based on Apr-June 19 management fee
Custodian									
Northern Trust	Controllable	29	30	28	2	30	0		Based on likely outturn for 19-20.
Actuary									
Mercer	Controllable	78	70	3	68	71	1		Based on likely outturn for 19-20. Tender Imminent.
Performance Manager									
Northern Trust / PIRC / CEM	Controllable	38	26	0	26	26	0		New contracts in place for quarterly performance services, cost monitoring and LGPS universe benchmarking.
Independent Advisor	Controllable	20	20	0	20	20	0		
Other									
Euraplan, LSE, Pension Board	Controllable	21	23	0	23	23	0		
Central recharges	Non Controllable	1,038	1,195	1,195	0	1,195	0		
Audit fees	Controllable	28	29	7	22	29	0		
Controllable Expenditure		70,082	70,436	16,967	54,733	71,700	1,264		
Non Controllable Expenditure		19,687	17,315	4,734	12,581	17,315	0		
Total Expenditure		89,769	87,751	21,701	67,314	89,015	1,264		
Income									
Contributions									
Employer	Controllable	-51,360	-52,755	-23,315	-30,031	-53,346	-591	1.1	2019-20 budget based on December 18 contributions including 2% pay increase and amendments to contribution rates and past service deficit amounts as per valuation results.
Normal	Hide	-45,164	-46,344	-20,369	-26,540	-46,909	-565		
Augmentation	Hide	-2,089	-2,000	-697	-1,403	-2,100	-100		
Deficit	Hide	-4,107	-4,412	-2,249	-2,088	-4,337	75		
Member	Controllable	-18,986	-19,363	-643	-19,183	-19,826	-463	2.4	2019-20 budget based on December 18 contributions including 2% pay increase and amendments to contribution rates and past service deficit amounts as per valuation results.
Normal	Hide	-18,883	-19,263	-643	-19,083	-19,726	-463	2.4	
Additional voluntary contributions	Hide	-103	-100	0	-100	-100	0	0.0	
Investment Income	Controllable	-13,375	-14,133	-2,448	-9,229	-11,677	2,456	-17.4	Dividend income is now reinvested. Investment income will be called upon as per cash flow requirements.
Investment Interest	Hide	-13,409	-14,168	-2,456	-9,256	-11,712	2,456		
Interest On Late Payments	Hide	34	35	8	27	35	0		Based on 18/19 budget
Other Income	Controllable	-32	0	0	0	0	0	100.0	Budget not required for 19-20. 3rd party administration invoices now raised against Pensions Administration budget within Carmarthenshire.
Transfers in from other pension funds	Non Controllable	-6,651	-1,500	-1,238	-3,713	-4,951	-3,451	230.1	Forecast based on Apr-Jun actual transfers.
Controllable Income		-83,753	-86,251	-26,406	-58,443	-84,849	1,402		
Non Controllable Income		-6,651	-1,500	-1,238	-3,713	-4,951	-3,451		
Total Income		-90,404	-87,751	-27,644	-62,156	-89,800	-2,049		
Controllable Total		-13,671	-15,815	-9,439	-3,710	-13,149	2,666		
Non Controllable Total		13,036	15,815	3,496	8,868	12,364	-3,451		
Total		-635	0	-5,943	5,158	-785	-785		
Cash Transfer to Fund Managers	Cash	0	0	0	0	0	0		
Net Total of Cash Related Items		-635	0	-5,943	5,158	-785	-785		
Indirect Transactional Management Fees	Non Cash	4,079	1,900	0	2,839	2,839	939		New CIPFA Management cost guidance issued to show indirect transactional fees indirectly paid by the funds
Investment Income	Non Cash	-4,079	-1,900	0	-16,317	-16,317	-14,417	758.8	Full year estimate based on 1st quarter
Realised gain/loss	Non Cash	-168,686	-50,000	0	-50,000	-50,000	0	0.0	Non Controllable. To cover portfolio rebalances. No impact to cash.
Net Total of Non-Cash Related Items		-168,686	-50,000	0	-63,478	-63,478	-13,478		

Mae'r dudalen hon yn wag yn fwriadol

Item 4dDyfed Pension Fund Cash ReconciliationJune 2019

Balance b/f 1st April 2019		£4,838,139.38
Investment trades		
Sales	50,818,874.80	
Purchases	-51,102,764.90	
		-£283,890.10
Contributions received	£27,900,254.96	
Payments made	-£21,904,173.89	
Dividend Income	£2,740,061.19	£8,736,142.26
		£13,290,391.54
Total Available for Investment		£13,290,391.54
Represented by :		
Cash at Carmarthenshire		£13,837,876.26
Cash due to be received/deducted		£0.00
CCC Debtors		£288,953.84
CCC Creditors		-£836,438.56
		£13,290,391.54
		£0.00

Mae'r dudalen hon yn wag yn fwriadol

Breaches Report

Item 4e

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
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 (£2,475) PSD payment not received until 18/06/2019 - 27 days late. Cause: Clerk on annual leave. 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.
64	2019-20	22/6/19	Contributions	May contributions (£3,162.83) received 11 days late. Cause: Clerk still trying to sort out payroll software issue. 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.
65	2019-20	19/6/19	Contributions	May contributions (£2,410.87) received 10/07/2019 - 21 days late. Cause: Clerk was on leave and thought cheques has been sent. 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.
66	2019-20	19/6/19	Contributions	May contributions (£1,158.97) received 10/07/2019 - 27 days late. Cause: Clerk was on leave and thought cheques has been sent. 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.
67	2019-20	22/7/19	Contributions	June contributions (£3,006.61) received 3 days late. Cause: Clerk thought payment had been made as 2 submissions had been done this year but one was relating to last year. 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.
68	2019-20	July, August and September 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. July - 16 members & total refunds = £431.16, August - 15 members & total refunds = £1100.86, September - 9 members and total refunds = £172.98	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. Following from their July 19 meeting, SAB are in the process of making recommendations to MHCLG
69	2019-20	22/8/19	PSD	July 19 (£450) Past Service Deficit payment not received until 2/09/2019 - 11 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.
67	2019-20	22/8/19	Contributions	July contributions not yet received. Cause: Clerk on compassionate leave. Effect: Payment will be made around the 6/9/2019	No	Amber	No Report	There are no long term implications associated with this breach. Payment expected by the end of the week.

Mae'r dudalen hon yn wag yn fwiadol

Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **15 October, 2019**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400001 - Failure to comply with LGPS regulations as well as other overriding regulations	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> Altair Development Officer undertakes Altair system checks to ensure compliance with LGPS regulations Network Groups (Altair & LGPC) Communication & Training Officer Communication & Training Officer responsible for the maintenance of Online Procedure manuals, and the provision of training to all section staff and employing bodies via site visits. Continue to act as an "Early Adopter" in conjunction with the system provider to ensure system meets regulatory requirements Technical Officer ensures legislative accuracy of calculations 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Substantial 4	Improbable 1	Low 4

Tudalen 39

Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **15 October, 2019**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400002 - Failure to respond to major change to the LGPS following Public Sector Pension Review	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Participation in all high level Government discussions and consultations Ensure best practice is implemented and DPF is seen as a centre of excellence for pension administration Continue to be recognised nationally by peers as one of the leaders in pension administration and facilitate site visits Society of Welsh Treasurers review the suitability of existing and any new pension fund arrangements 	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager Pensions Manager Pensions Manager and Treasury & Pensions Investments Manager		Substantial 4	Improbable 1	Low 4

Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **15 October, 2019**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> • CIPFA Pensions Network membership • Technical Officer ensures legislative accuracy of calculations 	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager				
CSV400003 - Failure to process accurate pension benefits payments, including lump sum payments, in a timely manner	Significant 3	Unlikely 2	Medium 6	<ul style="list-style-type: none"> • Payroll deadline procedures in place • Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer • Altair Development Officer is responsible for regular system checks regarding calculations • Communication&Training Officer liaises closely with all employing authorities to ensure timely submission of information to DPF 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **15 October, 2019**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> • Item in Business Continuity/Disaster Recovery Plan • Participate in National Fraud Initiative (NFI) • Life Certificates exercise carried out for all cheque payments • Undertake reviews of monthly performance to ensure service standards are maintained • IT Contingency/Resilience Plan in place 	Pensions Manager				
<p>CSV400004 - Failure to collect and account for full receipt of contributions from employers and employees on time</p> <p>Failure to collect full receipt of pension contributions from employees and employers in line with Regulation guidelines.</p> <p>Failure of employers' financial systems; absence of key staff; failure to communicate with employers</p>	<p>Substantial</p> <p>4</p>	<p>Possible</p> <p>3</p>	<p>High</p> <p>12</p>	<ul style="list-style-type: none"> • Contributions monitoring procedures 	Pensions Manager and Treasury & Pensions Investments Manager		<p>Substantial</p> <p>4</p>	<p>Unlikely</p> <p>2</p>	<p>Medium</p> <p>8</p>

Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **15 October, 2019**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>effectively; failure of key systems such as on-line banking and/or financial ledger.</p> <p>Possible adverse audit opinion; negative cash flow position; delays in producing IAS19 accounting reports; delays in closure of year end accounts; employers forced to leave the scheme.</p>				<ul style="list-style-type: none"> • Formal timescales for receipt of contributions • Budget set and monthly monitoring against the budget • Escalation of non receipt of contributions • Systems Audit undertaken by Internal Audit and External Auditors 	<p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p>				

Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **15 October, 2019**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400005 - Failure to keep pension records up to date and accurate	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> Senior Officers liaise closely with employing authorities to ensure timely and accurate submission of data to DPF i-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis Data accuracy checks undertaken by the pension section prior to continual validation on workflow system Data integrity validation is performed monthly by Altair Development Officer Data validation checks also undertaken by the DPF's partners (e.g.the Actuary at Valuation) Additional validation carried out through NFI Opportunity to escalate non-compliance 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400006 - Failure to hold personal data securely	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls Disaster Recovery Plan for pensions system Authorised users have unique usernames and passwords must be changed every 60 days Documentation is scanned on to the pensions system and paper copies are held for a period of 3 months before shredding Compliance with the Data Protection Act 1998 Compliance with the Authority's in-house IT policies Systems and Payroll audit undertaken annually 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

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Risk Assessment Form

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400007 - Loss of funds through fraud or misappropriation in administration related functions	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> Internal and external audit checks performed to ensure that appropriate and effective controls are in place Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer and Pensions Officer Altair Development Officer undertakes data integrity checks Systems and Payroll audit undertaken annually 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Moderate 2	Unlikely 2	Low 4
CSV400008 - Normal operations disrupted by uncontrollable external factors Service delivery threats from fire, bomb, extreme weather, electrical faults, sickness epidemic, etc. Insufficient daily back up, disaster recovery, and IT cover to support systems. Temporary loss of ability to provide	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls Disaster Recovery Plan for pensions system with the software provider Data stored on one of Council's stand alone IT servers 	Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Assessment Form

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
service to stakeholders.									
CSV400009 - Inability to keep service going due to loss of main office, computer system, or staff	Moderate 2	Unlikely 2	Low 4	<ul style="list-style-type: none"> Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls Disaster Recovery Plan for pensions system 	Pensions Manager Pensions Manager		Moderate 2	Improbable 1	Very Low 2
CSV400010 - Lack of expertise among some Pension Administration officers	Significant 3	Unlikely 2	Medium 6	<ul style="list-style-type: none"> Personal development plan in place to support the development of each officer in the Section Specific courses / seminars attended by officers to further their knowledge and understanding 	Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3
CSV400011 - Over reliance on key Pensions Administration and Investment Officers Specialist nature of the work means there are relatively few experts in Investments and the Local Authority Pensions Regulations. Significant knowledge gap left if experts	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> Key officers convey specialist knowledge to colleagues on a function or topicbasis by mentoring 	Pensions Manager and Treasury & Pensions Investments Manager		Significant 3	Unlikely 2	Medium 6

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Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund**

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
leave.				<ul style="list-style-type: none"> • Enhance training by bespoke sessions / courses / workshops • Specific relevant qualifications for administration and investment staff • External consultants and independent adviser available for short term assistance 	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager				
CSV400012 - Failure to appropriately attract, manage, develop, and retain staff at all levels	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> • Training and Development Plan established 	Pensions Manager		Substantial 4	Improbable 1	Low 4

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<p>CSV400013 - Failure to communicate properly with stakeholders Lack of clear communications.</p> <p>Scheme members are not aware of their rights and entitlements, are distanced from the Fund, which could lead to a reduction in new members and an increase in leavers.</p> <p>Communication with investment managers, custodian, independent adviser, fund employers, pensioners, scheme members, actuary and government organisations.</p>	<p>Significant 3</p>	<p>Unlikely 2</p>	<p>Medium 6</p>	<ul style="list-style-type: none"> Dedicated Communication & Training Officer post established Dedicated Communication & Training Officer will continue to fulfil all the communication requirements of the DPF, in accordance with the Communications Policy Statement Comprehensive website is continually updated and developed My Pension Online is used to enhance the service provided to scheme members Quarterly meetings with independent adviser and investment managers 	<p>Pensions Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p>		<p>Significant 3</p>	<p>Improbable 1</p>	<p>Very Low 3</p>

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> • Communications Policy in place • Annual Employer & Consultative Meeting 	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager				
CSV400014 - No appropriate procedures for Employer bodies transferring out of the pension fund or Employer bodies closing to new membership	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> • Inter valuation monitoring and rate reassessment if appropriate • Identification of any issue and resolution via regular site visits by Communication & Training Officer • Requirement for employing authorities to issue termination forms for each active member • Validation of membership numbers 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Significant 3	Unlikely 2	Medium 6

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> Employer covenant checks 	Pensions Manager				
<p>CSV400015 - Liquidity/cashflow risk - insufficient funds to meet liabilities as they fall due</p> <p>Failure of employers to pay contributions on time; low dividend income; significant number of liabilities paid out at the same time.</p> <p>Immediate cash contribution would be required via employers; delay in the payment of promised liabilities; negative publicity and an adverse audit report.</p>	<p>Substantial 4</p>	<p>Possible 3</p>	<p>High 12</p>	<ul style="list-style-type: none"> Monthly cash and dividend reconciliations Quarterly monitoring of investment managers by Pension Committee Appointment of custodian 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Substantial 4</p>	<p>Unlikely 2</p>	<p>Medium 8</p>
<p>CSV400016 - Loss of funds through fraud or misappropriation in investment related functions</p> <p>Fraud or misappropriation of funds by an employer, investment managers or custodian.</p> <p>Financial loss to the fund.</p>	<p>Substantial 4</p>	<p>Possible 3</p>	<p>High 12</p>	<ul style="list-style-type: none"> Internal and External Audit regularly test that appropriate controls are in place and working Regulatory control reports from investment managers, custodian, etc., are also reviewed by audit. 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Substantial 4</p>	<p>Unlikely 2</p>	<p>Medium 8</p>

Risk Assessment Form

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> • Due diligence is carried out whenever a new manager is appointed. • Reliance also placed in Financial Conduct Authority registration. • Quarterly monitoring by Pension Committee and Independent Adviser 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>				
<p>CSV400017 - Excessive levels of Pension Fund Cash held within Carmarthenshire County Council investment balances</p> <p>High dividend / interest receipts and low benefit payments being made in period.</p> <p>Lower cash like return instead of equity or bond investment returns.</p>	<p>Significant 3</p>	<p>Unlikely 2</p>	<p>Medium 6</p>	<ul style="list-style-type: none"> • Monthly cash reconciliations and separate pension fund bank accounts • Quarterly monitoring by Pension Panel • Internal Audit and Wales Audit Office review 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Significant 3</p>	<p>Improbable 1</p>	<p>Very Low 3</p>

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>CSV400018 - Significant rises in employer contributions due to increases in liabilities or fall in assets</p> <p>Scheme liabilities increase disproportionately as a result of increased longevity or falling bond yields. Poor economic conditions, incorrect investment strategy, poor selection of investment managers.</p> <p>Poor / negative returns leading to potential increase in employer's costs.</p>	<p>Substantial</p> <p>4</p>	<p>Likely</p> <p>4</p>	<p>Significant</p> <p>16</p>	<ul style="list-style-type: none"> • Use qualified actuary who uses assumptions and recommends appropriate recovery period and strategy • Quarterly monitoring of investment managers by Pension Committee • Diversified Strategic Asset Allocation 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Significant</p> <p>3</p>	<p>Possible</p> <p>3</p>	<p>Medium</p> <p>9</p>
<p>CSV400019 - Lack of expertise on Pension Fund Panel and / or amongst Officers</p> <p>Lack of training, continuous professional development and 4 year election cycle.</p> <p>Flawed recommendations given to Pension Fund Committee which, unchallenged, could lead to incorrect decisions being made.</p>	<p>Significant</p> <p>3</p>	<p>Likely</p> <p>4</p>	<p>High</p> <p>12</p>	<ul style="list-style-type: none"> • Ensure Officers are trained and up to date in key areas through courses, seminars, reading, discussions with consultants, etc. • Members given induction training on joining Committee with subsequent opportunities to attend other specialist training. 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Significant</p> <p>3</p>	<p>Possible</p> <p>3</p>	<p>Medium</p> <p>9</p>

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> Members' training plan and Governance Policy established Specialist assistance available from consultants and independent adviser 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>				
<p>CSV400020 - Failure of Investment Strategy to deliver investment objectives Inaccurate triennial valuation assumptions used. Incorrect recovery period used.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employer's costs.</p>	<p>Significant 3</p>	<p>Possible 3</p>	<p>Medium 9</p>	<ul style="list-style-type: none"> Qualified Actuary makes assumptions and recommends appropriate recovery period and strategy. Independent Investment adviser employed to assist the committee in making informed decisions. 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Significant 3</p>	<p>Improbable 1</p>	<p>Very Low 3</p>
<p>CSV400021 - Prolonged failure of investment managers to achieve the returns specified on their mandates Under-performance by the investment managers; lack of monitoring and challenging by the Committee.</p>	<p>Substantial 4</p>	<p>Possible 3</p>	<p>High 12</p>	<ul style="list-style-type: none"> Quarterly monitoring of investment managers and performance company reports by investment team and Pension Committee 	<p>Treasury & Pensions Investments Manager</p>		<p>Substantial 4</p>	<p>Unlikely 2</p>	<p>Medium 8</p>

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<p>CSV400022 - Concentration risk - single asset class having disproportionate impact on investment objectives</p> <p>Risk of the performance of a single asset class having a disproportionate impact on the ability to meeting investment objectives. Inappropriate investment strategy following the triennial valuation, including lack of diversification.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs.</p>	<p>Significant</p> <p>3</p>	<p>Possible</p> <p>3</p>	<p>Medium</p> <p>9</p>	<ul style="list-style-type: none"> Establish & review diversified strategic asset allocation Proactive in decision making 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Significant</p> <p>3</p>	<p>Unlikely</p> <p>2</p>	<p>Medium</p> <p>6</p>
<p>CSV400023 - Counterparty risk - risk of other party in a transaction failing to meet its obligation to the fund</p> <p>This arises from deposits held with banks and other financial institutions, as well as credit exposures to the fund's members and employers.</p> <p>Loss of capital; decrease in asset values; cost of legal proceedings; adverse publicity.</p>	<p>Moderate</p> <p>2</p>	<p>Possible</p> <p>3</p>	<p>Medium</p> <p>6</p>	<ul style="list-style-type: none"> Set appropriate parameters with fund managers and custodian to limit exposure to default risk 	<p>Treasury & Pensions Investments Manager</p>		<p>Moderate</p> <p>2</p>	<p>Unlikely</p> <p>2</p>	<p>Low</p> <p>4</p>

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400024 - Interest rate risk Arises from risk of exposure to significant interest rate movements on investments. Bond yields and cash decrease in value.	Moderate 2	Unlikely 2	Low 4	<ul style="list-style-type: none"> Establish & review diversified strategic asset allocation 	Treasury & Pensions Investments Manager		Moderate 2	Improbable 1	Very Low 2
CSV400025 - Discount rate risk Use of inappropriate discount rate to estimate future liabilities. Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs.	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> Engage qualified actuary to make assumptions Engage independent adviser to assist the committee in making informed decisions 	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Significant 3	Unlikely 2	Medium 6
CSV400026 - Price risk The equity investments held exposes the fund to risk in relation to the market price of its investments. Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Establish & review a diversified strategic asset allocation. Anticipate long term returns on a prudent basis. 	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>CSV400027 - Foreign exchange risk The fund holds financial assets and liabilities denominated in foreign currencies. It is therefore exposed to an element of risk in relation to currency fluctuation.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.</p>	Moderate 2	Possible 3	Medium 6	<ul style="list-style-type: none"> Establish & review diversified (within regions) strategic asset allocation 	Treasury & Pensions Investments Manager		Moderate 2	Unlikely 2	Low 4
<p>CSV400028 - Failure to meet statutory deadlines leading to qualification of the accounts Lack of planning for closure of accounts; lack of training; loss of expert knowledge.</p> <p>Qualified audit report; potential bad publicity; members' loss of confidence on officers' abilities.</p>	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> Timetabled Audit Committee cycles Liaise with external audit Establish closedown timetable 	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Improbable 1	Low 4

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> Establish WAO working paper guidance & planning document Excellent time management skills 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>				
<p>CSV400029 - Adequate skilled resources not available for accounts preparation</p> <p>Lack of training; loss of expert knowledge; annual or study leave.</p> <p>Qualified audit report; unsatisfactory internal audit report; failure to meet statutory closure deadlines; employee stress.</p>	<p>Significant 3</p>	<p>Possible 3</p>	<p>Medium 9</p>	<ul style="list-style-type: none"> Appropriate Treasury & Pension Investments structure in place Arrange training courses and seminars, and mentoring 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Significant 3</p>	<p>Unlikely 2</p>	<p>Medium 6</p>
<p>CSV400030 - Failure to recover all debts</p> <p>Lack of communication between fund officers and administering authority officers (debtors); lack of monitoring / recovery procedures.</p> <p>Loss of income to the Fund; loss of</p>	<p>Substantial 4</p>	<p>Likely 4</p>	<p>Significant 16</p>	<ul style="list-style-type: none"> Use of specialist debt recovery section within the administering authority 	<p>Pensions Manager and Treasury & Pensions Investments Manager</p>		<p>Moderate 2</p>	<p>Improbable 1</p>	<p>Very Low 2</p>

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
stakeholder confidence in the ability of the administering authority; potential increase in costs to Fund employers				<ul style="list-style-type: none"> • Monthly monitoring of debts due 	Pensions Manager and Treasury & Pensions Investments Manager				
<p>CSV400031 - Officers acting outside delegated authority Threat of officers making unauthorised decisions or payments.</p> <p>Loss of income to fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers</p>	<p>Substantial 4</p>	<p>Unlikely 2</p>	<p>Medium 8</p>	<ul style="list-style-type: none"> • Undertake regular review of Standing Orders & Constitution • Report to Executive Board • Monitoring officer role 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Substantial 4</p>	<p>Improbable 1</p>	<p>Low 4</p>
<p>CSV400032 - Non-performance by Officers and Panel Members Lack of training for officers and members; turnover in officers and members; lack of appraisals; lack of PI monitoring; time constraints for</p>	<p>Substantial 4</p>	<p>Possible 3</p>	<p>High 12</p>	<ul style="list-style-type: none"> • Establish performance measurement system 	Treasury & Pensions Investments Manager		<p>Substantial 4</p>	<p>Unlikely 2</p>	<p>Medium 8</p>

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<p>members; conflicting deadlines for officers.</p> <p>Qualified audit report; potential bad publicity; members' loss of confidence in officers' abilities; excessive pressure on officers; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers</p>				<ul style="list-style-type: none"> • Pension Committee member assessments • Officer appraisals in October and March annually • Regular internal and external audits • Establish & review training plan for officers and members 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>				
<p>CSV400033 - Failure to operate strict financial and budgetary controls</p> <p>Lack of regular budget monitoring and budget setting; lack of communication between admin and investment sections; lack of scrutiny of investment managers', consultants', and advisers' fees.</p> <p>Unexpected variances over budget</p>	<p>Substantial</p> <p>4</p>	<p>Unlikely</p> <p>2</p>	<p>Medium</p> <p>8</p>	<ul style="list-style-type: none"> • Quarterly monitoring of budgets • Quarterly forecasting and profiling of budgets 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Substantial</p> <p>4</p>	<p>Improbable</p> <p>1</p>	<p>Low</p> <p>4</p>

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Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
headings; members' loss of confidence in officers' abilities; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers.				<ul style="list-style-type: none"> • Closure of accounts to Audit Committee • Monthly meetings between Head of Service, Admin and Investment managers • Monthly reconciliations of contributions, dividends, and pension payroll 	Treasury & Pensions Investments Manager				
CSV400034 - Insufficient resources to provide meaningful input to the development of the All Wales pool without having a detrimental impact on the management of the fund	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> • Staffing resources to be kept under review to ensure the Fund's interests are properly met when developing investment pooling arrangements 	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Mae'r dudalen hon yn wag yn fwiadol

WPP JGC

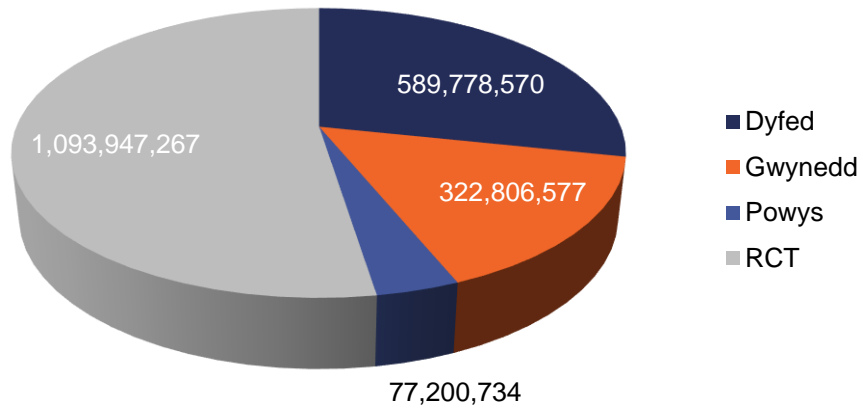
June 28th 2019

Cardiff County Hall

Current LF Wales PP Fund Holdings

Tudalen 64

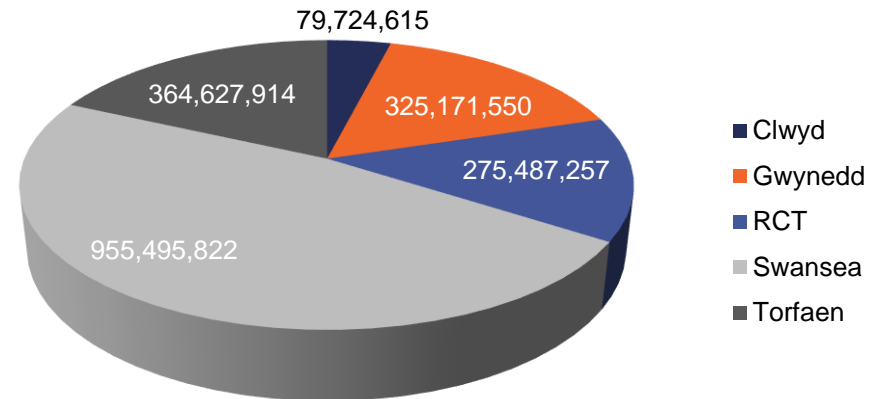
Global Growth Equity



£2,083,733,148

AUM as at 31st May 2019

Global Opportunities Equity



£2,000,507,158

AUM as at 31st May 2019

Fund Launch Progress Report

Tranche 2, 3 & 4 updates



Key Milestones

Task	Date	RAG	Comment/Responsible
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
Securities Lending prospectus update	July 2019	G	Prospectus disclosure under review with Link and to be shared with WPP imminently
Operational Setup	June 2019	G	NT – Russell – Link operational setup at final stages pre launch
Transition Manager approval	July 2019	G	TM evaluation process under way
Fund Launch – Tranche 2	TBC	G	
Agree Funds – Tranche 3	28/06/19	G	Four Fixed Income sub funds: Global Credit , Global Government Bond, Absolute Return Bond and Multi Asset Credit fund structures approved by JGC in March and finalised manager line-up and fee proposal approval required at June JGC
Approval of Fund Prospectus	July 2019	G	
FCA Submission – Tranche 3	July/Aug 2019	G	
Fund Launch – Tranche 3	TBC	G	

Progress to date

Tranche 2 (UK and European Equities)

- FCA approval received 22nd February
- Agreeing launch date for funds with the underlying investors / Authorities
- Transition proposal to be shared with Pool and legacy manager contact has begun

Tranche 3 (Fixed Income)

- Fund structure proposal agreed and manager line-up and fee agreement to be agreed by JGC
- FCA approval targeted for July / Aug 2019
- Draft transition plan to be drawn up for OWG Aug

Tranche 4 (Private Markets)

- Agree fund structures – WPP June 2019
- Agree decision roadmap for tranche 4
- Target JGC approval – Q4 2019

Host Authority Update

Fudalen 68

- Staffing
- Communications
- Governance
- Reporting

Presentation to Carmarthenshire Pension Fund Committee

September 2019

Link Group

Financial 70

Operating in 18 countries worldwide





We employ and continuously invest in over

7,000
industry professionals



Administering financial ownership data for

10,000
clients globally




Over the last 10 years we have invested

£250m
in technology



Servicing
35m
individual shareholders



Hosting
933
member sites




Managing
45m
financial records



£600bn

We hold £600bn of assets under management / administration including £85bn of funds and €100bn of loan portfolios

Operator Services




Sponsor

Investment Managers

1

EVERSHEDS
SUTHERLAND
Legal & Tax


2 **LINK** Asset Services Operator



NORTHERN TRUST

Depository

Custodian



NORTHERN TRUST

Fund Administration

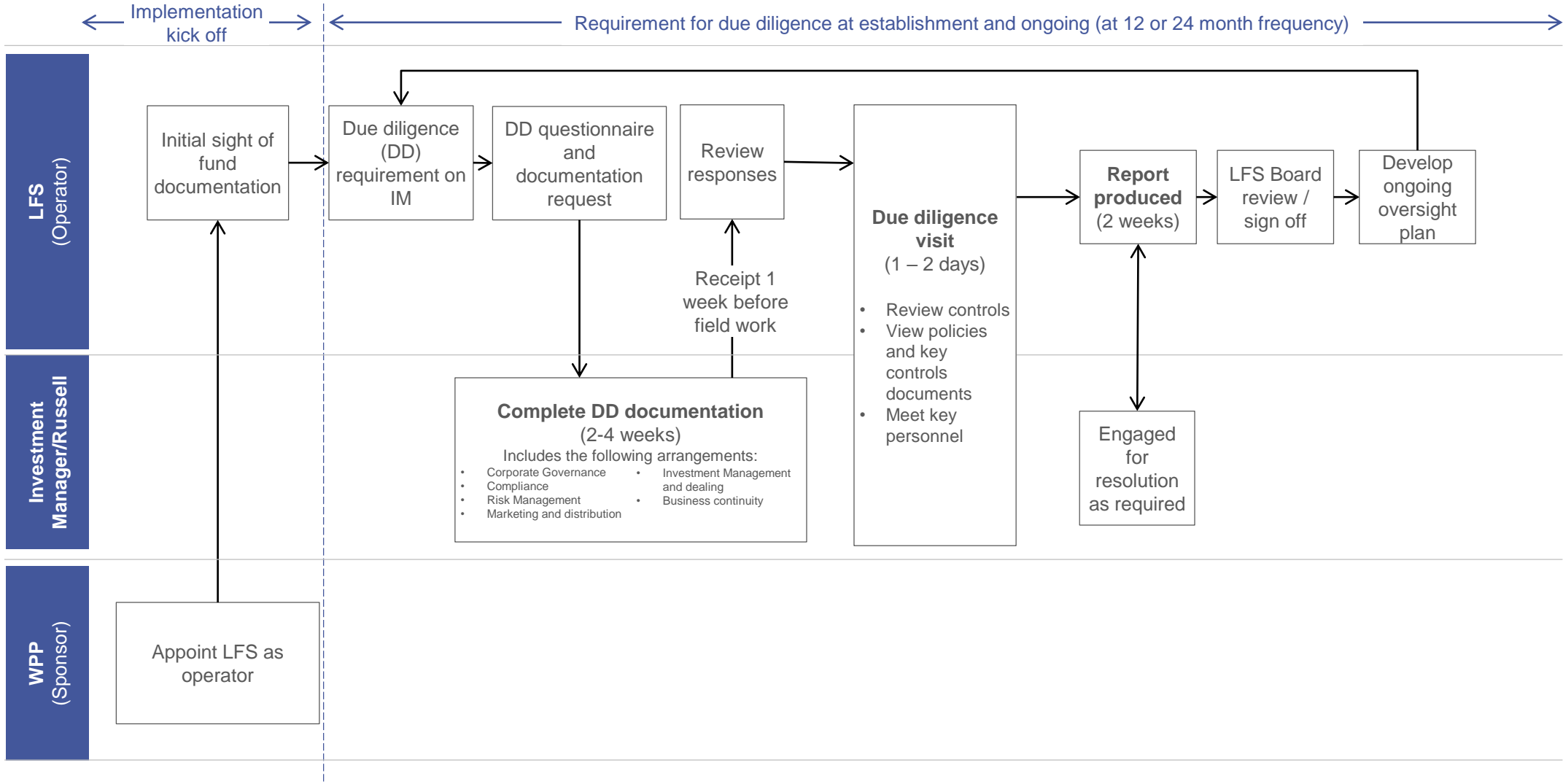
Transfer Agent

3

Operator Services

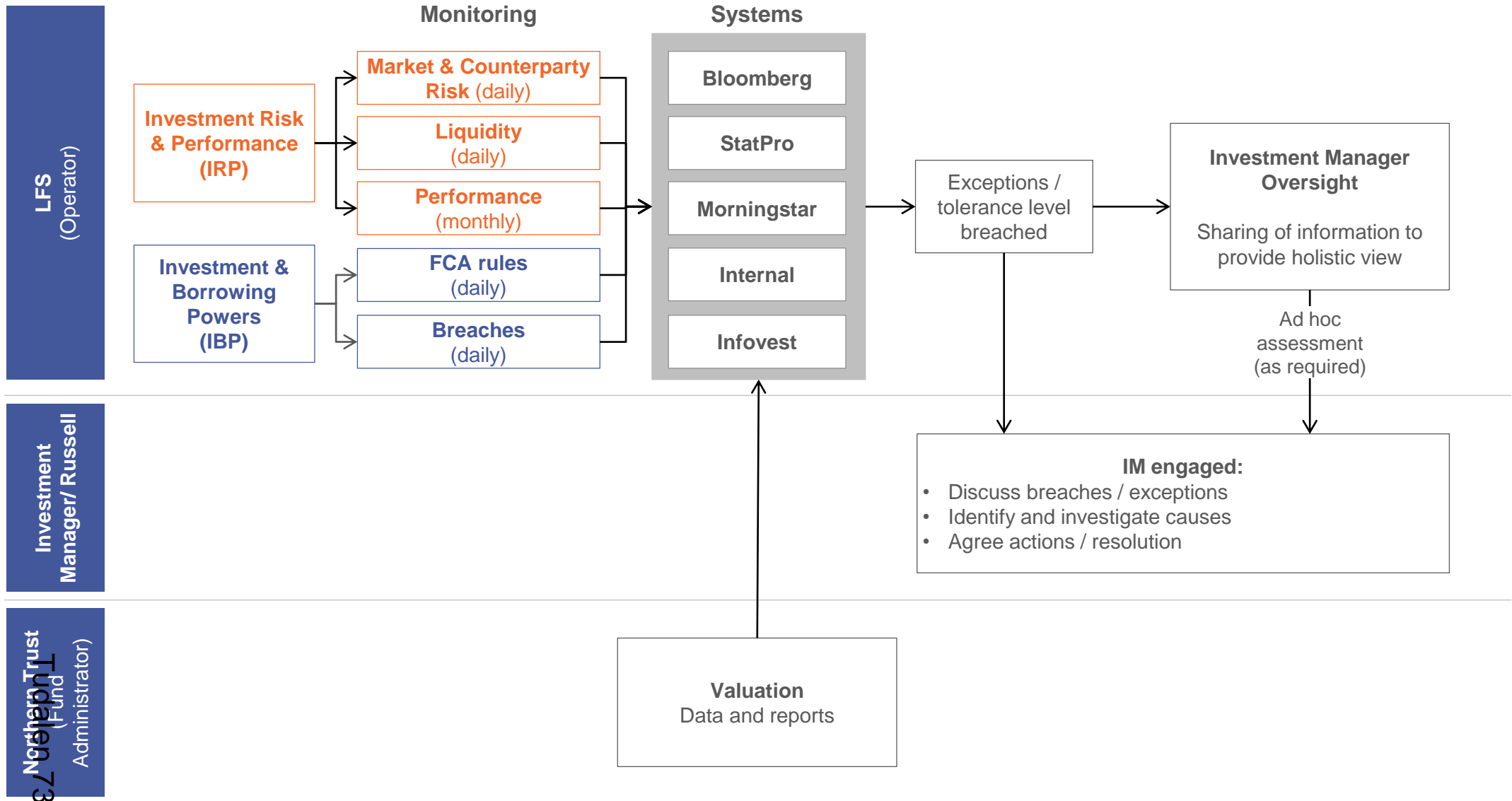
Appointing and overseeing IMs

Tudalen 72



Operator Services

2. Monitoring of investments



Operator Services

Tudalen 740

. Oversight of administrator (Northern Trust)

Oversight is continuous, from due diligence prior to appointment to ongoing monitoring throughout the contract

Operational control checks

- Daily review of NAV movements
- Daily monitoring of subscriptions and redemptions
- Stale/static instrument price review
- Review of cash and stock reconciliations
- Monitoring of corporate actions and income
- Periodic fund performance monitoring

Monitoring visits

- On an annual basis
- Approved by the Risk Committee
- Visit reports produced detailing scope, findings and actions
- Material findings shared with WPP during regular service review meeting
- Issues identified are followed through to conclusion
- Evidence of implementation in subsequent review visits

Authorised Contractual Scheme (ACS)

Benefits of ACS over other structures

The ACS, a type of tax transparent fund, is a form of authorised fund that is an alternative to authorised unit trusts and open ended investment companies. The ACS is designed to compete directly with offshore vehicles by offering equal tax advantages.

- UK's flagship tax transparent vehicle
- Can be authorised as a UCITS, Non-UCITS Retail Scheme or Qualified Investor Scheme
- Beneficial withholding tax treatment of overseas equities
- Open-ended fund with no investment restrictions in the level of property to be held, allowing multiple unit classes to be formed
- Enables multiple funds to be pooled and administered under one tax transparent umbrella
- Look-through requirement to investor dividend attribution



- Increase in income through lower tax
- Increased transparency
- Flexible fund strategy

Regulatory requirements – set up and ongoing

FCA Submissions

- ACS Prospectus
- ACS Deed
- Solicitor's Certificate
- Fund(s) Model portfolio(s)
- FCA application forms

Legal Agreements

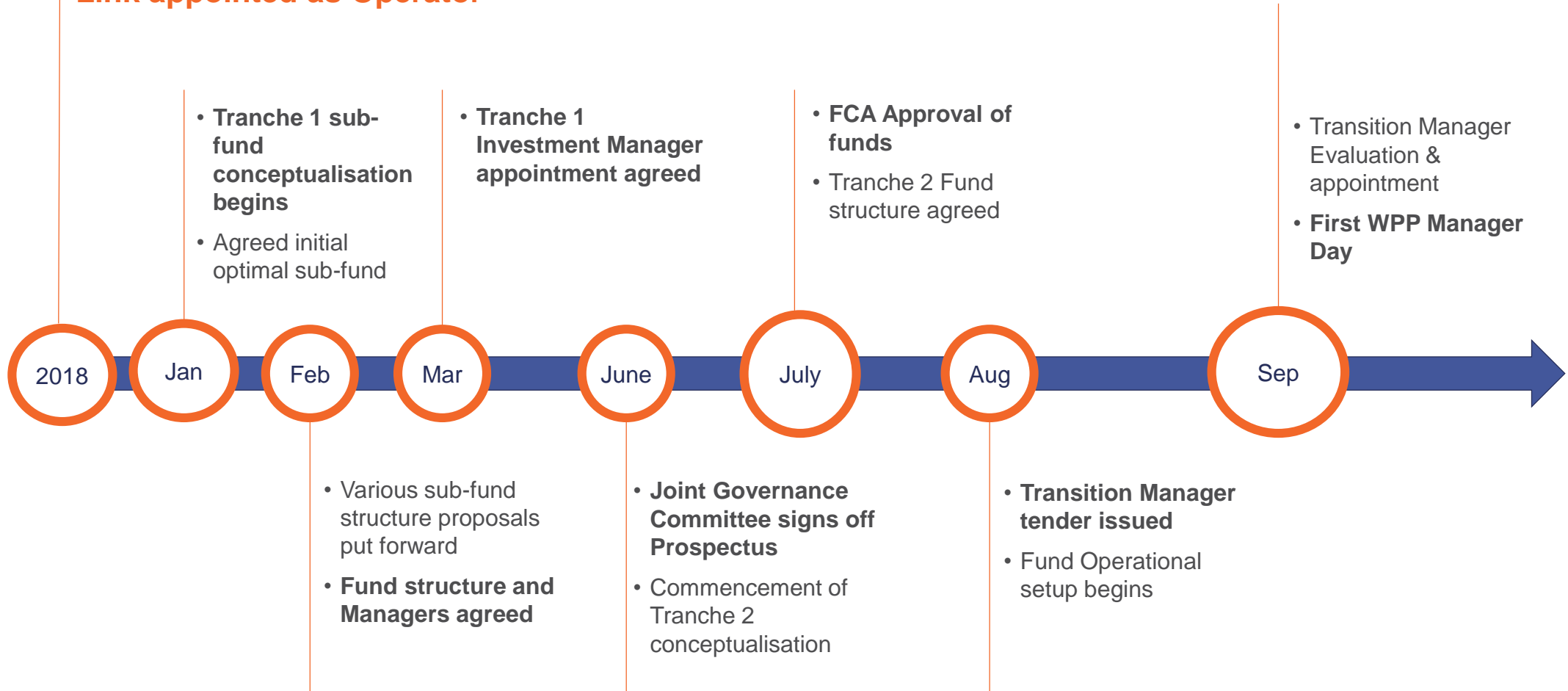
- Depositary Agreement
- Investment Management Agreement
- Administration Agreement
- Tax Services Agreement
- Securities Lending Agreement

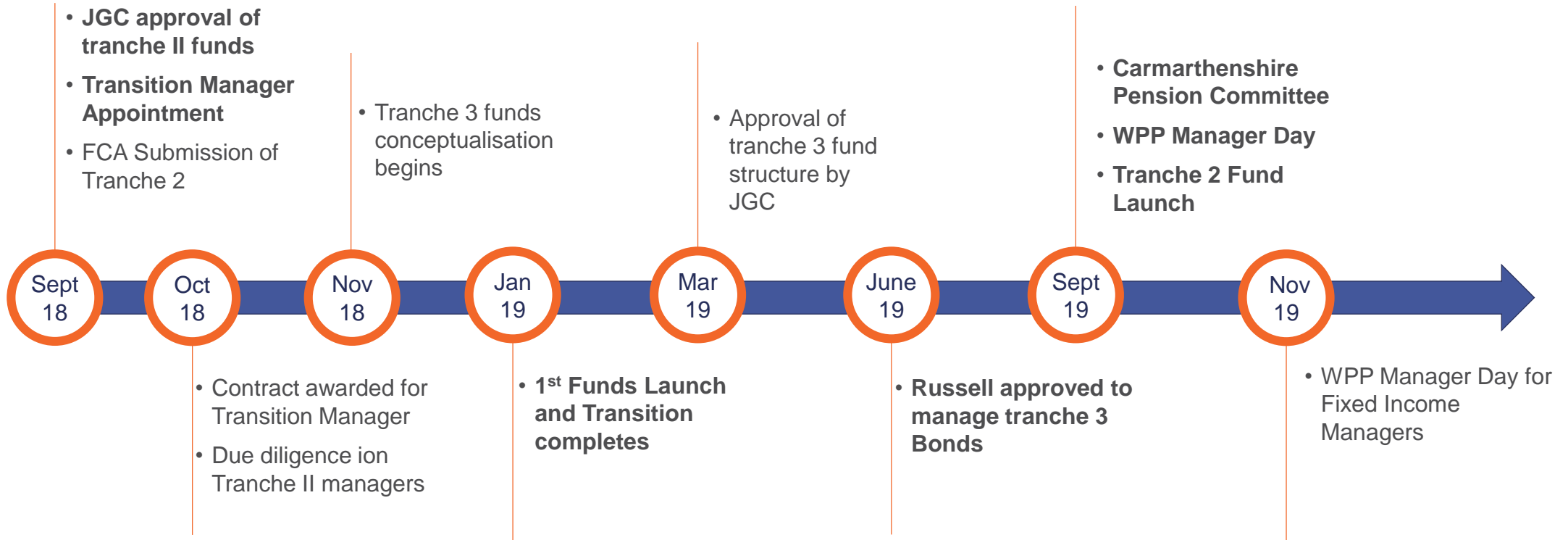
Ongoing Regulatory requirements

- Production of key regulatory documentation
- Creation and submission of Regulatory Reporting
- Client Money model and the required Oversight Function
- Complaints handling
- Monitoring for and implementing regulatory change

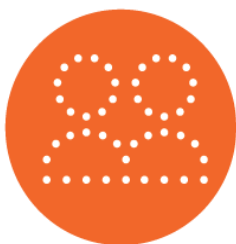
Key Milestones...

Link appointed as Operator





Contact us



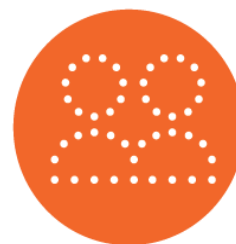
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These three companies are authorised and regulated by the Financial Conduct Authority; register numbers: Link Fund Solution Limited 119197; Link Financial Investments Limited 169586 and Link Fund Administrators Limited 121795. Registered office for all three companies: 65 Gresham Street, London, EC2V 7NQ

Mae'r dudalen hon yn wag yn fwriadol

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.

UNANIMOUSLY 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.

CHAIR

DATE

Mae'r dudalen hon yn wag yn fwriadol

Eitem Rhif 6

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

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Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywio) (Cymru) 2007

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Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywio) (Cymru) 2007

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Mae'r dudalen hon yn wag yn fwriadol

Eitem Rhif 7

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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