

DYDD IAU, 18 MEHEFIN 2020

AT: HOLL AELODAU'R PWYLLGOR CRONFA BENSIWN DYFED

**YR WYF DRWY HYN YN EICH GALW I FYNYSBU CYFARFOD
RHITHWIR O'R PWYLLGOR CRONFA BENSIWN DYFED A
GYNHELIR AM 2.00 YP, DYDD MERCHER, 24AIN MEHEFIN, 2020 ER
MWYN CYFLAWNI'R MATERION A AMLINELLIR AR YR AGENDA
SYDD YNGHLWM**

Wendy Walters

PRIF WEITHREDWR

Swyddog Democrataidd:	Emma Bryer
Ffôn (llinell uniongyrchol):	01267 224029
E-bost:	ebryer@sirgar.gov.uk

SYLWCH:

Os oes angen cyfieithu ar y pryd o'r Gymraeg i'r Saesneg arnoch yn ystod y cyfarfod, ffoniwch: 0330 336 4321 cyfrin-gôd' 77902168#

(Am daliadau galwad cysylltwch â'ch darparwr gwasanaeth.)

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

<p>AELODAETH PWYLLGOR CRONFA BENSIWN DYFED</p> <p>3 AELOD</p>

GRŴP PLAID CYMRU (1)

- 1 Cyngorydd Elwyn Williams (Cadeirydd)

GRŴP LLAFUR (1)

- 1 Cyngorydd Deryk Cundy

GRŴP ANNIBYNNOL (1)

- 1 Cyngorydd Jim Jones

DIRPRWY ENWEBEDIG (1)

Cyngorydd Dai Thomas

AGENDA

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NI DDYLID CYHOEDDI'R ADRODDIAD SY'N YMWNEUD Â'R MATERION CANLYNOL GAN EU BOD YN CYNNWYS GWYBODAETH EITHRIEDIG FEL Y'I DIFFINIWDYD YM MHARAGRAFF 14 O RAN 4 O ATODLEN 12A I DDEDDF LLYWODRAETH LEOL 1972 FEL Y'I DIWYGIWDYD GAN ORCHYMYN LLYWODRAETH LEOL (MYNEDIAD AT WYBODAETH) (AMRYWIO) (CYMRU) 2007. OS BYDD Y PWYLLGOR AR ÔL CYNNAL PRAWF LLES Y CYHOEDD YN PENDERFYNU YN UNOL Â'R DDEDDF, I YSTYRIED Y MATER HYN YN BREIFAT, GORCHMYNNIR I'R CYHOEDD ADAEL Y CYFARFOD YN YSTOD TRAFODAETH O'R FATH.
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PWYLLGOR CRONFA BENSIWN DYFED

Dydd Llun, 2 Mawrth 2020

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

Y Cynghorwyr:

D.M. Cundy, T.J. Jones and D.E. Williams

Yr oedd y swyddogion canlynol yn gwasanaethu yn y cyfarfod:

C. Moore, Cyfarwyddwr Gwasanaethau Corfforaethol
A. Parnell, Rheolwr Pensiwn a Buddsodiadau Gyllidol
K. Gerard, Rheolwr Pensiwn
B. Owen, Pension Investment Officer
K. Thomas, Swyddog Gwasanaethau Democrataidd

**Ystafell Bwyllgor Gwasanaethau Democrataidd, Neuadd Y Sir, Caerfyrddin, SA31
1JP - 10.00 - 11.30 yb**

1. YMDDIHEURIADAU AM ABSENOLDEB

Ni chafwyd dim ymddiheuriadau am absenoldeb

Croesawodd y Cadeirydd aelodau o'r cyhoedd i'r cyfarfod a dywedodd ei fod wedi penderfynu ar yr achlysur hwn ddefnyddio ei ddisgresiwn a chaniatáu iddynt ofyn cwestiynau y byddai ymatebion ysgrifenedig yn cael eu darparu ar eu cyfer, yn amodol ar gyflwyno'r cwestiynau hynny yn ysgrifenedig ar ôl y cyfarfod.

Cyflwynwyd y ddau gwestiwn canlynol (ar ddiwedd eitem 13):-

1. Pam y byddai rhannu adroddiad perfformiad yr Ymgynghorydd Annibynnol ac adroddiad perfformiad Northern Trust â'r cyhoedd yn debygol o achosi niwed ariannol?
2. Beth yw prawf budd y cyhoedd? A sut y gellir ei herio?

Croesawodd Cyfarwyddwr y Gwasanaethau Corfforaethol Mr Adrian Brown (sylwedydd) i'w gyfarfod cyntaf o'r Pwyllgor ar ôl iddo gael ei benodi o bosibl yn Ymgynghorydd Annibynnol Cronfa Bensiwn Dyfed.

2. DATGAN BUDDIANNAU PERSONOL

Ni ddatganwyd unrhyw fuddiannau personol.

3. COFNODION CYFARFOD Y PWYLLGOR A GYNHALIWDYD AR 28AIN TACHWEDD 2019

PENDERFYNWYD llofnodi cofnodion cyfarfod y Pwyllgor a gynhaliwyd ar 28 Tachwedd 2019, gan eu bod yn gywir.

4. CYNLLUN ARCHWILIO 2019-2020

Cafodd y Pwyllgor adroddiad ar Gynllun Archwilio 2020 ar gyfer Cronfa Bensiwn Dyfed a nodwyd y byddai'n cael ei gyflwyno i'w fabwysiadu'n ffurfiol i Bwyllgor Archwilio y Cyngor ar 20 Mawrth 2020.

Dywedwyd wrth y Pwyllgor, er bod y Cynllun yn dilyn yr un fformat, yn yr un modd â'r blynyddoedd blaenorol, roedd Atodiad 2 yr adroddiad yn tynnu sylw at y risgiau hynny o ran camddatganiad perthnasol yr oedd yr Archwilydd yn ystyried eu bod yn sylweddol ac yn gofyn am ystyriaeth archwilio arbennig. Roedd y rheiny'n ymwneud â Rheolwyr yn diystyru rheolaethau, Prisiad Tair Blynedd a Dyfarniad McCloud.

Dywedwyd wrth y Pwyllgor hefyd, er mai'r amserlen ar gyfer cyflawni Archwiliad o'r Cyfrifon 2019-2020 oedd 1 Rhagfyr 2020, yn unol â'r Rheoliadau Cyfrifon ac Archwilio, roedd yr Archwilydd yn cynnig cwblhau'r gwaith archwilio erbyn mis Medi 2020, ar ôl cwblhau cyfrifon y Cyngor.

Cadarnhaodd Cyfarwyddwr y Gwasanaethau Corfforaethol, er na fyddai Archwiliad o Gyfrifon Cronfa Bensiwn Dyfed yn cael ei gwblhau tan fis Medi, ei fwriad oedd cyflwyno rhai oedd yn barod i'w harchwilio ar yr un pryd â Chyfrifon y Cyngor.

Cyfeiriodd Cyfarwyddwr y Gwasanaethau Corfforaethol at y risg a nodwyd gan yr archwilydd mewn perthynas â'r Prisiad Tair Blynedd a dywedodd bod y gwaith prisio wedi'i gwblhau, a bod disgwyl i'r adroddiad terfynol ddod i law yn fuan.

PENDERFYNWYD derbyn Cynllun Archwilio 2020.

5. MONITRO CYLLIDEB 1 EBRILL 2019 - 31 RHAGFYR 2019

Derbyniodd y Pwyllgor Adroddiad Monitro Cyllideb Cronfa Bensiwn Dyfed a oedd yn rhoi'r wybodaeth ddiweddaraf am y sefyllfa gyllidebol o ran 2019/20 fel yr oedd ar 31 Rhagfyr, 2019. Nodwyd, gan fod amcangyfrif o gyfanswm gwariant o £92.4m ac amcangyfrif o gyfanswm incwm o £92.6m, bod y gronfa yn nodi tanwariant o £0.2m yn y gyllideb o ran arian parod.

O ran gwariant y gronfa, dywedwyd mai effaith net y buddion taladwy a'r trosglwyddiadau oedd gorwariant o £1,590k, yn bennaf o achos cyfandaliadau pensiynwyr gohiriedig a oedd wedi arwain at gynnydd pensiwn uwch na'r disgwyl. Rhagwelwyd hefyd y byddai treuliau rheoli £2,326k yn uwch na'r gyllideb.

O ran incwm y gronfa, bu cynnydd o £4.9m o ran effaith net cyfraniadau, incwm buddsoddi a throsglwyddiadau yn bennaf oherwydd gostyngiad o £0.6m mewn incwm buddsoddi, cynnydd o £3.7m mewn trosglwyddiadau ynghyd â chynnydd o £1.8m mewn cyfraniadau.

Cyfeiriodd Cyfarwyddwr y Gwasanaethau Corfforaethol at yr elfen o'r adroddiad a oedd yn ymwneud â buddion taladwy a dywedodd fod hynny'n ymwneud â'r taliadau sy'n cael eu gwneud i bensiynwyr presennol y gronfa. Gan na fyddai dechreuwyr newydd i'r gronfa yn derbyn pensiwn am oddeutu 40 mlynedd, roedd yn bwysig bod y gronfa yn cynnal digon o asedau i gyflawni ei rhwymedigaethau presennol ac yn y dyfodol. Roedd hynny'n golygu bod angen buddsoddi mewn portffolio amrywiol a oedd yn cynnwys ystyried buddsoddiadau carbon isel.

PENDERFYNWYD derbyn Adroddiad Monitro Cyllideb Cronfa Bensiwn Dyfed ar gyfer y cyfnod 1 Ebrill - 31 Rhagfyr, 2019.

6. CYLLIDEB CRONFA BENSIWN DYFED 2020 - 2021

Derbyniodd y Pwyllgor Gyllideb Cronfa Bensiwn Dyfed ar gyfer 2020/21. Nodwyd bod y gwariant cysylltiedig ag arian parod ar gyfer 2020/21 a oedd wedi'i bennu ar £96.2m yn erbyn incwm cysylltiedig ag arian parod o £96.2m wedi arwain at gyllideb net o £0 gan roi hyblygrwydd i'r Gronfa ddefnyddio incwm buddsoddi ar sail gofynion llif arian.

Nododd y Pwyllgor, o ran lefelau gwariant, fod y buddion sydd i'w talu wedi cael eu hamcangyfrif i fod yn £85.1m a oedd yn cynnwys darpariaeth ar gyfer cynnydd o 1.7% mewn pensiynau, ar sail Mynegai Prisiau Defnyddiwr Medi 2019, ynghyd ag effaith net o 3.0% ar gyfer aelodau newydd y cynllun pensiwn. Amcangyfrifwyd bod treuliau rheoli yn £8.5m, ac o blith hwn roedd £6.6m wedi cael ei glustnodi ar gyfer ffioedd rheolwyr buddsoddi.

Nodwyd ymhellach fod cyfraniadau incwm wedi cael eu hamcangyfrif yn £80.9m a oedd yn cynnwys £59.8m gan y cyflogwr a £21.1m yn gyfraniadau gan y gweithwyr, roedd y cyfraddau hynny ar sail prisiad 2019, 2.75% ar gyfer codiadau cyflog a 2% pellach o gynyddrannau tâl yn 2020/21. Amcangyfrifwyd bod incwm buddsoddi yn £14m a oedd felly yn cynnal cyllideb niwtral o ran arian parod a sicrhau nad oedd yn Gronfa yn cadw arian parod dros ben y byddai modd ei fuddsoddi.

Roedd y gyllideb nad oed yn gysylltiedig ag arian parod wedi'i gosod ar £50m ar sail amcangyfrif yr enillion a'r colledion a gafwyd o ran portffolios rheolwyr unigol a gwerthiannau a phryniannau o fewn y portffolios eiddo.

Cadarnhaodd Cyfarwyddwr y Gwasanaethau Corfforaethol fod mwy o bensiynwyr na chyfranwyr yn y Gronfa ac o ganlyniad roedd monitro llif arian cadarn yn dod yn fwy hanfodol. Ymhlith y ffactorau eraill oedd yn effeithio ar y Gronfa oedd darparu ar gyfer pensiynau dileu swydd/ymddeol, a hynny heb wybod o reidrwydd y cynlluniau manwl sydd gan gyrff cyflogi o ran lefelau staffio. O ganlyniad, roedd yn bwysig bod y Gronfa'n cadw digon o arian parod. Cadarnhaodd hefyd, er bod pobl yn byw'n hwy, fod actiwariaid y Gronfa wedi dweud bod y cyfraddau byw'n hirach wedi sefydlogi.

PENDERFYNWYD derbyn Cyllideb Cronfa Bensiwn Dyfed ar gyfer 2020/21.

7. CYSONI ARIAN PAROD FEL YR OEDD AR 31 RHAGFYR 2019

Bu'r Pwyllgor yn ystyried yr adroddiad Cysoni Arian Parod a roddai'r wybodaeth ddiweddaraf am sefyllfa ariannol Cronfa Bensiwn Dyfed.

Nodwyd ar 31 Rhagfyr, 2019 fod Cyngor Sir Caerfyrddin yn cadw cyfanswm o £17.7m o arian parod ar ran y Gronfa ar gyfer gofynion llif arian uniongyrchol i dalu pensiynau, cyfandaliadau a chostau rheoli buddsoddiadau. Roedd y balans

hwnnw'n uwch na'r arfer gan fod rhai cyrff cyflogi yn talu eu cyfraniadau ymlaen llaw. Fodd bynnag, byddai'n lleihau'n sylweddol erbyn diwedd mis Mawrth, 2020.

PENDERFYNWYD derbyn adroddiad Cysoni Arian Parod Cronfa Bensiwn Dyfed fel yr oedd ar 31 Rhagfyr, 2019.

8. ADRODDIAD TORRI AMODAU 2019-2020

Cafodd y Pwyllgor Adroddiad Torri Amodau, mewn perthynas â Chronfa Bensiwn Dyfed, i'w ystyried.

Nodwyd gan y Pwyllgor fod Adran 70 o Ddeddf Pensiynau 2004 yn pennu'r ddyletswydd gyfreithiol i riportio achosion o dorri'r gyfraith. Mae Côt Ymarfer Rhif 14, paragraffau 241 i 275, a gyhoeddwyd gan y Rheoleiddiwr Pensiynau ym mis Ebrill 2015, yn rhoi cyfarwyddyd ynghylch riportio'r achosion hyn o dorri'r gyfraith. Cafodd Polisi Torri Amodau Cronfa Bensiwn Dyfed ei gymeradwyo gan Banel Cronfa Bensiwn Dyfed ym mis Mawrth 2016.

O dan y polisi, roedd yn ofynnol i achosion o dorri'r gyfraith gael eu hadrodd i'r Rheoleiddiwr Pensiynau os oes achos rhesymol i gredu'r canlynol:

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

Nododd y Pwyllgor fod nifer o achosion wedi bod ers y cyfarfod diwethaf lle nad oedd cyfraniadau'r cyflogai/cyflogwr wedi'u derbyn mewn pryd; fodd bynnag, nid oedd achos wedi'i gyfeirio at y Rheoleiddiwr Pensiynau.

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

9. COFRESTR RISG 2020-2021

Cafodd y Pwyllgor Gofrestr Risg 2020-21, a oedd yn cynnwys yr holl risgiau a nodwyd mewn perthynas â swyddogaethau Cronfa Bensiwn Dyfed, i'w hystyried. Roedd y gofrestr, a gâi ei monitro a'i hadolygu yn rheolaidd, yn cynnwys gwybodaeth am y meysydd canlynol:

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

Cafodd y risgiau eu hadolygu a gwnaed rhai mân addasiadau. Byddent yn parhau i gael eu hadolygu'n chwarterol, a byddai unrhyw newidiadau yn cael eu dwyn at sylw'r Pwyllgor.

PENDERFYNWYD cymeradwyo'r Gofrestr Risg

10. DRAFFT DATGANIAD STRATEGAETH ARIANNU

Cafodd y Pwyllgor Ddatganiad Strategaeth Gyllido Drafft i'w ystyried a oedd â'r nod o nodi strategaeth gyllido glir a thryloyw o ran sut yr oedd pob un o rwymedigaethau pensiwn Cyflogwyr y Gronfa yn cael eu bodloni yn y dyfodol yn dilyn y prisiad tair blynedd fel yr oedd ar 31 Mawrth, 2019. Roedd y Datganiad Drafft wedi bod yn destun cyfnod ymgynghori, a ddaeth i ben ar 28 Chwefror, 2020 ac ar ôl gwerthuso'r ymatebion a ddaeth i law, byddai datganiad terfynol yn cael ei gyhoeddi. Nodwyd bod y Gronfa yn cael ei hariannu 104% ar hyn o bryd, a'i bod yn un o'r cronfeydd a oedd yn perfformio orau yn y wlad.

Dywedodd Cyfarwyddwr y Gwasanaethau Corfforaethol wrth y Pwyllgor y byddai'r Gronfa hefyd yn edrych ar ei Strategaeth Prisio Asedau a lle'r oedd yr asedau hynny'n cael eu buddsoddi yn y marchnadoedd. Byddai'r adolygiad hwnnw'n cynnwys archwilio marchnadoedd moesegol, carbon isel ac ynni adnewyddadwy gan hefyd archwilio sut i arallgyfeirio o danwyddau ffosil, fel y gofynnwyd yn y Rhybudd o Gynnig a fabwysiadwyd gan y Cyngor ym mis Hydref, 2019.

PENDERFYNWYD cymeradwyo'r Datganiad Strategaeth Gyllido Drafft.

11. CYNLLUN BUSNES 2020-2021

Cafodd y Pwyllgor Gynllun Busnes Cronfa Bensiwn Dyfed i'w ystyried ar gyfer y cyfnod 2020-2021, yn nodi sut oedd y Gronfa yn mynd i gyflawni ei hamcanion a sicrhau bod adnoddau digonol yn cael eu dyrannu i gyflawni'r amcanion hynny.

PENDERFYNWYD cymeradwyo Cynllun Busnes Cronfa Bensiwn Dyfed ar gyfer 2020/21.

12. Y DIWEDDARAF AM BARTNERIAETH PENSIYNAU CYMRU LINK A RUSSELL

Cafodd y Pwyllgor adroddiad diweddarau gan Link a Russell ar Bartneriaeth Pensiwn Cymru, ynghylch cynnydd a cherrig milltir yr Is-gronfeydd canlynol ynghyd â'r Protocol Ymgysylltu a'r Dyddiadau Allweddol:-

- Tranche 1 – Ecwiti Byd-eang
- Tranche 2 – Ecwitis y DU ac Ewrop
- Tranche 3 – Incwm Sefydlog
- Tranche 4 – Marchnadoedd Preifat.

Nododd y Pwyllgor fod yr Ecwiti Twf Byd-eang presennol yn gyfanswm o £2.4b ac yn sicrhau bod 0.23% o elw dros ben. Cyfeiriodd Cyfarwyddwr y Gwasanaethau Corfforaethol at weithredu'r Gronfa Ecwiti Byd-eang a phwysigrwyd annog Rheolwyr Cronfeydd i fuddsoddi mewn ynni adnewyddadwy gan ystyried yr angen i gael yr elw gorau posibl o'r buddsoddiadau hynny.

PENDERFYNWYD derbyn y diweddariad gan Link a Russel ynghylch Partneriaeth Pensiwn Cymru.

13. CONTRACT CYNGHORYDD ANNIBYNNOL

Rhoddwyd gwybod i'r Pwyllgor fod Mr Adrian Brown, sydd â chysylltiad i M.J. Hudson, wedi'i benodi'n Ymgynghorydd Annibynnol ar gyfer Cronfa Bensiwn Dyfed yn dilyn ymarfer tendro diweddar.

Wrth groesawu Mr Brown i'r cyfarfod, cyfeiriodd Cyfarwyddwr y Gwasanaethau Corfforaethol at y gwaith a'r cyngor a ddarparwyd gan ymgynghorydd blaenorol y Gronfa, Mr Lambert, dros nifer o flynyddoedd a mynegodd ei werthfawrogiad am y cyngor hwnnw.

PENDERFYNWYD bod yr adroddiad yn cael ei dderbyn.

14. GORCHYMYN I'R CYHOEDD ADAEL Y CYFARFOD

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

15. ADRODDIAD PERFFORMIAD A RISG YMGYNGHORYDD BUDDSODDI ANNIBYNNOL 31 RHAGFYR 2019

Yn sgil gweithredu'r prawf budd y cyhoedd PENDERFYNWYD YN UNFRYDOL, yn unol â'r Ddeddf y cyfeiriwyd ati yng nghofnod rhif 14 uchod, fod y mater hwn yn cael ei ystyried yn breifat, gan beidio â gadael i'r cyhoedd fod yn bresennol yn y cyfarfod, gan y byddai datgelu gwybodaeth yn debygol o achosi niwed ariannol i'r Gronfa Bensiwn.

Ystyriodd y Pwyllgor Adroddiad yr Ymgynghorydd Buddsoddi Annibynnol, a roddai wybodaeth mewn perthynas â pherfformiad y rheolwr buddsoddiadau ar gyfer pob chwarter, pob 12 mis a chyfnodau treigl o 3 blynedd, gan ddod i ben ar 31 Rhagfyr, 2019.

PENDERFYNWYD nodi Adroddiad yr Ymgynghorydd Buddsoddi Annibynnol fel yr oedd ar 31 Rhagfyr, 2019.

16. ADRODDIAD PERFFORMIAD NORTHERN TRUST 31 RHAGFYR 2019

Yn sgil gweithredu'r prawf budd y cyhoedd PENDERFYNWYD YN UNFRYDOL, yn unol â'r Ddeddf y cyfeiriwyd ati yng nghofnod rhif 9 uchod, fod y mater hwn yn cael ei ystyried yn breifat, gan beidio â gadael i'r cyhoedd fod yn bresennol yn y cyfarfod, gan y byddai datgelu gwybodaeth yn debygol o achosi niwed ariannol i'r Gronfa Bensiwn.

Ystyriodd y Pwyllgor adroddiad perfformiad Northern Trust ar gyfer Cronfa Bensiwn Dyfed fel yr oedd ar 31 Rhagfyr, 2019 a oedd yn nodi dadansoddiad o berfformiad ar lefel y gronfa gyfan a chan y rheolwr buddsoddi ar gyfer y cyfnodau hyd at ei ddechreuad.

PENDERFYNWYD derbyn adroddiad perfformiad Northern Trust ar gyfer Cronfa Bensiwn Dyfed fel yr oedd ar 31 Rhagfyr, 2019.

CADEIRYDD

DYDDIAD

Mae'r dudalen hon yn wag yn fwriadol

Eitem Rhif 4

PWYLLGOR CRONFA BENSIWN DYFED
24/06/2020

Monitro Cyllideb 1 Ebrill 2019 – 31 Mawrth 2020

Rhoi'r sefyllfa gyllidebol derfynol i Bwyllgor Cronfa Bensiwn Dyfed fel yr oedd ar 31 Mawrth 2020

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Y Pwyllgor i derbyn yr adroddiad Monitro Cyllideb derfynol y Cronfa Bensiwn Dyfed ac ystyried y sefyllfa gyllidebol.

Y Rhesymau:

Rhoi'r wybodaeth derfynol i Bwyllgor Cronfa Bensiwn Dyfed am y sefyllfa gyllidebol fel yr oedd ar 31 Mawrth 2020.

Ymgynghorwyd â'r pwyllgor craffu perthnasol
AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad **AMHERTHNASOL**

Angen i'r Cyngor wneud penderfyniad **AMHERTHNASOL**

Y Gyfarwyddiaeth:
Gwasanaethau Corfforaethol
Chris Moore
Awdur yr Adroddiad:
Chris Moore

Swydd:
Cyfarwyddwr y Gwasanaethau
Corfforaethol,
Cyngor Sir Gâr

Rhifau ffôn: 01267 224120
Cyfeiriadau E-bost:
CMoore@sirgar.gov.uk

EXECUTIVE SUMMARY
DYFED PENSION FUND COMMITTEE
24/06/2020

BUDGET MONITORING 1 APRIL 2019 - 31 MARCH 2020

The final position as at 31 March 2020 was an under spend compared to budget of £3.0m on cash items.

Expenditure

The net effect of Benefits Payable and Transfers Out is an over spend of £11.2m compared to budget. This is mainly due to deferred pensioner lump sum payments which has resulted in a higher than anticipated pension increase and also lump sum death benefit payments and lump sum retirement benefits. Compensatory Added Years (CAY), Prematurely Retired Teachers (PRT) and gratuity payments (£4.8m) has been included. Management expenses are overspent by £2.2m.

Income

The net effect of Contributions, Investment Income and Transfers In is an increase of £16.3m. This is mainly due to an increase in Investment Income of £2.7m, an increase in Transfers In of £5.3m together with an increase in contributions of £8.3m which includes Compensatory Added Years (CAY), Prematurely Retired Teachers (PRT) and gratuity payments (£4.8m).

Total expenditure is £101.1m and total income is £104.1m resulting in a positive cash flow position of £3.0m.

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	YES	NONE	NONE	NONE	NONE

Finance

Overall, the Fund needs to maintain a positive cash flow balance to meet its obligations. The cash flow was positive by £3.0m as at 31 March 2020.

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						
Budget Monitoring						
1st April 2019 - 31st March 2020						
	Budget Type	Actual 2018-2019	Budget 2019-2020	Actual 2019-20	End of year variance	Assumptions/Comments
	Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (e)	£ '000 (f)	%
Expenditure						
Benefits Payable	Both	78,924	79,521	89,766	10,245	12.9
Higher than estimated pension increases relating to deferred pensioner lump sums; lump sum death benefit payments and lump sum retirement benefits. £4.8m included for CAY, PRT and Gratuities.						
Pensions Payable	Controllable	64,128	66,021	72,858	6,837	
Commutation and lump sum retirement benefits	Non Controllable	12,873	12,000	14,708	2,708	
Lump sum death benefits	Non Controllable	1,923	1,500	2,200	700	
Payments to and account of leavers	Non Controllable	3,853	2,620	3,597	977	37.3
Pension Transfers higher than originally anticipated						
Management Expenses		6,992	5,610	7,775	2,165	38.6
Computer Software	Controllable	364	355	338	-17	
Printing charges	Controllable	11	20	13	-7	
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	70	68	63	-5	
Fund Managers						
BlackRock	Controllable	1,561	1,265	1,703	438	Increased market value, corporate bonds not being pooled until July 2020.
Baillie Gifford	Controllable	997	0	0	0	Pooled in February 2019
Columbia Threadneedle	Controllable	771	0	0	0	Pooled in February 2019
Schroders	Controllable	679	849	763	-86	Fees based on market value of investments.
Wales Pension Partnership	Controllable	476	750	2,600	1,850	Increase in market value and full year effect of global equity investments.
Partners Group	Controllable	811	910	856	-54	No new investments in this financial year to date
Custodian						
Northern Trust	Controllable	29	30	30	0	
Actuary						
Mercer	Controllable	78	70	221	151	Additional expenditure re: McCloud judgement and 3 year Actuarial valuation.
Performance Manager						
Northern Trust / PIRC / CEM	Controllable	38	26	10	-16	Underspend due to lower fees than anticipated.
Independent Advisor	Controllable	20	20	21	1	
Other						
Euraplan, LSE, Pension Board	Controllable	21	23	21	-2	
Central recharges	Non Controllable	1,038	1,195	1,108	-87	Vacant posts within Pensions admin
Audit fees	Controllable	28	29	28	-1	
Controllable Expenditure		70,082	70,436	79,525	9,089	
Non Controllable Expenditure		19,687	17,315	21,613	4,298	
Total Expenditure		89,769	87,751	101,138	13,387	
Income						
Contributions						
Employer	Controllable	-51,360	-52,755	-60,238	-7,483	14.2
Increased pensionable pay plus an increase in augmentation. £4.8m included for CAY, PRT and Gratuities.						
Member	Controllable	-18,986	-19,363	-20,194	-831	4.3
Increased member purchase of annuity (pension) from their AVC when matured than originally budgeted.						
Investment Income	Controllable	-13,375	-14,133	-16,822	-2,689	19.0
Includes Schroders and Black Rock SAIF. Partners Group and WPP dividend income reinvested.						
Other Income	Controllable	-32	0	0	0	0.0
Transfers in from other pension funds	Non Controllable	-6,651	-1,500	-6,839	-5,339	355.9
Pension Transfers higher than originally anticipated						
Controllable Income		-83,753	-86,251	-97,254	-11,003	
Non Controllable Income		-6,651	-1,500	-6,839	-5,339	
Total Income		-90,404	-87,751	-104,093	-16,342	
Controllable Total		-13,671	-15,815	-17,729	-1,914	
Non Controllable Total		13,036	15,815	14,774	-1,041	
Total		-635	0	-2,955	-2,955	
Cash Transfer to Fund Managers	Cash	0	0	0	0	
Net Total of Cash Related Items		-635	0	-2,955	-2,955	
Indirect Transactional Management Fees	Non Cash	5,571	1,900	3,402	1,502	79.1
CIPFA Management cost guidance issued to show indirect transactional fees indirectly paid by the funds						
Investment Income	Non Cash	-5,571	-1,900	-3,402	-1,502	79.1
Contra entry to the Indirect transactional fees						
Realised gain/loss	Non Cash	-168,686	-50,000	-30,270	19,730	-39.5
Non Controllable. To cover portfolio rebalances. No impact to cash.						
Net Total of Non-Cash Related Items		-168,686	-50,000	-30,270	19,730	

Mae'r dudalen hon yn wag yn fwiadol

Eitem Rhif 5

PWYLLGOR CRONFA BENSIWN DYFED
DYDDIAD 24/06/2020

Datganiad cyfrifon 2019-20 heb eu harchwilio

Y Pwyllgor i dderbyn Datganiad Cyfrifon 2019-20 heb eu harchwilio.

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Y Pwyllgor i derbyn y Ddatganiad Cyfrifon 2019-2020 heb eu harchwilio.

Y Rhesymau:

Y Pwyllgor Cronfa Bensiwn Dyfed i derbyn y Datganiad Cyfrifon 2019-2020 heb eu harchwilio.

Ymgynghorwyd â'r pwyllgor craffu perthnasol

AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad AMHERTHNASOL

Y Gyfarwyddiaeth:
Gwasanaethau Corfforaethol

Chris Moore

Awdur yr Adroddiad:

Chris Moore

Swydd:

**Cyfarwyddwr y Gwasanaethau
Corfforaethol,**

Cyngor Sir Gâr

Rhifau ffôn: 01267 224120

Cyfeiriadau E-bost:

CMoore@sirgar.gov.uk

EXECUTIVE SUMMARY
DYFED PENSION FUND COMMITTEE
DATE 24/06/2020

UNAUDITED STATEMENT OF ACCOUNTS 2019-2020

The Dyfed Pension Fund accounts provide information about the financial position, performance and financial adaptability of the Fund for the year 2019-20. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

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

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

DETAILED REPORT ATTACHED ?

YES

IMPLICATIONS

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	YES	NONE	NONE	NONE	NONE

The fund account and Net Asset Statement for the Dyfed Pension Fund at the 31 March 2020 was £2,384m

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 STATEMENT OF ACCOUNTS 2019-2020

NARRATIVE REPORT

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2019-20. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the "Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

For readers with a more detailed or specialist interest of the operation of the Dyfed Pension Fund during 2019-2020, reference should be made to the Annual Report and Accounts 2019-20 (when published).

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Director of Corporate Services' Responsibilities

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

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

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

Certification of Accounts

I certify that the Statement of Accounts on pages 3 to 35 gives a true and fair view of the financial position of the Dyfed Pension Fund at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.



Chris Moore FCCA
Director of Corporate Services

Dated: 15 June 2020

Fund Account for the Year Ended 31 March 2020

2018-19 £'000		Note	2019-20 £'000
* Restated			
	Dealings with members, employers and others directly involved in the Fund		
	Contributions		
	Employer		
45,164	Normal		48,008
6,895	Augmentation		7,881
4,107	Past Service Deficit		4,349
	Member		
18,883	Normal		19,961
103	Additional voluntary		221
6,651	Transfers in from other pension funds	6	6,851
<u>81,803</u>			<u>87,271</u>
	Benefits payable		
(68,875)	Pensions payable		(72,859)
(12,933)	Commutation and lump sum retirement benefits		(14,708)
(1,923)	Lump sum death benefits		(2,200)
(3,853)	Payments to and on account of leavers	7	(3,597)
<u>(87,584)</u>			<u>(93,364)</u>
(5,781)	Net Additions (Withdrawals) from dealings with Members		(6,093)
(12,532) *	Management Expenses	8	(11,177)
(18,313)	Net Additions (Withdrawals) including fund management expenses		(17,270)
	Returns on Investments		
16,747 *	Investment Income	9	20,224
(56)	Taxes on Income (Irrecoverable Withholding Tax)	10	0
	Changes in the market value of investments		
(31,490)	Unrealised	11.2	(224,437)
168,686	Realised	11.3	30,270
<u>153,887</u>	Net Return on Investments		<u>(173,943)</u>
135,574	Net Increase (Decrease) in the net assets available for benefits during the year		(191,213)
2,440,112	Opening Net Assets of Scheme		2,575,686
<u>2,575,686</u>	Closing Net Assets of Scheme		<u>2,384,473</u>

*Management Expenses and Investment Income restated to include Implicit costs within the Transaction costs. Implicit costs represent the loss of value implied by the difference between the actual transaction price and the mid-market value of the asset immediately before the trade entered the market.

Net Assets Statement for the year ended 31 March 2020

31/03/19 £'000		<u>Note</u>	31/03/20 £'000
2,563,796	Investment Assets		2,365,404
7,052	Cash deposits		12,215
0	Investment liabilities		0
<u>2,570,848</u>		11.1	<u>2,377,619</u>
9,245	Current assets	16	10,386
(4,407)	Current liabilities	17	(3,532)
<u>4,838</u>	Net Current Assets/(Liabilities)		<u>6,854</u>
<u>2,575,686</u>	Total Net Assets		<u>2,384,473</u>

Reconciliation of the movement in Fund Net Assets

2018-19 £'000		2019-20 £'000
2,440,112	Opening Net Assets	2,575,686
(1,622)	Net New Money Invested	2,954
137,196	Profit and losses on disposal of investments and changes in the market value of investments	(194,167)
<u>2,575,686</u>	Closing Net Assets of Fund	<u>2,384,473</u>

Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2020

1 Description of the Fund

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

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report and Accounts 2019-2020 (when published) and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

1.1 General

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

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

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

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

1.2 Membership

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

Organisations participating in the Dyfed Pension Fund include:

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

There are 66 employer organisations within the Dyfed Pension Fund as at 31 March 2020 and these are detailed in Note 21. The membership details of these organisations are summarised below:

31/03/19		31/03/20
18,344	Number of active contributors in the Fund	18,564
13,187	Number of pensioners	14,059
15,719	Number of deferred pensioners	15,900
<u>47,250</u>	Total membership	<u>48,523</u>
48	Number of employers with active members	46

These figures reflect the recorded position as at 31 March 2020 but are always subject to some movement post year end for notifications from employing bodies received after this date.

1.3 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2016. Currently, employer contribution rates range from 7.4% to 27.6% of pensionable pay as detailed in Note 21.

1.4 Benefits

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

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

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

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

2 **Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2019-2020 financial year and its position at year end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-2020 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3 Summary of significant accounting policies

Fund Account – revenue recognition

3.1 Contributions

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

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

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

3.2 Transfers to and from other schemes

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

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

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

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

3.3 Investment income

3.3.1 Interest income

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

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

3.3.2 Dividend income

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

3.3.3 Distributions from pooled funds

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

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

3.4 Benefits payable

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

3.5 Taxation

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

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

3.6 Management Expenses

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

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

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

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

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

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.76m in 2019-2020 (2018-2019: Fee was £0.67m).

Where an investment manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2019-2020, no fees are based on such estimates (2018-2019: £0).

The costs of the council's pension investments team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund. The Council charged the Pension Fund an amount of £1.1m (£1.0m in 2018-19) in respect of administration and support during 2019-20.

Net assets statement

3.7 Financial assets

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

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

3.7.1 Market-quoted investments

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

3.7.2 Fixed interest securities

Fixed interest securities are recorded at net market value.

3.7.3 Unquoted investments

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

3.7.4 Limited partnerships

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

3.7.5 Pooled investment vehicles

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

3.8 Foreign currency transactions

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

3.9 Cash and cash equivalents

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

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

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

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

3.10 Financial liabilities

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

3.11 Actuarial present value of promised retirement benefits

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

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

3.12 Additional voluntary contributions (AVC)

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

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

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

4 Critical judgements in applying accounting policies

4.1 Fund liability

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

4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple

analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31st March 2020 was £36.0m (31st March 2019: £36.0m).

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. Fair value adjustments were conducted to bridge the time lag between the latest available investment Net Asset Values. Incorporating the movements seen in capital markets in the fair value adjustment process, Partners Group liaised with various investment partners for indications around their first quarter Net Asset Values. Overall, fair value adjustments applied during the first quarter of 2020 are significantly higher than those applied previously.	The total Limited Partnership property investments are £36.0m. There is a risk that this investment may be under or overstated in the accounts.

6 Transfers in from other pension funds

2018-19 £'000		2019-20 £'000
0	Group transfers in from other schemes and scheme mergers	0
6,651	Individual transfers in from other schemes	6,851
<u>6,651</u>		<u>6,851</u>

7 Payments to and on account of Leavers

2018-19 £'000		2019-20 £'000
(144)	Refunds to members leaving service	(196)
(5)	Payments for members joining state scheme	20
0	Group transfers	0
(3,704)	Individual transfers	(3,421)
<u>(3,853)</u>		<u>(3,597)</u>

8 Management Expenses

2018-19 £'000		2019-20 £'000
*Restated		
(1,188)	Administrative costs	(1,274)
(10,784) *	Investment management expenses	(9,285)
(560)	Oversight and governance costs	(618)
<u>(12,532) *</u>		<u>(11,177)</u>

*Management Expenses restated to include Implicit costs within the Transaction costs.

2019-20 Audit fees of £28,280 included within Oversight and governance costs. (2018-19 £28,322)

9 Investment Income

2018-19 £'000		2019-20 £'000
*Restated		
7,609 *	Income from equities	5,138
9,067	Pooled property investments	13,352
0	Income from Alternatives	1,630
55	Interest on cash deposits	104
16	Other	0
<u>16,747 *</u>		<u>20,224</u>

*Investment Income restated to include Implicit costs within the Transaction costs.

10 Taxation

2018-19 £'000		2019-20 £'000
(56)	Withholding tax - equities	0
<u>(56)</u>		<u>0</u>

11 Investments

11.1 Net investment assets

Fair value 31/03/2019 £'000		Fair value 31/03/2020 £'000
	<u>Investment assets</u>	
	Bonds	
	UK Corporate Bonds	
265,299	- BlackRock	272,772
	Indexed Linked Securities	
138,699	- BlackRock	107,390
	Equities	
	UK Quoted Equities	
510,928	- BlackRock	424,727
	Alternatives	
27,626	- BlackRock UK SAIF	53,198
	Pooled Investments	
	Overseas equities	
704,690	- BlackRock	642,005
	Global equities	
588,671	- Wales Pension Partnership	545,586
	Pooled property investments	
293,605	- Schroders	285,681
27,011	- Partners Group	28,022
	Property	
327	- Schroders	286
6,044	- Partners Group	5,680
	Cash deposits	
259	- BlackRock	27
4,293	- Schroders	10,388
2,500	- Partners Group	1,800
	Investment income due	
689	- Schroders	0
	Tax reclaims due	
85	- BlackRock	16
122	- Schroders	41
0		0
2,570,848	Amounts receivable for sales	0
	Total investment assets	2,377,619
	<u>Investment liabilities</u>	
0	Amounts payable for purchases	0
0	Total investment liabilities	0
2,570,848	Net investment assets	2,377,619

11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £91m whilst sales totalled £65m. The sales realised a net gain of £26m. Acquisition costs are included in the purchase price of the investment.

	Fair value 31/03/2019 £'000	Purchases at Cost £'000	Sales at Cost £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2020 £'000
Bonds	403,998	181	(31,817)	0	0	7,800	380,162
Equities	510,928	11,754	0	0	0	(97,955)	424,727
Pooled investments	1,293,361	37,350	(22,073)	0	0	(121,047)	1,187,591
Pooled property investments	320,616	16,155	(11,221)	0	0	(11,847)	313,703
Property	6,371	0	0	0	0	(405)	5,966
Alternatives	27,626	25,866	0	0	0	(294)	53,198
	2,562,900	91,306	(65,111)	0	0	(223,748)	2,365,347
Other investment balances							
Cash deposits	7,052	0	0	0	5,163	0	12,215
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	689	0	0	0	0	(689)	0
Tax reclaims due	207	0	0	0	(150)	0	57
Amounts payable for purchases investments	0	0	0	0	0	0	0
	2,570,848	91,306	(65,111)	0	5,013	(224,437)	2,377,619

	Fair value 31/03/2018 £'000	Purchases at Cost £'000	Sales at Cost £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2019 £'000
Bonds	489,582	243,490	(280,773)	0	0	(48,301)	403,998
Equities	480,061	0	(170)	0	0	31,037	510,928
Pooled investments	1,220,499	588,983	(500,092)	(2,256)	0	(13,773)	1,293,361
Pooled property investments	231,874	97,771	(7,544)	0	0	(1,485)	320,616
Property	6,057	0	0	0	0	314	6,371
Alternatives	0	27,332	0	0	0	294	27,626
	2,428,073	957,576	(788,579)	(2,256)	0	(31,914)	2,562,900
Other investment balances							
Cash deposits	6,587	0	0	0	465	0	7,052
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	265	0	0	0	0	424	689
Tax reclaims due	225	0	0	0	(18)	0	207
Amounts payable for purchases investments	0	0	0	0	0	0	0
	2,435,150	957,576	(788,579)	(2,256)	447	(31,490)	2,570,848

11.3 Realised gains and losses

2018-19		2019-20
£'000		£'000
64,649	Bonds	3,350
101,488	Pooled Equity Investments	26,375
2,549	Pooled property investments	545
168,686		30,270

11.4 Geographical analysis of investments

Fair value	Geographical analysis	Fair value
31/03/19		31/03/20
£'000		£'000
1,329,108	UK	1,208,494
198,650	Europe (excl UK)	179,147
623,301	North America	573,598
117,561	Japan	120,750
57,013	Pacific Rim	45,218
230,322	Emerging Markets	234,714
14,893	International pooled funds	15,698
2,570,848		2,377,619

11.5 Fund manager analysis

Fair value	Fund manager analysis	Fair value
31/03/19		31/03/20
£'000		£'000
1,647,585	BlackRock	1,500,135
299,036	Schroders	296,395
35,556	Partners Group	35,503
588,671	Wales Pension Partnership	545,586
2,570,848		2,377,619

11.6 Wales Pension Partnership (WPP)

Included in Management Expenses (Table 8) is the cost of our involvement in the Wales Pension Partnership (WPP) collective Investment Pooling arrangement. The Oversight and Governance costs are the annual running costs of the pool which includes the Host Authority costs and other External Advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales. The Investment Management Expenses are fees payable to Link Fund Solutions (the WPP operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). Further details on the WPP can be found in the Annual Report.

Wales Pension Partnership costs included in the Dyfed Pension Fund accounts for 2019-20 and 2018-19 are below:

Wales Pension Partnership

31/03/19 £'000		31/03/20 £'000
	WPP oversight and governance costs	
111	Running Costs	70
	WPP Investment Management expenses	
347	Fund Manager fees	2,437
0	Transaction costs	199
18	Custody Fees	93
<u>476</u>		<u>2,799</u>

The full year effect of the global growth sub funds launched in January/February 2019 is reflected in the 2019-20 Wales Pension Partnership manager fees.

12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31st March 2020:

	Value as at 31/03/2020 £'000	Proportion of Investment Portfolio %
Wales Pension Partnership (Global Growth Fund)	545,586	21.22
BlackRock Aquila Life UK Equity Index Fund	424,725	16.52
Blackrock Ascent Life US Equity Fund	269,630	10.49
Blackrock Active Selection Fund UK	272,772	10.61
Blackrock active selection fund - Emerging Market Index Fund	194,260	7.56

13 Investment Management Expenses

2018-19 £'000		2019-20 £'000
*Restated		
(4,513)	Management fees	(5,090)
(671)	Performance related fees	(763)
(29)	Custody fees	(30)
(5,571) *	Transaction costs	(3,402)
<u>(10,784) *</u>		<u>(9,285)</u>

*Investment Management Expenses restated to include Implicit costs within the Transaction costs.

14 Financial Instruments

14.1 Classification of financial instruments

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

2018-19				2019-20			
Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets							
403,998	0	0	403,998	380,162	0	0	380,162
510,928	0	0	510,928	424,727	0	0	424,727
27,626	0	0	27,626	53,198	0	0	53,198
1,293,361	0	0	1,293,361	1,187,591	0	0	1,187,591
320,616	0	0	320,616	313,703	0	0	313,703
6,371	0	0	6,371	5,966	0	0	5,966
0	12,259	0	12,259	0	17,164	0	17,164
896	0	0	896	57	0	0	57
0	4,038	0	4,038	0	5,437	0	5,437
2,563,796	16,297	0	2,580,093	2,365,404	22,601	0	2,388,005
Financial liabilities							
0	0	0	0	0	0	0	0
0	0	(4,407)	(4,407)	0	0	(3,532)	(3,532)
0	0	(4,407)	(4,407)	0	0	(3,532)	(3,532)
2,563,796	16,297	(4,407)	2,575,686	2,365,404	22,601	(3,532)	2,384,473

14.2 Net gains and losses on financial instruments

2018-19 £'000	2019-20 £'000
Financial assets	
137,196 Fair value through profit and loss	(194,167)
137,196 Total financial assets	(194,167)
0 Total financial liabilities	0
137,196 Total	(194,167)

14.3 Fair value of financial instruments and liabilities

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

Carrying value 31/03/19 £'000	Fair value 31/03/19 £'000		Carrying value 31/03/20 £'000	Fair value 31/03/20 £'000
Financial assets				
1,971,208	2,563,796	Fair value through profit and loss	1,994,998	2,365,404
16,297	16,297	Loans and receivables	22,601	22,601
1,987,505	2,580,093	Total financial assets	2,017,599	2,388,005
Financial liabilities				
0	0	Fair value through profit and loss	0	0
(4,407)	(4,407)	Financial liabilities at amortised cost	(3,532)	(3,532)
(4,407)	(4,407)	Total financial liabilities	(3,532)	(3,532)
1,983,098	2,575,686	Total	2,014,067	2,384,473

14.4 Valuation of financial instruments carried at fair value

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

Level 1

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

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

Level 2

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

Level 3

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Fair values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	969,374	1,076,628	319,402	2,365,404
Loans and receivables	22,601	0	0	22,601
Total financial assets	991,975	1,076,628	319,402	2,388,005
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(3,532)	0	0	(3,532)
Total financial liabilities	(3,532)	0	0	(3,532)
Net financial assets	988,443	1,076,628	319,402	2,384,473

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

14.5 Fair value – Basis of valuation

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

14.6 Reconciliation of fair value measurements within level 3

Asset Type	Market Value 01 April 2019 £'000	Transfers into Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	Unrealised Gains / (Losses) £'000	Realised Gains / (Losses) £'000	Market Value 31 March 2020 £'000
Equities - Unquoted overseas equity	0	0	0	0	0	0	0	0
Property	326,716	0	0	16,155	(10,639)	(13,215)	385	319,402
Total	326,716	0	0	16,155	(10,639)	(13,215)	385	319,402

14.7 Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2019-20.

15 Nature and extent of risks arising from financial instruments

15.1 Risk and risk management

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

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

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

15.2 Market risk

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

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

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

The Fund manages these risks in three ways:

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

15.3 Other price risk

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

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

As a result of the COVID-19 pandemic spread early in 2020, global financial markets reflected the impending risks, with resultant material falls in valuations of most asset classes in February and March of 2020.

At the March 2020 reporting date, property fund managers consider that they can attach less weight to previous market evidence for comparison purposes. They are faced with an unprecedented set of circumstances on which to base judgement. The fall in transactions and lack of clarity on pricing means that all major industry valuers have now added Material Uncertainty clauses to their property fund valuations.

LGPS defined benefit pensions are not linked to stock market performance and are set out in statute. Although short term investment values may vary, the LGPS as a long-term investor is securely managed to address any longer term impacts.

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

15.4 Other price risk – sensitivity analysis

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

Asset Type	Potential market movements (+/-)
Equity	13.20%
Bonds	6.70%
Index Linked	8.50%
Property	2.80%
Cash	1.00%

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

Asset Type	Value as at 31 March 2020 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Cash	12,215	1.00%	12,337	12,093
UK Equities	424,727	13.20%	480,791	368,663
Overseas Equities	642,005	13.20%	726,749	557,260
Global Pooled Equities inc UK	545,586	13.20%	617,603	473,568
Alternatives	53,198	13.20%	60,220	46,176
UK Corporate Bonds	272,772	6.70%	291,048	254,496
Index Linked Gifts	107,390	8.50%	116,518	98,262
Property	319,669	2.80%	328,620	310,718
Sales receivable	0	0.00%	0	0
Purchases payable	0	0.00%	0	0
Income receivables	57	0.00%	57	57
Total Assets	2,377,619		2,633,943	2,121,293

Asset Type	Value as at 31 March 2019 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Cash	7,052	0.50%	7,087	7,017
UK Equities	510,928	10.50%	564,576	457,281
Overseas Equities	704,690	10.50%	778,682	630,697
Global Pooled Equities inc UK	588,671	10.50%	650,481	526,861
Alternatives	27,626	10.50%	30,527	24,725
UK Corporate Bonds	265,299	6.50%	282,543	248,054
Index Linked Gilts	138,699	9.80%	152,291	125,106
Property	326,987	2.60%	335,489	318,485
Sales receivable	0	0.00%	0	0
Purchases payable	0	0.00%	0	0
Income receivables	896	0.00%	896	896
Total Assets	2,570,848		2,802,572	2,339,122

15.4.1 Sensitivity of assets valued at level 3

Asset Type	Value as at 31 March 2020 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Equities - Unquoted overseas	0	13.20%	0	0
Property	319,402	2.80%	328,345	310,459
Total Level 3 Assets	319,402		328,345	310,459

15.5 Interest rate risk

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

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2020 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/19 Asset type £'000	31/03/20 £'000
7,052 Cash and cash equivalents	12,215
5,207 Cash held at CCC	4,949
403,998 Bonds	380,162
416,257 Total	397,326

15.6 Interest rate risk sensitivity analysis

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

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

Asset type	Value as at 31/03/20 £'000	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	12,215	122	(122)
Cash held at CCC	4,949	49	(49)
Bonds	380,162	3,802	(3,802)
Total change in available assets	397,326	3,973	(3,973)

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

15.7 Discount Rate

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

15.8 Currency risk

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

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

The following table summarises the Fund's currency exposure as at 31 March 2019 and as at 31 March 2020:

Fair value	Asset type	Fair value
31/03/19		31/03/20
£'000		£'000
1,213,890	Overseas Equities	1,143,481
27,846	Property	25,578
4	Cash	66
1,241,740	Total overseas assets	1,169,125

15.9 Currency risk sensitivity analysis

The aggregate currency exposure within the Fund as at 31 March 2020 was 7.40% (2018-19: 8.80%).

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

A 7.40% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	Fair value 31/03/20 £'000	Change in year in the net assets available to pay benefits	
		+7.40% £'000	-7.40% £'000
Overseas equities	1,143,481	84,618	(84,618)
Property	25,578	1,893	(1,893)
Cash	66	5	(5)
Total change in available assets	1,169,125	86,516	(86,516)

Asset type	Fair value 31/03/19 £'000	Change in year in the net assets available to pay benefits	
		+8.80% £'000	-8.80% £'000
Overseas equities	1,213,890	106,822	(106,822)
Property	27,846	2,450	(2,450)
Cash	4	0	0
Total change in available assets	1,241,740	109,272	(109,272)

15.10 Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's financial assets and liabilities.

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

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

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

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

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

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

15.11 Liquidity risk

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

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

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

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

16 Current assets

31/03/19 £'000		31/03/20 £'000
	Contributions due from employer	2,428
1,804	- Employer	1,696
1,624	- Employee	4,949
5,207	Cash Balances	1,313
610	Debtors	10,386
<u>9,245</u>		

16.1 Analysis of Current assets

31/03/19 £'000		31/03/20 £'000
3	HMRC	3
7,731	Other local authorities	8,021
1	NHS bodies	1
0	Public corporations and trading funds	1,117
1,510	Other entities and individuals	1,244
<u>9,245</u>		<u>10,386</u>

17 **Current liabilities**

31/03/19 £'000		31/03/20 £'000
(2,266)	Unpaid benefits	(1,884)
(2,141)	Creditors	(1,648)
<u>(4,407)</u>		<u>(3,532)</u>

17.1 Analysis of Current liabilities

31/03/19 £'000		31/03/20 £'000
(759)	HMRC	(689)
(106)	Other local authorities	(35)
(684)	Public corporations and trading funds	(606)
(2,858)	Other entities and individuals	(2,202)
<u>(4,407)</u>		<u>(3,532)</u>

18 **Additional Voluntary Contributions (AVC)**

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

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

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

AVC Provider	Value as at 31/03/19 £ '000	Contributions £ '000	Expenditure £ '000	Change in Market Value £ '000	Value as at 31/03/20 £ '000
Prudential	5,754	1,712	(1,075)	(115)	6,276
UTMOST	522	0	0	0	522
Standard Life	3,326	423	(905)	(47)	2,797
Total	9,602	2,135	(1,980)	(162)	9,595

19 Funding arrangements

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

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2019-20.

20 Related Party Transactions

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

The Authority incurred costs of £1.108 million (2018-2019: £1.038 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £35.015 million to the Fund in 2019-2020 (2018-2019: £32.441 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2020, the Fund had an average investment balance of £18.64 million (2018-2019: £13.58 million) earning interest of £140,466 (2018-2019: £88,575).

20.1 Governance

Pension Committee

There are three members and one substitute member of the Pension Committee. During 2019-20 these were Councillor Elwyn Williams, Councillor Robert Evans who was replaced by Councillor Deryk Cundy in January 2020, Councillor Jim Jones (active member) and the substitute was Councillor Dai Thomas (active member).

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

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

Pension Board

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

For more details, and to view the Governance Policy, please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2019-20.

20.2 Key Management Personnel

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

31/03/19		31/03/20
£'000		£'000
14	Short-term benefits	14
3	Post-employment benefits	3
<u>17</u>		<u>17</u>

21 Employing bodies contribution rates, contributions receivable and benefits payable

2018-19					2019-20			
Contri- bution rate %	Contri- bution £'000	Contri- butions £'000	Benefits payable £'000		Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
Scheduled bodies								
15.1	2,623	29,818	35,528	Carmarthenshire County Council	15.1	2,720	32,295	37,661
15.6	864	16,468	17,794	Pembrokeshire County Council	15.6	889	18,210	19,553
15.3	140	11,505	11,621	Ceredigion County Council	15.3	241	11,799	13,417
				Office for the Police & Crime				
13.5	90	4,732	3,002	Commissioner for Dyfed-Powys	13.5	93	4,875	3,100
14.1	74	1,294	1,248	Mid & West Wales Fire Authority	14.1	76	1,346	1,194
16.2	0	291	313	Coleg Ceredigion	16.2	0	402	509
16.1	113	1,531	1,058	Coleg Sir Gar	16.1	117	1,628	1,005
15.8	(84)	633	778	Pembrokeshire Coast National Park	15.8	(87)	667	910
15.0	84	1,081	423	Pembrokeshire College	15.0	87	1,129	551
	3,904	67,353	71,765			4,136	72,351	77,900
Designated (Resolution) bodies								
23.0	0	11	13	Aberystwyth Town Council	23.0	0	16	13
24.9	0	0	0	Aberaeron Town Council	24.9	0	0	0
17.9	17	80	111	Carmarthen Town Council	17.9	18	80	99
21.6	0	31	0	Cwmamman Town Council	21.6	0	33	0
21.7	0	12	0	Llanedi Community Council	21.7	0	14	0
24.0	1	5	4	Gorslas Community Council	24.0	1	6	4
-	0	11	31	Haverfordwest Town Council	-	0	12	32
27.6	9	13	12	Kidwelly Town Council	27.6	10	15	12
20.7	0	2	1	Llanbadarn Fawr Community Council	20.7	0	2	1
24.9	0	0	1	Llanarthne Community Council	24.9	0	0	1
15.9	6	194	156	Llanelli Rural Council	15.9	6	213	214
19.1	7	57	91	Llanelli Town Council	19.1	7	62	104
15.9	0	8	0	Llangennech Community Council	15.9	0	9	0
19.5	5	39	21	Llannon Community Council	19.5	5	34	12
19.6	(2)	39	7	Pembrey & Burry Port Town Council	19.6	(2)	53	42
16.3	(2)	10	12	Tenby Town Council	16.3	(2)	10	19
16.6	1	13	0	Pembroke Town Council	16.6	1	14	0
13.5	1	10	0	Pembroke Dock Town Council	13.5	1	10	0
	43	535	460			45	583	553

(continued overleaf)

(continued from previous page)

2018-19				2019-20			
Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000	Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
Admission bodies							
Community Admission Body (CAB)							
17.9	11	44	53	17.9	12	46	24
15.1	(21)	1,148	1,323	15.1	(21)	932	1,126
17.0	10	32	40	17.0	10	29	35
27.6	(9)	10	0	27.6	(9)	13	118
15.9	2	14	40	15.9	2	13	41
23.3	5	3	15	23.3	5	3	16
0.0	0	0	34	0.0	0	0	38
11.7	11	71	11	11.7	11	72	11
10.5	29	36	32	10.5	30	36	32
10.8	1	38	0	10.8	1	55	0
7.4	(2)	13	10	7.4	(2)	12	10
Narberth & District Community & Sports							
19.3	(3)	9	15	19.3	(3)	4	10
20.1	1	66	100	20.1	1	61	56
13.7	4	83	69	13.7	5	82	27
15.8	(5)	267	222	15.8	(6)	253	220
18.4	72	602	497	18.4	74	659	669
22.3	83	11	219	22.3	86	11	214
14.7	(24)	223	334	14.7	(24)	236	413
14.8	5	28	41	14.8	5	31	41
15.8	(3)	26	73	15.8	(3)	29	75
14.2	1	7	0	14.2	1	6	0
	168	2,731	3,128		175	2,583	3,176
Transferee Admission Body (TAB)							
19.3	0	16	38	19.3	0	17	38
26.6	(1)	6	54	26.6	0	0	14
15.3	0	214	27	15.3	0	398	4
21.2	(7)	117	106	21.2	(7)	65	122
	(8)	353	225		(7)	480	178
Bodies with no pensionable employees							
0.0	0	5	6	0.0	0	6	7
0.0	0	0	13	0.0	0	0	13
0.0	0	0	90	0.0	0	0	41
0.0	0	52	317	0.0	0	52	320
0.0	0	1	7	0.0	0	1	7
0.0	0	2	10	0.0	0	2	4
0.0	0	0	2	0.0	0	0	2
0.0	0	0	7,668	0.0	0	0	7,527
0.0	0	0	2	0.0	0	0	2
0.0	0	7	7	0.0	0	7	7
0.0	0	4	16	0.0	0	4	16
0.0	0	0	7	0.0	0	0	7
0.0	0	0	6	0.0	0	0	5
0.0	0	2	2	0.0	0	2	2
	0	73	8,153		0	74	7,960
4,107	71,045	83,731	Total	4,349	76,071	89,767	

21.1 Bodies with No Pensionable Employees where pension increase is recharged

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

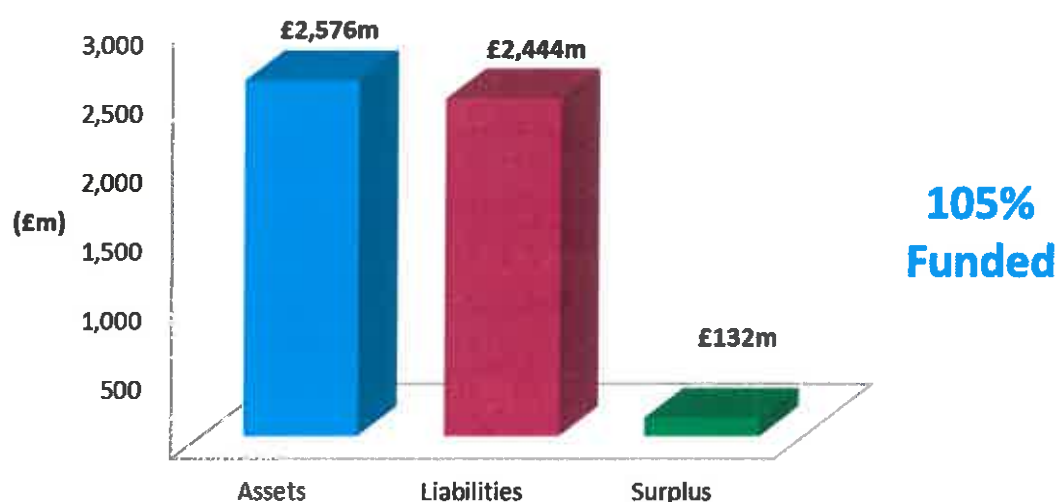
	Proportion to be recharged %
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Dwr Cymru Welsh Water	50

22 Actuarial Statement

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

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £2,576 million represented 105% of the Fund's past service liabilities of £2,444 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £132 million.



The valuation also showed that a Primary contribution rate of 18.3% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 14 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an offset of approximately £3m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year. Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.1% per annum	4.65% per annum
Rate of pay increases (long term)	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £28 million and an increase in the Primary Contribution rate of 1.1% of Pensionable Pay per annum. Provision for these costs has been included within the secondary rate for all employers (and also within the whole Fund average Secondary rate of £3 million per annum offset shown above).

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases	3.7%* per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP)/Deferred revaluation	2.3% per annum	2.2% per annum

* This is the long-term assumption. An allowance corresponding to that made at the previous formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £3,291 million excluding the potential impact of the McCloud Judgment. Interest over the year increased the liabilities by c£80 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£66 million (this includes any increase in liabilities arising as a result of early retirement and GMP indexation – see comments elsewhere in this statement). Allowing for the potential impact of the McCloud judgment increased the liabilities by £38 million.

There was also a decrease in liabilities of £28 million due to "actuarial gains" (i.e the effects of the changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £3,447 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £10 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

John Livesey

Fellow of the Institute and
Faculty of Actuaries

Laura Evans

Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
May 2020

23 Current Economic Climate

As a result of the COVID-19 pandemic, pension fund investments have been subject to volatility. The markets, however, have continued trading and while it is recognised that the volatility exists, information is available to measure the financial instruments at 31 March 2020. Some investment markets, in particular equities, have recouped a significant proportion of the losses incurred from the lows of late March 2020 with the fund value at the end of April 2020 at £2.512billion, an increase of more than 5% from 31 March 2020. However, the outlook remains highly uncertain for financial markets and the economy, both in the UK and globally.

The impact for the Dyfed Pension Fund will possibly be seen next financial year with a potential financial impact with increased costs and potential loss of dividend / investment income during 2020-21. This area is being managed carefully with regular contact and updates being received from the investment managers and the Dyfed Pension Fund independent adviser.

Eitem Rhif 6

PWYLLGOR CRONFA BENSIWN DYFED
DYDDIAD 24/06/2020

Cysoni Arian Parod fel yr oedd ar 31 Mawrth 2020

Rhoi'r wybodaeth derfynol i Bwyllgor Cronfa Bensiwn Dyfed am y sefyllfa arian parod fel yr oedd ar 31 Mawrth 2020.

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

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

Y Rhesymau:

Rhoi'r wybodaeth derfynol i Bwyllgor Cronfa Bensiwn Dyfed am y sefyllfa arian parod fel yr oedd ar 31 Mawrth 2020.

Ymgynghorwyd â'r pwyllgor craffu perthnasol

AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad AMHERTHNASOL

Y Gyfarwyddiaeth:

Gwasanaethau Corfforaethol

Chris Moore

Awdur yr Adroddiad:

Chris Moore

Swydd:

**Cyfarwyddwr y Gwasanaethau
Corfforaethol,**

Cyngor Sir Gâr

Rhifau ffôn: 01267 224120

Cyfeiriadau E-bost:

CMoore@sirgar.gov.uk

EXECUTIVE SUMMARY
DYFED PENSION FUND COMMITTEE
DATE 24/06/2020

CASH RECONCILIATION AS AT 31 MARCH 2020

The final position as at 31 March 2020 reports £4.9m cash held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

DETAILED REPORT ATTACHED ?

YES

IMPLICATIONS

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	YES	NONE	NONE	NONE	NONE

Finance

A sufficient cash balance is required to be held by Carmarthenshire to ensure the Fund can meet its immediate cash flow requirements.

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 Cash Reconciliation**End of Year 2019-20**

Balance b/f 1st April 2019 £10,838,139.38

Investment trades

Sales	95,249,728.41	
Purchases	-96,188,560.84	
Transfer to Fund Manager	-6,000,000.00	
		-£6,938,832.43

Contributions received £82,422,719.49

Payments made -£99,728,650.76

Dividend Income £20,260,227.04 £2,954,295.77

£6,853,602.72

Total Available for Investment

£6,853,602.72

Represented by :

Cash at Carmarthenshire £4,948,723.63

Cash due to be received/deducted £0.00

CCC Debtors £5,463,570.54

CCC Creditors -£3,558,691.45

£6,853,602.72

Mae'r dudalen hon yn wag yn fwriadol

24/06/2020

Adroddiad Torri Amodau

Nodi unrhyw achosion o dorri amodau sydd wedi digwydd yng Nghronfa Bensiwn Dyfed yn unol â Pholisi Torri Amodau.

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Nodi unrhyw achosion o dorri amodau sydd wedi digwydd yng Nghronfa Bensiwn Dyfed.

Y Rhesymau:

Yn unol â Pholisi Torri Amodau Cronfa Bensiwn Dyfed.

Ymgynghorwyd â'r pwyllgor craffu perthnasol
AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad AMHERTHNASOL

Y Gyfarwyddiaeth:
Gwasanaethau Corfforaethol
Chris Moore
Awdur yr Adroddiad:
Chris Moore

Swydd:
Cyfarwyddwr y Gwasanaethau
Corfforaethol,
Cyngor Sir Gâr

Rhifau ffôn: 01267 224120
Cyfeiriadau E-bost:
CMoore@sirgar.gov.uk

**EXECUTIVE SUMMARY
DYFED PENSION FUND COMMITTEE
24/06/2020**

BREACHES REPORT

Introduction

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 provides guidance on reporting these breaches. The Dyfed Pension Fund Breaches Policy was approved by the Dyfed Pension Fund Committee in March 2016.

Under the policy, breaches of the law are required to be reported to the Pensions Regulator where there is 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 is likely to be of material significance to the regulator in the exercise of any of its functions.

The up to date breaches report is attached. Since the last Committee meeting, there have been a number of instances where employee/employer contributions have not been received on time, no report has been sent to the Pensions Regulator.

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	YES	NONE	YES	NONE	NONE

Finance

If material contributions are not received in a consistent and timely manner and reported to the Pensions Regulator, the regulator may issue a fine to the scheme.

Risk

In the case of fraudulent evasion to pay contributions to the scheme, this is an offence and may be fined or subject to custodial sentence.

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

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
84	2019-20	19/2/20	Contributions	January contributions (£272.14) received 12 days late. Cause: Difficulties between Accountant and Employer over who is responsible for accuracy and timing of payments. Effect: Payment has now been received.	No	Amber	No Report	Problems with differences between remittances and actual payments received and timing of payments has not been resolved. Accountant on Furlough Scheme at present. Underpayment for 19-20 still outstanding
85	2019-20	February 20 and March 20	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. February - 12 members & total refunds = £582.75, March 20 - 22 members & total refunds = £3841.60	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.
86	2019-20	22/3/20	Contributions	February contributions received 8 days late. Cause: COVID 19 staffing issues. 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.
87	2019-20	22/3/20	Contributions	February contributions (£284.47) received 59 days late. Cause: Difficulties between Accountant and Employer over who is responsible for accuracy and timing of payments. Effect: Payment has now been received.	No	Amber	No Report	Problems with differences between remittances and actual payments received and timing of payments has not been resolved. Accountant on Furlough Scheme at present. Underpayment for 19-20 still outstanding
88	2019-20	19/4/20	Contributions	March contributions received 22 days late (£48.74). Cause: Usual finance staff on Furlough Scheme. Effect: Payment now received.	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
89	2019-20	22/4/20	Contributions	An underpayment of contributions (£435.34) has occurred during the year. Remittance advices were received late and often did not match the payments. The Accountant stated that it's the Employer's error but the Employer insists the responsibility of the Accountant.	No	Amber	No Report	Problems with differences between remittances and actual payments received and timing of payments has not been resolved. Accountant on Furlough Scheme at present. Underpayment for 19-20 still outstanding
90	2020-21	April 20 and May 20	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 - 9 members & total refunds = £627.51, May - 14 members & total refunds = £1289.69	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.
91	2020-21	22/4/20	Contributions	April contributions (£284.81) received 4 days late. Cause: Difficulties between Accountant and Employer over who is responsible for accuracy and timing of payments. Effect: Payment has now been received.	No	Amber	No Report	Problems with differences between remittances and actual payments received and timing of payments has not been resolved. Accountant on Furlough Scheme at present. Underpayment for 19-20 still outstanding
92	2020-21	22/4/20	Contributions	April contributions (£21,425.90) received 14 days late. Cause: Payment not made by Finance Department 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.
93	2020-21	22/4/20	Contributions (EES ONLY)	April EES contributions (£472.23) received 12 days late. Cause: Payment not made by Finance Department 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.

Mae'r dudalen hon yn wag yn fwiadol

24/06/2020

Cynllun Busnes Partneriaeth Pensiynau Cymru 2020-2023

I ddarparu Cynllun Busnes y Bartneriaeth Pensiynau Cymru 2020-2023 i'r Bwyllgor Cronfa Bensiwn Dyfed

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Y Pwyllgor i gymeradwyo Cynllun Busnes Partneriaeth Pensiynau Cymru 2020-2023.

Y Rhesymau:

I ddarparu Cynllun Busnes Partneriaeth Pensiynau Cymru 2020-2023 i'r Bwyllgor Cronfa Bensiwn Dyfed

Ymgynghorwyd â'r pwyllgor craffu perthnasol
AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad **AMHERTHNASOL**

Angen i'r Cyngor wneud penderfyniad **AMHERTHNASOL**

Y Gyfarwyddiaeth:

Gwasanaethau Corfforaethol

Chris Moore

Awdur yr Adroddiad:

Chris Moore

Swydd:

**Cyfarwyddwr y Gwasanaethau
Corfforaethol,**

Cyngor Sir Gâr

Rhifau ffôn: 01267 224120

Cyfeiriadau E-bost:

CMoore@sirgar.gov.uk

EXECUTIVE SUMMARY
DYFED PENSION FUND COMMITTEE
24/06/2020

Wales Pension Partnership (WPP) Business Plan 2020 - 2023

The Wales Pension Partnership business plan describes how the Partnership is going to achieve its goals. It lays out the plan from a marketing, financial and operational viewpoint.

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	YES	NONE	NONE	NONE	NONE

Finance

The Wales Pension Partnership business plan outlines the priorities for the WPP during 2020-2023, ensuring that resources are allocated to meet our objectives.

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

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Wales Pension Partnership Business Plan 2020 -2023



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Introduction

This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2020/21, 2021/22 and 2022/2023. This business plan was approved by the WPP Joint Governance Committee on 12 March 2020. The business plan is constantly monitored and will be formally reviewed and agreed every year.

The purpose of the business plan is to:

- Explain the background and governance structure of the WPP
- Outline the priorities and objectives of the WPP over the next three years
- Introduce the WPP's policies and plans
- Outline the financial budget for the relevant Business Plan period
- Summarise the WPP's Investments & Performance Objectives

About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools.

We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

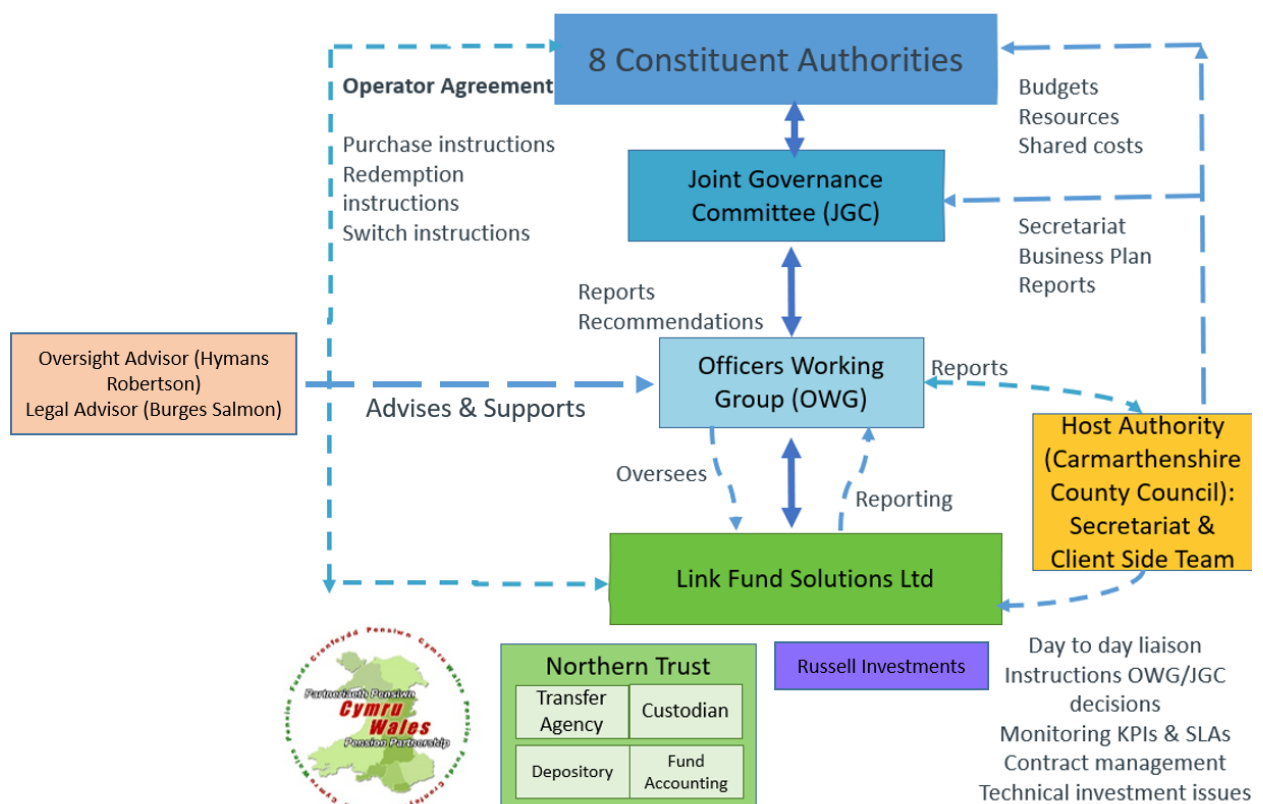
Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

We have a clear vision and are in control of the pace we take to ensure we meet our goals. The eight Constituent Authorities of the Wales Pension Partnership are:



Governance

The WPP places a strong emphasis on governance and the diagram below illustrates the governance structure established by the WPP. In addition, the WPP Governance Matrix outlines the roles and responsibilities of the WPP's Joint Governance Committee, Officer Working Group, Host Authority, Operator, Oversight Advisor and Constituent Authorities (Pension Committees), this can be found on the WPP website.



Risk management is embedded into the governance of the WPP. The WPP has adopted a policy of seeking to identify and measuring key risks and to ensure that suitable controls and governance procedures are in place to manage these risks. The WPP's focus on risk management is evidenced by the fact that several of the WPP's work plan items relate to risk management.

During the course of this business plan the WPP will seek to develop mechanisms, frameworks and process for managing the following key risks:

- The service delivery and performance of its Operator
- Ongoing performance of investment managers
- The robustness of the WPP governance structure
- Risk associated with Climate change

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP will ensure the meeting of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers will also be made publicly available. Local Pension Board engagement days will also be held regularly as a means of fostering stakeholder engagement.

The WPP recognises the importance of all of its stakeholders to reflect this the WPP has put in place an Engagement Protocol Framework, this is carried out via the following engagement mechanisms:

Engagement mechanisms	Frequency
• Strategic Relationship Review meeting	Bi-Annual
• JGC Engagement	Quarterly
• OWG Engagement	Every 2 Months
• Annual Shareholder Day	Annual
• Pension Fund Committees	Annual
• Manager Engagement Days	Bi-Annual
• Member Communications	Annual
• Engagement via the website & LinkedIn	Continuous

Objectives

The primary objectives for WPP are outlined below, these have been formulated following consultation with the Constituent Authorities on their requirements of the pool:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers.

Beliefs

The WPP holds the following beliefs, these are used to guide the WPP's decision making, policies and business plans. These beliefs are reviewed annually.

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented.
- Good governance should lead to superior outcomes for the WPP's stakeholders.
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders.
- Responsible Investment alongside consideration and evidential management of Environmental, Social and Governance issues should result in better outcomes for the WPP's stakeholders.
- Effective internal and external communication is vital to achieving the WPP's objectives.
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise.
- Fee and cost transparency will aid decision making and improve stakeholder outcomes.
- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve.
- A flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

Policies

The WPP's key policies, registers and plans are listed below and can be found on the WPP website at:

<https://www.walespensionpartnership.org/>

These documents are reviewed on at least an annual basis and the WPP will continually assess whether any additional policies, registers or plans are required.

- Responsible Investment Policy
- Training Plan
- Governance Matrix
- Communication Plan

The WPP workplan includes a number of additional governance documents that will be developed during the next three years, these will be made available on the WPP website.

Work Plan

The table below shows the key priorities and objectives that the WPP aims to complete over the next three years.

Governance

The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework by developing additional policies, registers, plans and carrying out ongoing reviews of its existing governance documents and structure.

Work to be completed	2020 - 2021	2021 - 2022	2022 - 2023
• Development of Climate Risk Policy	✓		
• Development of Conflict of Interest Policy	✓		
• Development of a WPP Voting Policy	✓		
• Formulation of a WPP Governance Manual	✓		
• Formulation of a WPP Risk Register	✓		
• Review of Inter Authority Agreement		✓	✓
• Review of Joint Governance Committee Terms of Reference		✓	✓
• Review of Officer Working Group Terms of Reference		✓	✓
• Development of a WPP Business Continuity Plan		✓	✓
• Development of a WPP Complaints Policy			✓
• Development of a WPP Rebalancing Policy			✓
• Development of a WPP Breach and Errors Policy			✓
• Annual review and update of WPP Business Plan	✓	✓	✓
• Annual review of RI policy	✓	✓	✓

Ongoing Establishment

The WPP is proud of its progress to date in regard to the pooling of assets and will continue to allocate resources to ensure that all suitable assets are pooled. To date the WPP has pooled 50% of its assets and by the end of March 2021 the WPP plans to have pooled 70% of its assets.

Work to be completed	2020 - 2021	2021 - 2022	2022 - 2023
• Launch of Emerging Market equity tranche	✓		
• Launch of Fixed Income sub-funds	✓		
• Launch of Private Markets sub-funds	✓	✓	✓
• Review and develop a mechanism to pool any suitable non-pooled assets			✓

Operator Services

The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers pose a material risk to the WPP. The WPP will prioritise the development of a framework that will allow it to monitor and evaluate the Operator's service delivery, this framework will be imbedded into the WPP risk monitoring mechanisms.

Work to be completed	2020 - 2021	2021 - 2022	2022 - 2023
• Formulation of a WPP Operator Oversight Framework	✓		
• Review of Operator's contract	✓	✓	
• Review and development of Operator KPI reporting	✓	✓	
• Market Review of development with the Operator market		✓	
• Setting up and implementing a framework for monitoring the performance of Russell as investment advisors to Link		✓	✓
• WPP Operator re-tender			✓
• Formulation of new Operator contract			✓

Communication, Training and Reporting

The WPP's objective is to achieve material cost savings while improving or maintaining investment performance after fees, to track its progress towards this objective the WPP will continue to develop its investment performance mechanism. In particular the WPP will incorporate ESG metrics into its performance reporting to reflect the significance of ESG factors on investment performance.

The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and will publish a WPP Annual Progress Update to proactively communicate its progress.

Work to be completed	2020 - 2021	2021 - 2022	2022 - 2023
• Development of Investment Manager performance reporting, including ESG metrics and climate change risk	✓	✓	
• Formulation of the WPP's annual training plan	✓	✓	✓
• Formulation of the WPP's Annual Newsletter	✓	✓	✓

Resources, budget and fees

The WPP recognises that insufficient resources poses a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP will carry out the following pieces of work to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2020 - 2021	2021 - 2022	2022 - 2023
• Appointment of legal advisor	✓		
• Annual review of resources and capacity	✓	✓	✓
• Formulation of Annual WPP Budget	✓	✓	✓
• Review and Monitoring of Fees (including Link & Russell)	✓	✓	✓

Training Plan 2020-2021

The WPP must have appropriate knowledge and understanding of:

- the regulations and markets relating to the Local Government Pension Scheme (LGPS);
- the pooling of Local Government Pension Funds; and
- relevant investment opportunities.

The WPP's training plan is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

The list below outlines the training topics that the WPP plans to complete during the 2020-2021 financial year. The full WPP training plan can be found on the WPP website.

- Managing Conflict of interest
- Operator Monitoring
- Performance metric (including RI metrics)
- Progress of other LGPS Pools
- Collaboration Opportunities
- Climate Risk
- Asset Class – Alternatives (Private Markets)
- Decision Logging
- Identifying lessons to be learnt
- Transparency Requirements
- Enacting guidance and regulation

Budget 2020-2023

The table below outlines the WPP's budget for the next three years.

	2020-21	2021-22	2022-23
	£'000	£'000	£'000
Host Authority *	181	208	216
External Advisors *	580	580	580
TOTAL to be recharged	761	788	796
Operator Services **	27,557	32,033	35,136
TOTAL to be deducted from the NAV	27,557	32,033	35,136

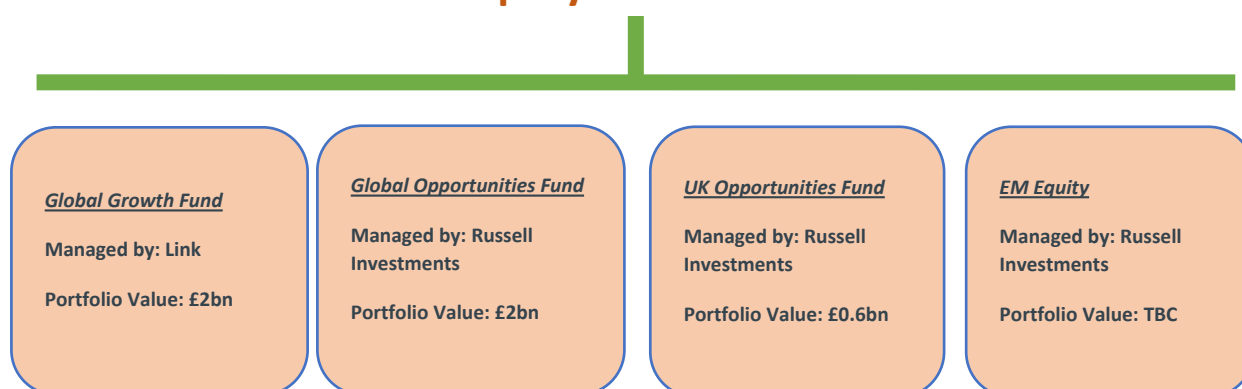
**Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

***Operator Services costs are based on each Constituent Authority's percentage share of WPP assets (held with the Operator) and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets (held with the Operator).*

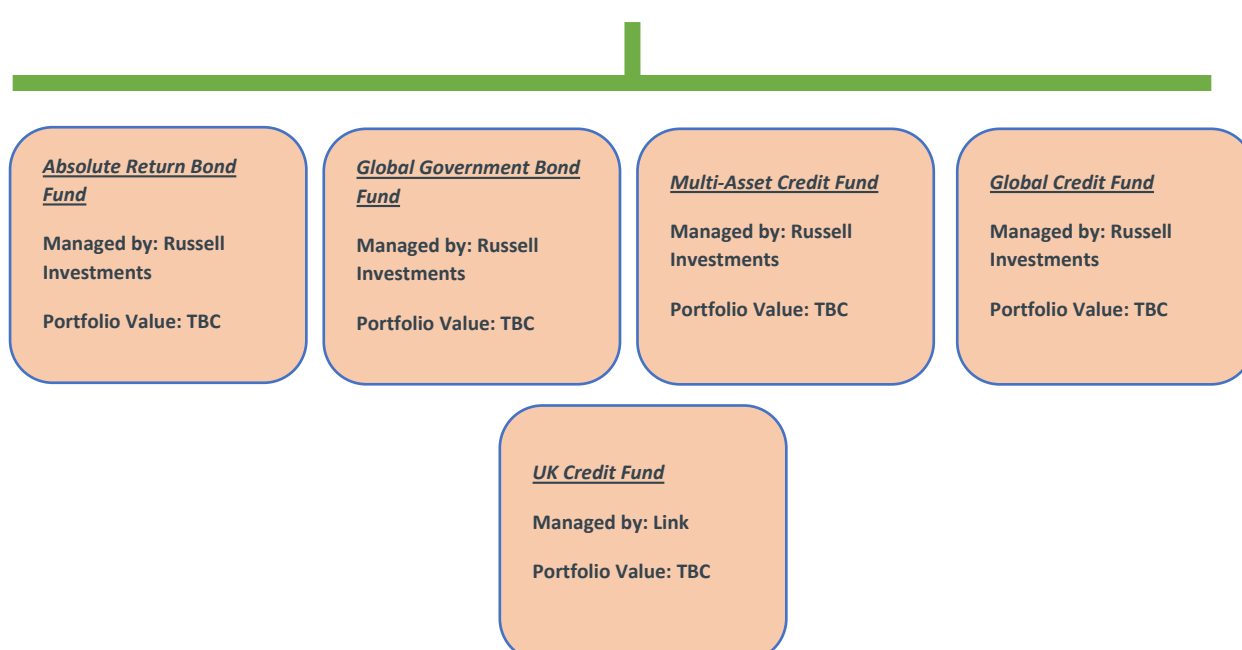
Investments & Performance

The WPP's Constituent Authorities have total assets of circa £17.5bn (as at 31 March 2019). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies. The diagram below outlines the WPP's existing Sub-Funds:

Equity Sub-Funds



Fixed Income Sub-Funds



The Officer Working Group receives quarterly, six monthly and annual performance reports, the Group reviews and challenges the performance of Investment Managers on behalf of the WPP.

The WPP hosts regular manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee and Board Members and the WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at local level, this will include manager attendance at Pension Committees.

Sub Fund	Performance benchmark	Participating Funds	Managers	Launch Date
Global Growth Fund	MSCI ACWI ND	RCT, Dyfed, Gwynedd and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities Fund	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT and Clwyd	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ and Oaktree	Feb 19
UK Opportunities Fund	FTSE 100	Cardiff and Torfaen,	Majedie, Lazard, Baillie Gifford, Investec and Liontrust	Sept 19
Global Credit Fund	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Powys, Torfaen	TBC	TBC
Global Government Bond Fund	FTSE World Government Bond Index (GBP Hedged)	Cardiff, Torfaen	TBC	TBC
Multi-asset Credit Fund	3-month GBP LIBOR + 4% p.a.	Cardiff, Gwynedd, Powys, Swansea, Clwyd	TBC	TBC
Absolute Return Bond Fund	3-month GBP LIBOR + 2-3% p.a.	Gwynedd, Powys, RCT, Swansea	TBC	TBC

UK Credit Fund	iBOXX £ Non-Gilts All Maturities	RCT	TBC	TBC
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Contact Details

If you require further information about anything in or related to this business plan, please contact the Wales Pension Partnership:

Postal Address - Wales Pension Partnership

Carmarthenshire County Council
Treasury & Pension Investments Section
County Hall
Carmarthen
SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website can be found here:

<https://www.walespensionpartnership.org/>



24/06/2020

Y Diweddaraaf am Bartneriaeth Pensiynau Cymru

Y Pwyllgor Cronfa Bensiwn Dyfed i gael y wybodaeth ddiweddaraaf am gerrig milltir a chynnydd Partneriaeth Pensiwn Cymru.

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Aelodau'r Pwyllgor i dderbyn wybodaeth ddiweddaraaf am garreg filltir a chynnydd Partneriaeth Pensiynau Cymru.

Y Rhesymau:

Diweddariad ar y meysydd allweddol isod:

- Daliadau Presennol y Cronfeydd
- Cynnydd Lansio'r Gronfa
- Diweddariad corfforaethol yr LFS ac ymgysylltu

Ymgynghorwyd â'r pwyllgor craffu perthnasol

AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad AMHERTHNASOL

Y Gyfarwyddiaeth:

Gwasanaethau Corfforaethol

Chris Moore

Awdur yr Adroddiad:

Chris Moore

Swydd:

**Cyfarwyddwr y Gwasanaethau
Corfforaethol,**

Cyngor Sir Gâr

Rhifau ffôn: 01267 224120

Cyfeiriadau E-bost:

CMoore@sirgar.gov.uk

**EXECUTIVE SUMMARY
DYFED PENSION FUND COMMITTEE
24/06/2020**

WALES PENSION PARTNERSHIP UPDATE

A report providing an update on the progress and milestones of the following Sub Funds:

- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets
- Tranche 5 – Private Markets

Also, an update on COVID-19 and the Engagement Protocol, including key meeting dates.

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	YES	NONE	NONE	NONE	NONE

Finance

The Value of the Dyfed Pension Fund's investment in the Global Growth Fund at the 31 March 2020 is £546m.

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

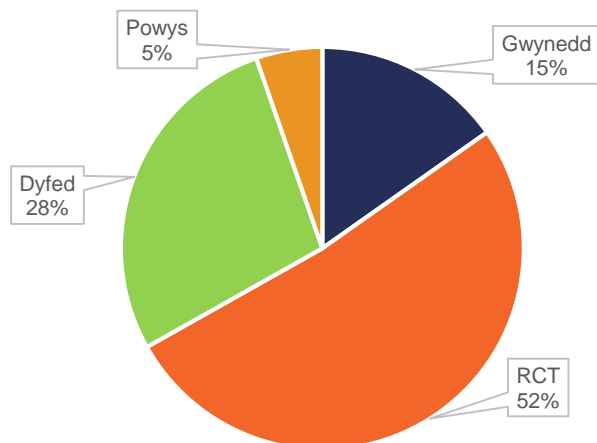
WPP Member and Officer briefing

18th June 2020

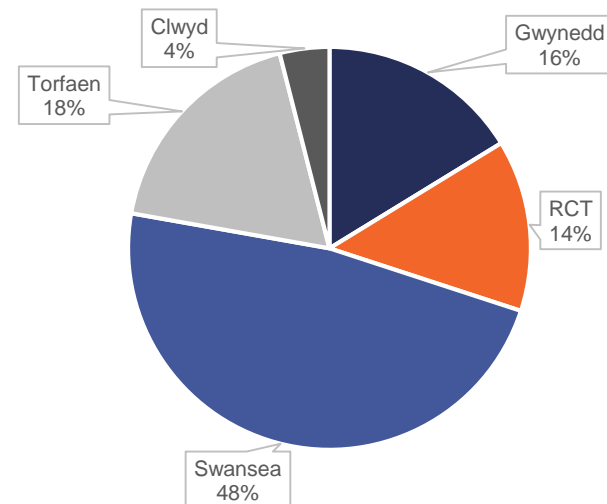
March 2020 LF Wales PP Fund Snapshot

Fudalen 98

Global Growth Equity



Global Opportunities Equity



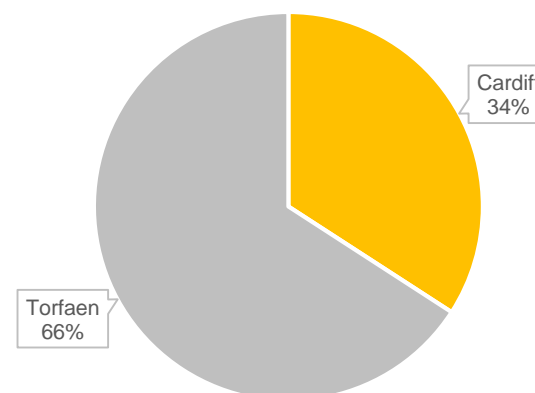
Fund	AUM	Launch date
Global Growth	£1,961,892,648	6 th Feb 2019
Global Opportunities	£1,881,872,223	14 th Feb 2019
UK Opportunities	£480,052,962	10 th Oct 2019

Note: All data as at 31st March 2020

Key:

- | | |
|-----------|-----------|
| ■ Dyfed | ■ Torfaen |
| ■ Powys | ■ Clwyd |
| ■ Gwynedd | ■ Swansea |
| ■ RCT | ■ Cardiff |

UK Opportunities Equity



Fund Launch Progress Report

Tranche 3, 4 & 5 updates

Open Launch Activity

Key Achievements & Updates

Key:

- On track
- Progressing with delays
- On hold / progressing with major delays

Fund Launches Progress				
	Overview	Status	Progress in period	Planned Launch date
Tranche 3: Fixed Income sub-fund launch	<ul style="list-style-type: none"> Establishment of 5 Fixed Income sub-funds within the ACS FCA approval received and BlackRock appointed as transition manager 	■	<ul style="list-style-type: none"> April launch date revised and agreed by all parties for 27th and 30th July 2020 as a result of COVID-19 Operational setups continue to track green BlackRock have re-engaged the legacy managers to obtain up to date data for the transition report 	27 th and 30 th July 2020
Tranche 4: Emerging Markets sub-fund launch	<ul style="list-style-type: none"> Emerging Market fund to be created under the Enhanced Portfolio Implementation model with a carbon reducing overlay 	■	<ul style="list-style-type: none"> JGC agreed manager structure proposal March 2020 Link internal governance process completed Prospectus being worked through with Russell Investments and Eversheds before review by WPP 	Q1 2021

Strategic developments				
	Overview	Status	Progress in period	Planned Launch date
Tranche 5: Private Markets strategy development	<ul style="list-style-type: none"> Development of a WPP Private Market strategy including a road map for the potential creation of a standalone Private Market sub fund 	■	<ul style="list-style-type: none"> Private Markets session held on 23rd January 2020 incl. Russell Investments presentation on Impact Investing Russell Investments paper to outline launch proposal based on legacy asset and strategic plan of each participating Authority discussed within Working Group 	January to June 2021

LFS Corporate Update & Engagement

LFS Corporate Update & Engagement

COVID-19 update

- LFS are planning for the safe and progressive transition of our people back to the office after the UK Government announced the easing of COVID-19 restrictions and remain committed to continuing uninterrupted, quality service delivery for the WPP as well as ensuring the ongoing safety of our people.
- A dedicated COVID-19 working group has been formed and it is likely that this will see our people transitioning back to the office gradually over a period of time and with altered work practices to observe all required COVID-19 guidelines.

Our people - we are taking the personal circumstances of our people and the maximum number of people allowed in the office at any one time into consideration in our planning. This will be done in consultation with business needs to ensure that the service delivery to WPP continues to be seamless and uninterrupted.

Preparing the office - the working group will focus on getting the office and our people ready for our return to the office, including physical distancing and increased health and safety protocols.

Key Q1 and future WPP Engagement

Link attendance at OWG/JGC meetings in period:

- OWG 31st January 2020 (Cardiff)
- JGC 12th March 2020 (Powys)

Link attendance at OWG/JGC meetings in next quarter:

- JGC Informal meeting – 18th June 2020

Link - Pension Committee attendance in period:

- Gwynedd – 16th January 2020 (Complete)

Link - Pension Committee attendance in next quarter :

- On hold due to COVID-19

Other meetings in period

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly
- Private Markets sub group – 23rd January 2020
- WPP Training Day – 21st February 2020

Other meetings in next quarter

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly

LFS Engagement Protocol

Business as Usual

Strategic Relationship Review	Frequency	Objective
	<ul style="list-style-type: none"> ▪ Bi-annual 	<ul style="list-style-type: none"> ▪ Ensure strategic alignment between Host Authority and Link
WPP Attendees <ul style="list-style-type: none"> ▪ Chris Moore ▪ Anthony Parnell ▪ Two Section 151 / Deputy Section 151 officers 		Link Attendees <ul style="list-style-type: none"> ▪ Karl Midl, Managing Director ▪ Duncan Lowman, Head of Client Coverage
JGC Engagement	Frequency	Objective
	<ul style="list-style-type: none"> ▪ Quarterly 	<ul style="list-style-type: none"> ▪ Engage with JGC on pertinent matters and strategic deliverables
WPP Attendees <ul style="list-style-type: none"> ▪ Joint Governance Committee (JGC) 		Link Attendees <ul style="list-style-type: none"> ▪ Karl Midl, Managing Director / Duncan Lowman, Head of Client Coverage ▪ Eamonn Gough, Senior Relationship Manager ▪ Adam Tookey, Head of Product (as required) ▪ Russell Investments
OWG Engagement	Frequency	Objective
	<ul style="list-style-type: none"> ▪ Every 2 Months 	<ul style="list-style-type: none"> ▪ Identify and deliver on opportunities to improve and expand the relationship ▪ Provide update on open projects or issues ▪ Monthly KPI Review (Data supplied monthly)
WPP Attendees <ul style="list-style-type: none"> ▪ Officers Working Group (OWG) 		Link Attendees <ul style="list-style-type: none"> ▪ Eamonn Gough, Senior Relationship Manager ▪ Duncan Lowman, Head of Relationship Management ▪ Adam Tookey, Head of Product (as required) ▪ Ada Wabara, Relationship Manager (as required) ▪ Sheetal Shetty, Client Service Manager (as required) ▪ Ad-hoc Link attendance from functional departments: Tax, Compliance, Product, etc. ▪ Russell Investments

Link Engagement Protocol continued...

Business as Usual

Host Authority Update	Frequency	Objective
WPP Attendees <ul style="list-style-type: none"> Anthony Parnell Tracey Williams 	<ul style="list-style-type: none"> Bi-Weekly 	<ul style="list-style-type: none"> Regular Host Authority – LFS to discuss deliverables and business updates Duncan Lowman, Head of Client Coverage Eamonn Gough, Senior Relationship Manager Ada Wabara, Relationship Manager (as required) Sheetal Shetty, Client Service Manager (as required)
WPP Working Group	Frequency	Objective
WPP Attendees <ul style="list-style-type: none"> Officers Working Group (OWG) Hymans 	<ul style="list-style-type: none"> Bi-Weekly 	<ul style="list-style-type: none"> Regular project call to discuss progress of deliverables Link Client Team Northern Trust Russell Investments Other consultants (e.g. bFinance)
Annual Shareholder Day	Frequency	Objective
<ul style="list-style-type: none"> Open to all involved parties 	<ul style="list-style-type: none"> Annual 	<ul style="list-style-type: none"> Open day for presentations on strategy and performance (with IM) Link Client Team Northern Trust Russell Investments and other Investment Managers (e.g. Global Growth Managers) Other consultants as required (e.g. bFinance)
Pension Fund Committees		Objective
<ul style="list-style-type: none"> Individual Pension Fund Committee meetings 	<ul style="list-style-type: none"> Annual 	<ul style="list-style-type: none"> General update on the ACS and planned initiatives Eamonn Gough, Senior Relationship Manager Ada Wabara, Relationship Manager Duncan Lowman, Head of Relationship Management Russell Investments

PWYLLGOR CRONFA BENSIWN DYFED
24/06/2020

Hysbysiad o gynnig gan Cyngor y Sir 9 Hydref 2019 i ddadfuddsoddi o danwyddau ffosil

Aelodau'r Pwyllgor i ystyried yr hysbysiad o gynnig o gyfarfod y Cyngor Sir a gynhaliwyd ar 9 Hydref 2019 i ddadfuddsoddi o danwyddau ffosil.

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

I ystyried yr hysbysiad o gynnig amgaeedig a gyfeiriwyd at bwyllgor cronfa bensiwn Dyfed o gyfarfod y Cyngor Sir a gynhaliwyd ar 9 Hydref 2019 a'r ffeithiau o fewn yr adroddiad hwn.

Y Rhesymau:

Aelodau'r Pwyllgor i ystyried yr hysbysiad o gynnig gan y Cyngor Sir i gael gwared o danwyddau ffosil.

Ymgynghorwyd â'r pwyllgor craffu perthnasol
AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad AMHERTHNASOL

Y Gyfarwyddiaeth:
Gwasanaethau Corfforaethol
Chris Moore
Awdur yr Adroddiad:
Chris Moore

Swydd:
Cyfarwyddwr y Gwasanaethau
Corfforaethol,
Cyngor Sir Gâr

Rhifau ffôn: 01267 224120
Cyfeiriadau E-bost:
CMoore@sirgar.gov.uk

DYFED PENSION FUND COMMITTEE

24/06/2020

County Council Notice of Motion 9 October 2019 to divest from fossil fuels

Members of the committee to consider the Notice of Motion from the County Council meeting held on the 9 October 2019 to divest from fossil fuels

Recommendations / key decisions required:

To consider the attached Notice of Motion which was referred to the Dyfed Pension Fund Committee from the County Council meeting held on the 9th October 2019 and the facts contained within this report

Reasons:

Members of the committee to consider the Notice of Motion from the County Council to divest from fossil fuels.

Relevant scrutiny committee to be consulted

NA

Exec Board Decision Required NA

Council Decision Required NA

Directorate:Corporate Services

Chris Moore

Report Author: Chris Moore

Designation:Director of
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EXECUTIVE SUMMARY

DYFED PENSION FUND COMMITTEE

24/06/2020

COUNTY COUNCIL NOTICE OF MOTION 9 OCTOBER 2019 TO DIVEST FROM FOSSIL FUELS

Notice of Motion was presented to County Council on the 9 October 2019 which read as follows:

“This Council:

- ☐ Notes that Carmarthenshire Council unanimously declared a climate emergency earlier this year, with a commit to make the County Council a net zero carbon local authority by 2030.
- ☐ Notes the conclusions of the Intergovernmental Panel on Climate Change (IPCC) that “we are already seeing the consequences of 1°C of global warming through more extreme weather, rising sea levels and diminishing Arctic sea ice”;
- ☐ Notes that the IPCC report stated that global emissions of carbon dioxide must peak by 2020 to keep the planet below 1.5C; Page 3
- ☐ Notes the campaigning and research by Extinction Rebellion, Friends of the Earth and others, on the holdings Local Government Pension funds, including Dyfed, have in fossil fuels companies;
- ☐ Believes that current plans are nowhere near strong enough to keep temperatures below the so-called safe limit.
- ☐ Calls on Dyfed Pension Fund to divest from fossil fuels within the next two years and invest the funds in local renewable energy schemes.”

After a significant debate including consideration of an amendment the original Motion was supported and it was agreed that it would be referred to the Dyfed Pension Fund Committee for consideration.

Carmarthenshire County Council is the administering authority for the Dyfed Pension Fund and one of approximately 50 employers in the Fund.

The Dyfed Pension Fund pension committee has a fiduciary duty to seek to obtain the best financial return that it can for its members. This is a fundamental principle of the management of Pension Funds that has been established in law. However, as a long-term investor responsible for looking after the interests of beneficiaries over many decades into the future, the committee recognises climate change as a significant risk factor for our pension fund investments. The Fund shares many of the concerns over climate and carbon issues and works both at a fund and a collective level (whether via the Wales Pension Partnership (WPP) or with other LGPS Funds to further climate action. At this point in time, the Fund believes active engagement with investee companies instead of full divestment is the preferred option to bring about change whilst managing overall investment risk issues.

The Fund takes the approach to engage actively and productively with companies in the sector through its participation in the Local Authority Pension Fund Forum (LAPFF). LAPFF's engagement strategy is to push for an orderly carbon transition by requiring companies to identify and tackle carbon

risks in their business models. The Fund was one of the prime movers/supporters of the strategic resilience shareholder resolutions put to BP and Shell's recent AGMs. These resolutions were unique in that they were supported by the boards and galvanised investor support and built on a history of previous engagement with resources companies on carbon asset risk.

The Dyfed Pension Fund, via the investment managers also votes on resolutions at global AGMs seeking transparency and disclosure of climate risks and setting emission reduction targets. In this manner our view is directly communicated to individual boards.

It should be noted that the Dyfed Pension Fund does have an increasing level of investment in renewable and low carbon energy production via pooled funds and will continue to make such investments where the risk/return profile fits the pension fund's investment strategy. The Fund also has and is increasing its investments in the BlackRock UK Strategic Alternative Income Fund where some of the core strategies are in the renewable energy sector and a number of different sectors that have a direct impact on local communities including healthcare and social housing. Later during this committee meeting there will be a consideration of the BlackRock Low carbon equity tracker fund and the Baillie Gifford Global Alpha Paris Aligned fund. BlackRock currently hold passive equity investments on behalf of the Fund and Baillie Gifford hold active equity investments for the Fund via the WPP.

The WPP has developed a detailed Responsible Investment Policy which is the umbrella policy for all 8 Welsh LGPS funds and will consider a specific Climate Risk Policy at the next Joint Governance Committee meeting.

The Dyfed Pension Fund pension committee chair, officers and Baillie Gifford held a well-attended training session for county councillors on 21 February 2020. The session provided an in depth and balanced view on divestment from fossil fuels from a committee and an investment manager perspective.

The Fund has a comprehensive Investment Strategy Statement (ISS) which is on the Dyfed Pension Fund website and can be found through the following link. The ISS will be developed further during 2020. <http://www.dyfedpensionfund.org.uk/media/1647/investment-strategy-statement-18-19.pdf>

This response has highlighted a number of changes that have been made and continue to be made to demonstrate the Fund's commitment to be a responsible investor, that further address the risks and issues associated with climate change and improve its engagement activities with companies on those issues.

Recommendation

To consider the attached Notice of Motion which was referred to the Dyfed Pension Fund Committee from the County Council meeting held on the 9th October 2019 and the facts contained within the report.

DETAILED REPORT ATTACHED ?	NO
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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	YES	NONE	YES	NONE	NONE

Finance

There could be a potential increase in costs and reduced performance from divestment which will need to be assessed prior to making any detailed decisions, maintaining overall fiduciary responsibilities.

Risk

Potential risk of reduced investment performance and increased costs from divestment.

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

**EXTRACT FROM THE MINUTES OF THE MINUTES OF THE COUNTY COUNCIL
MEETING HELD ON THE 9TH OCTOBER 2019**

7.1. NOTICE OF MOTION SUBMITTED BY COUNCILLOR ROB JAMES:-

[Note: Councillors E.Dole, G.R. Jones, G.H. John, M.J.A. Lewis, B.A.L. Roberts, E.M.J.G. Schiavone and J. Tremlett, declared an interest in this item and left the Council Chamber prior to the consideration and determination thereof. Councillor J.P. Jenkins also left the Council Chamber prior to the consideration and determination thereof. All officers who were members of the Pension Scheme (apart from the Principal Democratic Services Officer, who remained to take notes and the Member Services Assistant who remained) also left the Council Chamber]

Council considered the following Notice of Motion submitted by Councillor Rob James:-

“This Council:

- Notes that Carmarthenshire Council unanimously declared a climate emergency earlier this year, with a commit to make the County Council a net zero carbon local authority by 2030.
- Notes the conclusions of the Intergovernmental Panel on Climate Change (IPCC) that “we are already seeing the consequences of 1°C of global warming through more extreme weather, rising sea levels and diminishing Arctic sea ice”;
- Notes that the IPCC report stated that global emissions of carbon dioxide must peak by 2020 to keep the planet below 1.5C; Page 3
- Notes the campaigning and research by Extinction Rebellion, Friends of the Earth and others, on the holdings Local Government Pension funds, including Dyfed, have in fossil fuels companies;
- Believes that current plans are nowhere near strong enough to keep temperatures below the so-called safe limit.
- Calls on Dyfed Pension Fund to divest from fossil fuels within the next two years and invest the funds in local renewable energy schemes.”

The Motion was duly seconded.

The following amendment to the motion was proposed by Councillor C.Jones and was duly seconded:

“This Council:

- Notes that Carmarthenshire Council unanimously declared a climate emergency earlier this year, with a commit to make the County Council a net zero carbon local authority by 2030;
- Notes the conclusions of the Intergovernmental Panel on Climate change (IPCC) that 2we are already seeing the consequences of 1C of global warming through more extreme weather, rising sea levels and diminishing Arctic sea ice”;
- Notes that the IPCC report stated that global emissions of carbon dioxide must peak by 2020 to keep the planet below 1.5C;
- Notes the campaigning and research by Extinction rebellion, Friends of the Earth and others, on the holdings Local Government Pension fund, including Dyfed, have in fossil fuel companies;
- Believes that current plans are nowhere near strong enough to keep temperatures below the so-called safe limit;
- Welcomes that the Dyfed Pension Fund has already committed to investing in renewables as part of the Wales Pension Partnership and is very much

**EXTRACT FROM THE MINUTES OF THE MINUTES OF THE COUNTY COUNCIL
MEETING HELD ON THE 9TH OCTOBER 2019**

focused on its Climate Change commitment whilst acknowledging its overall fiduciary responsibilities;

- Calls on the Dyfed Pension Fund to consider reducing its investment in fossil fuels.”

The proposer and seconder of the Amendment were afforded the opportunity of speaking in support thereof and outlined the reasons for its submission.

A number of statements were made in support of both the motion and the amendment.

Following discussions, the proposer with agreement of the seconder agreed to withdraw the Amendment. Council thereupon proceeded to vote on the Motion and it was

RESOLVED that the Motion be supported and referred to the Dyfed Pension Fund Committee for consideration.

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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