

DYDD IAU, 12 TACHWEDD 2020

AT: HOLL AELODAU'R BWRDD PENSIWN

YR WYF DRWY HYN YN EICH GALW I FYNYCHU CYFARFOD RHITHWIR O'R BWRDD PENSIWN A GYNHELIR AM 2.00 YP, DYDD GWENER, 20FED TACHWEDD, 2020 ER MWYN CYFLAWNI'R MATERION A AMLINELLIR AR YR AGENDA SYDD YNGHLWM

Wendy Walters

PRIF WEITHREDWR



AILGYLCHWCH OS GWELWCH YN DDA

Swyddog Democrataidd:

Kevin Thomas

Ffôn (llinell uniongyrchol):

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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' 38776192#.

(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

BWRDD PENSIWN

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

AGENDA

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Mae'r dudalen hon yn wag yn fwriadol

DYFED PENSION FUND PENSION BOARD

23 JANUARY 2020

PRESENT: Mr. John Jones (Chair)

Councillors:

Mr. P. Ashley-Jones [Pembrokeshire County Council - Employer Member Representative];
Mr. T. Bowler [Union Member Representative];
Mr. G. Jones [Member Representative];
Mr. M. Rogers [Pensioner Member Representative].

Also present as observers:

Councillor D.E. Williams, Chair of the Dyfed Pension Fund Committee.

The following Officers were in attendance:

R. Hemingway, Head of Financial Services;
A. Parnell, Treasury & Pension Investments Manager;
M. Owens, Assistant Accountant;
J. Owen, Democratic Services Officer.

Democratic Services Committee Room, County Hall, Carmarthen: 2:00pm - 3:25pm

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr. P. Hughes (Carmarthenshire County Council – Employer Member Representative), Cllr. G. Lloyd (Ceredigion County Council – Employer Member Representative), Chris Moore, Director of Corporate Services and Kevin Gerard, Pensions Manager.

2. DECLARATIONS OF PERSONAL INTEREST

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

3. MINUTES OF THE PENSION BOARD MEETING HELD ON THE 23 OCTOBER 2019

AGREED that the minutes for the Pension Board meeting held on 23rd October 2019 be confirmed as a correct record.

4. DYFED PENSION FUND COMMITTEE MEETING 28 NOVEMBER 2019

4.1. BUDGET MONITORING 1 APRIL 2019 - 30 SEPTEMBER 2019

The Board considered the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2019/20 financial year.

In response to a comment raised in relation to the increase in the variance against budget for the Wales Pension Partnership year-end figure, the Treasury and Pension Investments Manager explained that the year-end calculation included up to date data as at 30 September 2019.

With reference to the inclusion of the one-off transition costs, it was asked if the costs could be provided as a separate document enabling like-for-like comparisons. The Treasury and Pension Investments Manager stated that the requested information would be provided to Members of the Board for information.

AGREED that the report be noted.

4.2. CASH RECONCILIATION AS AT 30 SEPTEMBER 2019

The Board considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund. It was noted that, as at 30 September 2019, £7.2m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

The Board was advised that the current figure was partly driven by the fact that Pembrokeshire County Council and Carmarthenshire County Council paid employer contributions in advance for the whole year / every six months respectively. The Board noted that the figure had decreased as expected.

AGREED that the report be noted.

4.3. BREACHES REPORT 2019-20

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

The Board noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time.

It was observed that similar breaches with regards to Clerks to Town and Community Councils being unable to provide contributions on time were repeatedly being reported at each meeting. In order to reduce the causes of these breaches, it was suggested that online training module be developed and provided to Clerks to Town and Community Councils. Whilst it was acknowledged that the breaches did not equate to significant amount of money, technically they were a breach and would be best practice if the cause of the breach could be minimised. The Head of Financial Services stated that he would discuss the aforementioned suggestion further with the Pensions Manager.

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

4.4. WALES PENSION PARTNERSHIP (WPP) LINK AND RUSSELL UPDATE

The Board considered a presentation by Link and Russell in relation to the key milestones and progress of the Wales Pension Partnership. The presentation gave an overview of the services provided by the Wales Pension Partnership operator, including the appointment and overseeing of investment managers, the monitoring of investments, the oversight of the administrator (Northern Trust) and key milestones. The presentation further provided information on the benefits and regulatory requirements of the Authorised Contractual Scheme (ACS) structure, which had been adopted by the Wales Pension Partnership.

Reference was made to the Global Growth Equity and Global Opportunities Equity graphs on the slide relating to the Current LF Wales PP Fund Holding. Following an observation, it was requested for ease of reference that the colours that signify the same Authority on each of the two graphs in future updates.

In response to a request the Treasury and Pension Investments Manager would seek to include forward dates in future updates.

AGREED that the presentation be received.

4.5. WALES PENSION PARTNERSHIP (WPP) HOST AUTHORITY UPDATE

The Board received a report on the Wales Pension Partnership which provided an update from the host authority on the milestones and progress of the Wales Pension Partnership. Key areas for information included WPP governance workshops, the launch of an online reporting portal for constituent authorities, the appointment of Hymans as Fixed Income Transition Management Oversight Advisor, the launch of the WPP website, the development of a communications and training plan and the submission of an MHCLG progress update.

The Board noted updates in relation to the following current key areas:

- Governance workshops
- Online report portal
- Fixed Income Transition Management Oversight Advisor
- Communications and reporting
- Training and meetings
- Resources, budget and fees

The Board also considered the details provided within the appended WPP workplan for 2019/20.

Reference was made to the MHCLG update. In response to a request for the update be circulated to Board Members for information, the Treasury and Pension Investments Manager stated that he would seek legal advice with regards to extending the circulation of the update to the Board.

AGREED that the Wales Pension Partnership update report be received.

4.6. DRAFT MINUTES OF THE DYFED PENSION FUND COMMITTEE MEETING HELD ON THE 28 NOVEMBER 2019

The Board received the draft minutes of the Dyfed Pension Fund Committee meeting held on 28th November 2019.

AGREED that the minutes be noted.

5. EXCLUSION OF THE PUBLIC

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

6. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 30 SEPTEMBER 2019

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

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

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

7. NORTHERN TRUST PERFORMANCE REPORT TO 30 SEPTEMBER 2019

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

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

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

CHAIR

DATE

BWRDD PENSIYNAU CRONFA BENSIWN DYFED

20/11/2020

Cyfarfod Pwyllgor Cronfa Bensiwn Dyfed 2 Mawrth 2020

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Y Bwrdd Pensiwn i nodi a rhoi sylwadau ar gofnodion a gweithredoedd cyfarfod pwyllgor Cronfa Bensiwn Dyfed ar 2 Mawrth 2020.

Y Rhesymau:

I gynghori'r Bwrdd Pensiwn am y cyfarfod a gynhaliwyd gan bwyllgor Cronfa Bensiwn Dyfed ar 2 Mawrth 2020.

Ymgynghorwyd â'r pwyllgor craffu perthnasol

AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad AMHERTHNASOL

Deiliad Portffolio Aelod o'r Bwrdd Gweithredol: - AMHERTHNASOL

Y Gyfarwyddiaeth:

Enw Pennaeth y Gwasanaeth:

Chris Moore

Awdur yr Adroddiad:

Chris Moore

Swyddi:

Cyfarwyddwr y
Gwasanaethau
Corfforaethol,

Cyngor Sir Gâr

Rhifau ffôn: 01267 224120

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CMoore@sirgar.gov.uk

**EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
20/11/2020**

Dyfed Pension Fund Committee Meeting 2 March 2020

A Pension Fund Committee meeting was held on 2 March 2020 and the following agenda items were considered and noted:

- 2019-20 Audit Plan
- Budget Monitoring 1 April 2019 – 31 December 2019
- Budget 2020-21
- Cash Reconciliation as at 31 December 2019
- Breaches Report 2019-20
- Risk Register 2020-21
- Draft Funding Strategy Statement
- Business Plan 2020
- Wales Pension Partnership (WPP) Link and Russell update
- Investment Adviser Contract

The draft minutes of the Pension Fund Committee meeting on 2 March 2020 are attached for information. The reports can be viewed under the following link:

<https://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=229&MId=3861&Ver=4>

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 of Corporate Services

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

CONSULTATIONS

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

Signed: C Moore

Director of Corporate Services

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

**EXECUTIVE BOARD PORTFOLIO
HOLDER(S) AWARE/CONSULTED**

NA

Include any observations here

**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
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DYFED PENSION FUND COMMITTEE

Monday, 2 March 2020

PRESENT: Councillor D.E. Williams (Chair)

Councillors:

D.M. Cundy and T.J. Jones

The following Officers were in attendance:

C. Moore, Director of Corporate Services

A. Parnell, Treasury & Pension Investments Manager

K. Gerard, Pensions Manager

B. Owen, Pension Investment Officer

K. Thomas, Democratic Services Officer

Democratic Services Committee Room, County Hall, Carmarthen, SA31 1JP - 10.00 - 11.30 am

1. APOLOGIES AND OTHER MATTERS

There were no apologies for absence

The Chair welcomed members of the public to the meeting and advised that he had decided on this occasion to exercise his discretion and allow them to ask questions to which written responses would be provided, subject to those questions being also submitted in writing following the meeting.

The following two questions were tabled (at the conclusion of item 13):-

1. Why would it be likely to cause financial harm to share the Independent Advisor's performance report and the Northern Trust Performance with the public?
2. What is the public interest test? And how can it be challenged?

The Director of Corporate Services welcomed Mr Adrian Brown (as an observer) to his first meeting of the Committee following his potential appointment as Independent Advisor to the Dyfed Pension Fund.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 28TH NOVEMBER, 2019

RESOLVED that the minutes of the meeting of the Committee held on the 28th November, 2019 be signed as a correct record.

4. 2019-2020 AUDIT PLAN

The Committee received a report on the 2020 Audit Plan for the Dyfed Pension Fund and noted that it would be submitted for formal adoption to the Council's

Audit Committee on the 20th March 2020.

The Committee was advised that whilst the Plan followed the same format, as in previous years, Exhibit 2 of the report highlighted those risks of material misstatement the Auditor considered to be significant and required special audit consideration. Those related to Management Override, Triennial Valuation and the Mc Cloud Judgement.

The Committee was further advised that whilst the timescale for completing the Audit of the 2019-2020 Accounts was 1st December 2020, in accordance with the Accounts and Audit Regulations, the Auditor was proposing their completion by September 2020, following completion of the Council's Accounts.

The Director of Corporate Services confirmed that whilst the Audit of the Dyfed Pension Fund Accounts would not be completed until September, it was his intention to produce those ready for audit simultaneously with the Council's accounts.

The Director of Corporate Services referred to the identified risk highlighted by the auditor in relation to the Triennial Valuation and advised the valuation had been completed, with the final report anticipated shortly.

RESOLVED that the 2020 Audit Plan be received.

5. BUDGET MONITORING 1 APRIL 2019 - 31 DECEMBER 2019

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of 2019/20 as at the 31st December, 2019. It was noted that with an estimated total expenditure of £92.4m and estimated total income of £92.6m, the fund was recording a £0.2m underspend to budget in cash terms.

It was reported that with regard to Expenditure from the fund the net effect of Benefits payable and Transfers out was an overspend of £1,590k, mainly attributable to deferred pensioner lump sums which had resulted in a higher than anticipated pension increase. Management expenses were also anticipated to be £2,326k above budget.

With regard to Fund income, the net effect of contributions, investment income and transfers in was an increase of £4.9m mainly attributable to a decrease in investment income of £0.6m, an increase in transfers in of £3.7m together with a £1.8m increase in contributions

The Director of Corporate Services referred to the Benefits payable element of the report and advised that related to the payments being made to the fund's existing pensioners. As new starters to the fund would not be in receipt of a pension for some 40 years, it was important the fund maintained sufficient assets to meet its current and future liabilities. That required investing in a diversified portfolio which included the consideration of low carbon investments

RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April – 31st December, 2019 be received.

6. DYFED PENSION FUND BUDGET 2020-2021

The Committee received the Dyfed Pension Fund Budget for 2020/21. It was noted that the cash related expenditure for 2020/21 had been set at £96.2m against a cash related income of £96.2m resulting in a net budget of £0 and providing the Fund with flexibility to utilise investment income based on cash flow requirements.

The Committee noted that with regard to expenditure levels, Benefits payable had been estimated to be £85.1m which included provision for a 1.7% pensions increase, based on the September 2019 CPI, together with a 3.0% net effect for new pension members. Management expenses had been estimated at £8.5m, of which, £6.6m had been budgeted for investment manager fees.

It was further noted that income contributions had been estimated at £80.9m comprising £59.8m employer and £21.1m employee contributions, with those rates having been based on the 2019 valuation, 2.75% for pay increases and a further 2% for pay increments in 2020/21. Investment income had been estimated as being £14m thereby maintaining a cash neutral budget and ensuring the fund was not retaining a cash surplus which could be invested.

The non-cash related budget had been set at £50m based on an estimate of the realised gains and losses for individual manager portfolio rebalances and sales and purchases within the property portfolios.

The Director of Corporate Services confirmed the Fund was experiencing greater numbers of pensioners than contributors hence robust cash flow monitoring was becoming more crucial. Other factors impacting on the Fund included making provision for redundancy/retirement pensions whilst not necessarily knowing the detailed plans employing bodies may have on their staffing levels. As a consequence, it was important the Fund maintained sufficient cash balances. He also confirmed that whilst people were living longer, the Fund's actuaries had advised rising longevity rates had stabilised.

RESOLVED that the Dyfed Pension Fund Budget for 2020/21 be approved.

7. CASH RECONCILIATION AS AT 31ST DECEMBER 2019

The Committee considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund.

It was noted that as at the 31st December, 2019 cash in the sum of £17.7m was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs. That balance was higher than normal as some employing bodies paid their contributions in advance. However, it would reduce significantly by the end of March, 2020

RESOLVED that the Dyfed Pension Fund Cash Reconciliation report, as at 31st December, 2019 be received.

8. BREACHES REPORT 2019-2020

The Committee received for consideration the Breaches Report in relation to the Dyfed Pension Fund.

The Committee noted that Section 70 of the Pension Act 2004 set 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 provided guidance on reporting these breaches. The Dyfed Pension Fund Breaches Policy was approved by the Dyfed Pension Fund Panel in March 2016.

Under the policy, breaches of the law were required to be reported to the Pensions Regulator where there was a reasonable cause to believe that:-

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

The Committee noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time, however, no report had been sent to the Pensions Regulator.

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

9. RISK REGISTER 2020-2021

The Committee received for consideration the 2020-21 Risk Register which captured all the risks identified in relation to the functions of the Dyfed Pension Fund. The register, which was regularly monitored and reviewed, included information on the following areas:

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

The risks had been reviewed and some minor adjustments made. They would continue to be reviewed on a quarterly basis and any amendments drawn to the Committee's attention.

RESOLVED that the Risk Register be approved

10. DRAFT FUNDING STRATEGY STATEMENT

The Committee received for consideration the Draft Funding Strategy Statement that aimed to set out a clear and transparent funding strategy identifying how each Fund Employers future pension liabilities were to be met following the triennial valuation as at the 31st March, 2019. The Draft Statement had been subject to a

period of consultation, ending on the 28th February, 2020 and following evaluation of responses received, a final Statement would be issued. It was noted that the Fund was currently 104% funded, and was one of the top performing funds in the country.

The Director of Corporate Services advised the Committee that the Fund would also be looking at its Asset Valuation Strategy and where those assets were invested within the markets. That review would include examination of the ethical, low carbon and renewable energy markets whilst also examining how to diversify away from fossil fuels, as requested in the Notice of Motion adopted by the Council in October, 2019.

RESOLVED that the Draft Funding Strategy Statement be approved.

11. BUSINESS PLAN 2020 - 2021

The Committee received for consideration the Dyfed Pension Fund Business Plan for the period 2020-2021 detailing how the Fund was to achieve its objectives and ensuring the allocation of sufficient resources to meet those objectives.

RESOLVED that the Dyfed Pension Fund Business Plan for the period 2020-21 be approved.

12. WALES PENSION PARTNERSHIP LINK AND RUSSELL UPDATE

The Committee received an update report by Link and Russell on the Wales Pension Partnership (WPP), on the progress and milestones of both the following Sub Funds together with the Engagement Protocol and the meeting of Key Dates:-

- Tranche 1 – Global Equity
- Tranche 2 – UK and European Equities
- Tranche 3 – Fixed Income
- Tranche 4 – Private Markets.

The Committee noted the current Global Growth equity totalled £2.4b and was achieving an excess return of 0.23%. The Director of Corporate Services referred to the operation of the Global Equity Fund and the importance of encouraging Fund Managers to invest in renewable energy whilst having regard to the need to maximise returns on those investments.

RESOLVED that the Wales Pension Partnership Link and Russell Update be received.

13. INDEPENDENT ADVISER CONTRACT

The Committee was advised that following a recent tender exercise Mr Adrian Brown, an affiliate of M.J. Hudson, had been appointed as Independent Advisor to the Dyfed Pension Fund.

The Director of Corporate Services in welcoming Mr Brown to the meeting referred to the work and advice provided by the Fund's previous advisor, Mr Lambert, over a number of years and expressed his appreciation for that advice.

RESOLVED that the report be received.

14. EXCLUSION OF THE PUBLIC

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

15. INDEPENDENT ADVISER PERFORMANCE & RISK AT 31 DECEMBER 2019

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 14 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Committee received the Independent Investment Adviser Report which provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3 year periods ending 31st December, 2019.

RESOLVED that the Independent Investment Adviser Report as at 31st December, 2019 be noted.

16. NORTHERN TRUST PERFORMANCE REPORT 31 DECEMBER 2019

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute Item 9 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Committee considered the Northern Trust Performance report for the Dyfed Pension Fund as at 31st December, 2019 which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

RESOLVED that the Northern Trust Performance report for the Dyfed Pension Fund as at 31st December, 2019 be received.

CHAIR

DATE

**BWRDD PENSIYNAU CRONFA BENSIWN DYFED
DYDDIAD 20/11/2020**

Cyfarfod Pwyllgor Cronfa Bensiwn Dyfed 24 Mehefin 2020

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Y Bwrdd Pensiwn i nodi a rhoi sylwadau ar gofnodion a gweithredoedd cyfarfod pwyllgor Cronfa Bensiwn Dyfed ar 24 Mehefin 2020.

Y Rhesymau:

I gynghori'r Bwrdd Pensiwn am y cyfarfod a gynhaliwyd gan bwyllgor Cronfa Bensiwn Dyfed ar 24 Mehefin 2020.

Ymgynghorwyd â'r pwyllgor craffu perthnasol

AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad AMHERTHNASOL

Deiliad Portffolio Aelod o'r Bwrdd Gweithredol: - AMHERTHNASOL

Y Gyfarwyddiaeth:

Enw Pennaeth y Gwasanaeth:

Chris Moore

Awdur yr Adroddiad:

Chris Moore

Swyddi:

**Cyfarwyddwr y
Gwasanaethau
Corfforaethol,**

Cyngor Sir Gâr

Rhifau ffôn: 01267 224120

Cyfeiriadau E-bost:

CMoore@sirgar.gov.uk

**EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
20/11/2020**

Dyfed Pension Fund Committee Meeting 24 June 2020

A Pension Fund Committee meeting was held on 24 June 2020 and the following agenda items were considered and noted:

- Budget Monitoring Actuals 1 April 2019 – 31 March 2020
- Unaudited 2019-20 Statement of Accounts
- EOY Cash Reconciliation as at 31 March 2020
- Breaches Report
- Wales Pension Partnership (WPP) Business Plan 2020-2023
- Wales Pension Partnership (WPP) update
- County Council Notice of Motion 9 October 2019 to divest from fossil fuels

The minutes of the Pension Fund Committee meeting on 24 June 2020 are attached for information. The reports can be viewed under the following link:

<https://democracy.carmarthenshire.gov.wales/ieListDocuments.aspx?CId=229&MId=4017&Ver=4>

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 of Corporate Services

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

CONSULTATIONS

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

Signed: C Moore

Director of Corporate Services

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

**EXECUTIVE BOARD PORTFOLIO
HOLDER(S) AWARE/CONSULTED**

NA

Include any observations here

**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
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Dyfed Pension Fund Committee

Wednesday, 24 June 2020

PRESENT: Councillor D.E. Williams (Chair)

Councillors:

D.M. Cundy and D. Thomas (In place of T.J. Jones)

Also in attendance:

A. Brown, Independent Investment Adviser

The following Officers were in attendance:

C. Moore, Director of Corporate Services

A. Parnell, Treasury & Pension Investments Manager

B. Owen, Pension Investment Officer

E. Bryer, Democratic Services Officer

Virtual Meeting - 2.00 pm - 4.30 pm

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Cllr. Jim Jones. Councillor Dai Thomas attended the meeting as a Substitute Member.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 2ND MARCH, 2020

RESOLVED that the minutes of the meeting of the Committee held on the 2nd March, 2020 be signed as a correct record.

4. BUDGET MONITORING 1 APRIL 2019 - 31 MARCH 2020

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided the final budgetary position as at the 31st March, 2020. It was noted that there was an under spend compared to budget of £3.0m on cash items. Total expenditure was £101.1m and total income was £104.1m resulting in a positive cash flow position of £3.0m.

It was reported that with regard to Expenditure from the fund the net effect of Benefits Payable and Transfers Out was an over spend of £11.2m compared to budget. This was mainly due to deferred pensioner lump sum payments which had 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) had been included. Management expenses were overspent by £2.2m.

With regard to Fund income, the net effect of contributions, investment income and transfers in was an increase of £16.3m mainly attributable to an increase in investment income of £2.7m, an increase in transfers in of £5.3m together with a £8.3m increase in contributions which included Compensatory Added Years (CAY), Prematurely Retired Teachers (PRT) and gratuity payments (£4.8m).

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April 2019 to 31st March 2020 be received.

5. UNAUDITED STATEMENT OF ACCOUNTS 2019-20

The Committee considered the Dyfed Pension Fund Unaudited Statement of Accounts for 2019/20, produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19, detailing the financial position, performance and financial viability for the year 2019-20 together with the results of stewardship of management i.e. – accountability of management for the resources entrusted to it and the disposition of its assets at the period end.

It was noted that the position of the fund, as at 31st March 2020 valued the total assets at £2.384bn, down from £2.575bn in 2018/19. This represented a decrease in net assets of £191m from 2018/19 to 2019/20 with fund expenditure, benefits payable and transfers were totalling £93m.

It was noted that the accounts did not take account of obligations to pay pensions and benefits which fall after the end of the financial year.

The Director of Corporate Services advised the Committee that the report had been presented to Audit Wales within the statutory deadline and that Audit Wales would report back their findings in due course.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Unaudited Statement of Accounts 2019/20 be received.

6. CASH RECONCILIATION AS AT 31ST MARCH, 2020

The Committee considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund.

It was noted that as at the 31st March, 2020 cash in the sum of £4.9m was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Cash Reconciliation report, as at 31st March, 2020 be received.

7. BREACHES REPORT 2020-2021

The Committee received for consideration the Breaches Report in relation to the Dyfed Pension Fund.

The Committee noted that Section 70 of the Pension Act 2004 set 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 provided guidance on reporting these breaches. The Dyfed Pension Fund Breaches Policy was approved by the Dyfed Pension Fund Panel in March 2016.

Under the policy, breaches of the law were required to be reported to the Pensions Regulator where there was a reasonable cause to believe that:-

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

The Committee noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time, however, no report had been sent to the Pensions Regulator.

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

8. WALES PENSION PARTNERSHIP (WPP) BUSINESS PLAN 2020 - 2023

The Committee received for consideration the Wales Pension Partnership Business Plan for the period 2020-2023 detailing how the Fund was to achieve its objectives and ensuring the allocation of sufficient resources to meet those objectives.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Business Plan for the period 2020-23 be approved.

9. WALES PENSION PARTNERSHIP (WPP) UPDATE

The Committee received an update report on the Wales Pension Partnership (WPP), on the progress and milestones of both the following Sub Funds together with the current fund holdings, fund launch progress and LFS corporate update and engagement.

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

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

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Update be received.

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

The Committee received a report detailing the Notice of Motion from the County Council meeting held on the 9th October 2019 to divest from fossil fuels that was to be considered by the Committee.

The report confirmed that The Dyfed Pension Fund Committee had a fiduciary duty to seek to obtain the best financial return that it could for its members. It was noted that this was a fundamental principle of the management of Pension Funds that has been established in law. However, as long-term investor responsible for looking after the interests of beneficiaries over many decades into the future, the committee recognised climate change as a significant risk factor for pension fund investments. The Committee were advised that the fund shared many of the concerns over climate and carbon issues and worked both at a fund and a collective level (whether via the Wales Pension Partnership (WPP) or with other LGPS Funds to further climate action.

The report highlighted that the Fund believed active engagement with investee companies instead of full divestment was the preferred option to bring about change whilst managing overall investment risk issues. It was also noted that the Dyfed Pension Fund had an increasing level of investment in renewable and low carbon energy production via pooled funds and would continue to make such investments where the risk/return profile fits the pension fund's investment strategy.

UNANIMOUSLY RESOLVED that the County Council Notice of Motion (9th October, 2019) to divest from fossil fuels be noted and the Dyfed Pension Fund Pension Committee continues to divest from fossil fuel where the risk/return profile fits the pension fund's investment strategy.

11. EXCLUSION OF THE PUBLIC

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

12. INDEPENDENT ADVISOR PERFORMANCE & RISK TO 31 MARCH 2020

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

The Committee received the Independent Investment Adviser Report which provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3 year periods ending 31st March, 2020. The report also included the global market background and issues for consideration by the Committee.

UNANAMOUSLY RESOLVED that the Independent Investment Adviser Report as at 31st March, 2020 be noted.

13. NORTHERN TRUST PERFORMANCE REPORT 31 MARCH 2020

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

The Committee considered the Northern Trust Performance report for the Dyfed Pension Fund as at 31st March, 2020 which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

UNANIMOUSLY RESOLVED that the Northern Trust Performance report for the Dyfed Pension Fund as at 31st March, 2020 be received.

14. LOW CARBON INDICES

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

The Committee considered, and received presentations on, the following reports from BlackRock and Baillie Gifford on Low Carbon Indices.

- BlackRock Low carbon equity tracker fund
- Baillie Gifford Global Alpha Paris Aligned

UNANIMOUSLY RESOLVED that the reports from BlackRock and Baillie Gifford on Low Carbon Indices be received.

CHAIR

DATE

Mae'r dudalen hon yn wag yn fwriadol

BWRDD PENSIYNAU CRONFA BENSIWN DYFED
20/11/2020

Cyfarfod Pwyllgor Cronfa Bensiwn Dyfed 16 Hydref 2020

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Y Bwrdd Pensiwn i nodi a rhoi sylwadau ar gofnodion a gweithredoedd cyfarfod pwyllgor Cronfa Bensiwn Dyfed ar 16 Hydref 2020.

Y Rhesymau:

I gynghori'r Bwrdd Pensiwn am y cyfarfod a gynhaliwyd gan bwyllgor Cronfa Bensiwn Dyfed ar 16 Hydref 2020.

Ymgynghorwyd â'r pwyllgor craffu perthnasol

AMHERTHNASOL

Angen i'r Bwrdd Gweithredol wneud penderfyniad AMHERTHNASOL

Angen i'r Cyngor wneud penderfyniad AMHERTHNASOL

Deiliad Portffolio Aelod o'r Bwrdd Gweithredol: - AMHERTHNASOL

Y Gyfarwyddiaeth:

Enw Pennaeth y Gwasanaeth:

Chris Moore

Awdur yr Adroddiad:

Chris Moore

Swyddi:

**Cyfarwyddwr y
Gwasanaethau
Corfforaethol,**

Cyngor Sir Gâr

Rhifau ffôn: 01267 224120

Cyfeiriadau E-bost:

CMoore@sirgar.gov.uk

**EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
20/11/2020**

Dyfed Pension Fund Committee Meeting 16 October 2020

A Pension Fund Committee meeting was held on 16 October 2020 and the following agenda items were considered and noted:

- Audit of Financial Statements Report 2019-20 (ISA 260)
- Budget Monitoring 1 April 2020 – 30 June 2020
- Cash Reconciliation as at 30 June 2020
- Breaches Report 2020-21
- Risk Register
- Operator Update – Link and Russell

The draft minutes of the Pension Fund Committee meeting on 16 October 2020 are attached for information.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

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

Signed: **C Moore**

Director of Corporate Services

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

CONSULTATIONS

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

Signed: C Moore

Director of Corporate Services

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

**EXECUTIVE BOARD PORTFOLIO
HOLDER(S) AWARE/CONSULTED**

NA

Include any observations here

**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
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Audit of Accounts Report – Dyfed Pension Fund

Audit year: 2019-20

Date issued: October 2020

Document reference: 2072A2020-21

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at infoofficer@audit.wales.

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

Contents

We intend to issue an unqualified audit report on your Accounts. There are some matters to report to you prior to their approval.

Audit of Accounts Report

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Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with the Director of Corporate Services and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £23.7 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
 - Key Management Personnel Salaries - £1,000
 - Related Parties - £10,000
- 6 Although we have completed the majority of our audit work at the time of drafting this report, we have yet to complete:
 - the final review of our audit file; and
 - our final review of the revised 2019-20 financial statements;
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You were required by law to prepare accounts and it is of testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful for the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 Due to the impact of the COVID-19 pandemic this year, we received the Pension Fund's draft statement of accounts on 12 June 2020, which was slightly after the original planned date of 29 May 2020.
- 10 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

Exhibit 1 – impact of COVID-19 on this year’s audit

<p>Timetable</p>	<ul style="list-style-type: none"> • The agreed date for providing the draft statement of accounts for audit was 29 May 2020. • We received the draft accounts on 12 June 2020. • We agreed that the Pension Fund audit would commence upon the completion of our local Council audits. • The audit was substantially completed by 25 September 2020.
<p>Electronic signatures</p>	<p>The current plan is for the Audit Committee to approve the 2019-20 financial statements at its virtual meeting on 16 October 2020. The Section 151 officer will then arrange for manual signatures to be obtained prior to the audit opinion being issued.</p> <p>There are no current plans to use electronic signatures, however, should the Council decide they should proceed on this basis then we can accept the use of electronic signatures and electronic transfer of files during the approval and signing process.</p>
<p>Audit evidence</p>	<p>As in previous years, we received the majority of audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> • officers provided electronic working papers in accordance with our agreed Audit Deliverables Report; • officers provided audit evidence to the audit team via e-mail or the shared folder accessible by auditors through the Council laptops; • officers were available by video conferencing for discussions, and for the sharing of on-screen information/evidence; and • Audit Wales also secured remote read-only access to the Agresso ledger system which enabled the audit team to run reports and view evidence and hence reduce the burden on officers to provide this information.
<p>Other</p>	<ul style="list-style-type: none"> • Video conferencing has enabled the audit team to correspond effectively with officers throughout the audit. • Video-conference-based Audit Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.

- 11 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

Proposed audit opinion

- 12 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 13 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 14 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.
- 15 Our proposed audit report is set out in **Appendix 2**. This audit report includes an emphasis of matter paragraph. The aim of this paragraph is to draw the attention of the reader of the accounts to Note 11 in the financial statements.
- 16 Note 11 includes reference to material uncertainty clauses disclosed in year-end valuation reports for a pooled property fund and the Strategic Alternative Income Fund (SAIF). The total value of these funds as at 31 March 2020 is £296 million and £53 million respectively.
- 17 The audit opinion is not modified in respect of this matter.

Significant issues arising from the audit

Uncorrected misstatements

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

Corrected misstatements

- 19 There were initially misstatements in the accounts that have now been corrected by management. The most significant of these amendments are drawn to your attention in **Appendix 3**.

Other significant matters encountered and resolved during the audit

- 20 In the course of the audit, we considered a number of matters relating to the accounts. **Exhibit 2** includes commentary on the more significant matters we encountered and worked with management to resolve.

Exhibit 2 – Significant matters encountered and resolved during the 2019-20 audit

Significant matters encountered and resolved during the 2019-20 audit		
<p>Material uncertainty in relation to property assets</p>	<p>We have requested that the Council sets out in Note 11 additional narrative to disclose the material uncertainty in relation to property asset investments.</p>	<p>The Council has included the additional narrative disclosure. We have also drawn the reader's attention to this disclosure in an emphasis of matter paragraph in our audit report.</p> <p>The audit opinion is not modified in respect of this matter.</p>
<p>Year-end investment valuations</p>	<p>Given the impact of COVID 19 and the potential of significant market volatility around the year-end, we reviewed all investment valuations to ensure these were based on actual figures. This allowed us to confirm that the fair value of investment assets in the 2019-20 financial statements was reasonable.</p>	<p>No adjustments were required to be made to the 2019-20 financial statements.</p>
<p>Impact of McCloud Pension remedy proposals on disclosures in the Actuarial Statement</p>	<p>Our audit plan highlighted the impact of the McCloud judgement as a potential audit risk for this year's audit. An estimate for this potential liability was compiled prior to the proposed remedy being known and is included in the Actuarial Statement in the 2019-20 financial statements.</p> <p>On 16 July 2020 the UK government proposed its remedy, and this had the potential to significantly impact this estimate.</p>	<p>We corresponded with management and their actuary to assess whether the estimate for this potential liability was in line with the proposed remedy. We have received confirmation from the actuary that their assumptions were similar to the subsequently proposed remedy. Therefore, we were able to conclude that the estimate included in the 2019-20 financial statements disclosures was reasonable.</p>

Appendix 1

Final letter of representation

[Audited body's letterhead]

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

[Date]

Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements of Dyfed Pension Fund for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom UK 2019-20; in particular the financial statements give a true and fair view in accordance therewith; and
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

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

Representations by those charged with governance

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 16 October 2020.

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

Signed by:

Director of Corporate Services

Date:

Signed by:

Chair of the Audit Committee

Date:

Appendix 2

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the Members of Carmarthenshire County Council as administering authority for Dyfed Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Dyfed Pension Fund for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004. Dyfed Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter – effects of the COVID-19 pandemic on the valuation of property fund and alternative assets

I draw attention to Note 11 of the financial statements, which describes the impact of a material uncertainty disclosed in the fund managers year-end valuation reports for the UK property fund and alternatives fund they manage on behalf of the Dyfed Pension Fund. The Fund has disclosed this material uncertainty and my audit opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

Report on other requirements

Opinion on other matters

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

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

Matters on which I report by exception

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Adrian Crompton
Auditor General for Wales
October 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made

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

Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
2019-20 £6.99 million 2018-19 £4.53million	<p>Indirect investment management fees included transaction and implicit costs but did not result in any cash movement between the pension fund and investment managers.</p> <p>These fees were correctly included in investment management fee expenditure. However, the double entry was a credit to investment income in the fund account rather than a movement to the net asset value in the balance sheet.</p> <p>Adjustments have been made to both the 2018-19 and 2019-20 figures to rectify the accounting for these transactions. These adjustments did not alter the net expenditure nor net investments assets figures in the financial statements.</p>	<p>To ensure compliance with CIPFA guidance around transparency of investment management fees.</p>
Various presentational amendments	<p>Various other minor presentational amendments were made to the narrative report and draft statement of accounts. There was no overall impact on the net expenditure or net investment assets of the Fund.</p>	<p>To ensure accuracy and completeness of the financial statements.</p>



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Dyfed Pension Fund									
Budget Monitoring									
1st April 2020 - 30th June 2020									
	Budget Type	Actual 2019-2020	Budget 2020-2021	Total income/ expenditure to date	Forecast Commitments	Forecast 2020-2021	End of year variance		Assumptions/Comments
	Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (c)	£ '000 (d)	£ '000 (e)	£ '000 (f)	%	
Expenditure									
Benefits Payable	Both	89,766	89,869	21,872	66,477	88,349	-1,520	-1.7	3% included at budget setting for new pensioners, actual increase year to date is 1.5%
Pensions Payable	Controllable	72,858	76,369	18,497	56,352	74,849	-1,520		
Commutation and lump sum retirement benefits	Non Controllable	14,708	12,000	3,000	9,000	12,000	0		
Lump sum death benefits	Non Controllable	2,200	1,500	375	1,125	1,500	0		
Payments to and account of leavers	Non Controllable	3,597	2,620	657	1,963	2,620	0	0.0	
Management Expenses		7,775	8,549	2,683	5,446	8,129	-420	-4.9	
Computer Software	Controllable	338	361	37	324	361	0		
Printing charges	Controllable	13	20	6	14	20	0		
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	63	70	29	44	73	3		
Fund Managers									
BlackRock	Controllable	1,703	1,443	353	1,072	1,425	-18		Reduction in Market valuations.
Schroders	Controllable	763	882	182	500	682	-200		Reduction in Market valuations of property investments. July 2020 -March 2021 forecast based on August 2020 valuation
Wales Pension Partnership	Controllable	2,600	3,510	581	2,769	3,350	-160		Corporate Bonds not pooled until July 2020.
Partners Group	Controllable	856	806	200	601	801	-5		
Custodian									
Northern Trust	Controllable	30	31	1	31	32	1		
Actuary									
Mercer	Controllable	221	100	19	81	100	0		
Performance Manager									
Northern Trust / PIRC / CEM	Controllable	10	26	0	26	26	0		
Independent Advisor									
	Controllable	21	30	0	30	30	0		
Other									
Euraplan, LSE, Pension Board	Controllable	21	23	0	35	35	12		
Central recharges	Non Controllable	1,108	1,219	1,268	-100	1,168	-51		Vacant posts within pensions administration
Audit fees	Controllable	28	28	7	19	26	-2		
Controllable Expenditure		79,525	83,699	19,912	61,898	81,810	-1,889		
Non Controllable Expenditure		21,613	17,339	5,300	11,988	17,288	-51		
Total Expenditure		101,138	101,038	25,212	73,886	99,098	-1,940		
Income									
Contributions									
Employer	Controllable	-60,238	-64,596	-18,425	-45,718	-64,143	453	-0.7	Advance payments made resulting in discounted contributions; Ceredigion CC, Pems CC and Dyfed Powys Police in 2020-21
Member	Controllable	-20,194	-21,148	-5,346	-16,041	-21,387	-239	1.1	Increased member purchase of annuity (pension) from their AVC when matured.
Investment Income	Controllable	-16,822	-13,794	-3,235	-12,049	-15,284	-1,490	10.8	Includes BlackRock SAIF and Schroders dividend income, also WPP and Partners Group which is income reinvested.
Other Income	Controllable	0	0	0	0	0	0	0.0	
Transfers in from other pension funds	Non Controllable	-6,839	-1,500	-392	-1,108	-1,500	0	0.0	
Controllable Income		-97,254	-99,538	-27,006	-73,808	-100,814	-1,276		
Non Controllable Income		-6,839	-1,500	-392	-1,108	-1,500	0		
Total Income		-104,093	-101,038	-27,398	-74,916	-102,314	-1,276		
Controllable Total		-17,729	-15,839	-7,094	-11,910	-19,004	-3,165		
Non Controllable Total		14,774	15,839	4,908	10,880	15,788	-51		
Total		-2,955	0	-2,186	-1,030	-3,216	-3,216		
Cash Transfer to Fund Managers	Cash	0	0	0	0	0	0		
Net Total of Cash Related Items		-2,955	0	-2,186	-1,030	-3,216	-3,216		
Indirect Transactional Management Fees	Non Cash	3,670	2,840	0	3,402	3,402	562	19.8	CIPFA Management cost guidance issued to show indirect transactional fees indirectly paid by the funds
Investment Income	Non Cash	-3,670	-2,840	0	-3,402	-3,402	-562	19.8	Contra entry to the Indirect transactional fees
Realised gain/loss	Non Cash	-30,270	-50,000	-28,626	-129,374	-158,000	-108,000	216.0	Non Controllable. No impact to cash. Gain as a result of Corporate Bond transition.
Net Total of Non-Cash Related Items		-30,270	-50,000	-28,626	-129,374	-158,000	-108,000		

Mae'r dudalen hon yn wag yn fwriadol

Eitem Rhif 6.3

Item 6

Dyfed Pension Fund Cash Reconciliation

June 2020

Balance b/f 1st April 2020		£6,853,602.71
<i>Investment trades</i>		
Sales	58,909,112.92	
Purchases	-69,591,840.59	
		<hr/>
		-£10,682,727.67
Contributions received	£30,929,234.52	
Payments made	-£20,027,748.61	
Dividend Income	£14,646,664.34	£25,548,150.25
		<hr/>
		£21,719,025.29
Total Available for Investment		<hr/> £21,719,025.29 <hr/>
<i>Represented by :</i>		
Cash at Carmarthenshire		£20,872,711.73
Cash due to be received/deducted		£0.00
CCC Debtors		£1,390,586.24
CCC Creditors		-£544,272.68
		<hr/>
		£21,719,025.29 <hr/>
		£0.00

Mae'r dudalen hon yn wag yn fwriadol

Breaches Report

Item 7.

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
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	22/5/20	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	22/5/20	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	22/5/20	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.
94	2020-21	22/6/20	Contributions	May contributions (£21,168.63) received 2 days late. Cause: Payment runs now made fortnightly instead of weekly due to homeworking. Will put future payments on earlier run. Payment has now been received.	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
95	2020-21	22/7/20	PSD	June quarter PSD payment of £150 not received. Also underpayment of £435.34 from 2019-20 still not received. Another email sent 27th July to Accountant.	No	Amber	No Report	Accountant has replied stating that she will ask for underpayment to be paid in next payroll run. They do not have much contact with Employer at moment due to Covid 19 closure.
96	2020-21	June 20, July 20 & August 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. June - 15 members & total refunds = £2625.12, July - 22 members & total refunds = £1734.26, August - 44 members & total refunds = £9653.66	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.
97	2020-21	22/8/20	Contributions	July contributions (£21,673.12) received 2 days late. Cause: Payment runs now made fortnightly instead of weekly due to homeworking. Payment has now been received.	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
98	2020-21	22/9/20	Contributions & PSD	August contributions not yet received. Also, June quarter PSD payment of £150 not received as well as underpayment of £435.34 from 2019-20. Cause: Accountant has been on annual leave and difficulties between Accountant and Employer over who is responsible for accuracy and timing of payments is still ongoing	No	Amber	No Report	Awaiting further information from Accountant and Employer

Mae'r dudalen hon yn wag yn fwriadol

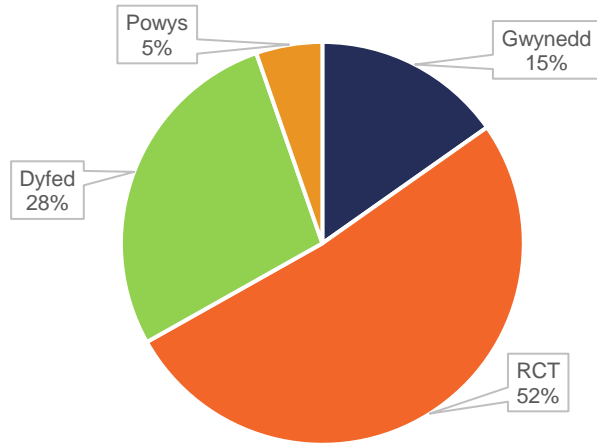
Wales Pension Partnership

Joint Governance Committee

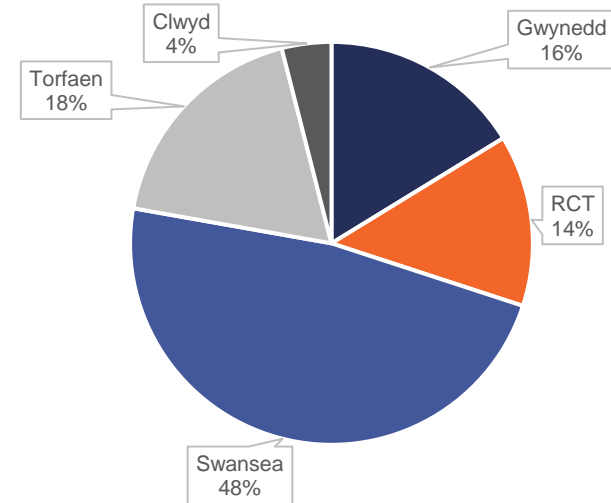
11th September 2020

June 2020 LF Wales PP Fund Snapshot

Global Growth Equity



Global Opportunities Equity



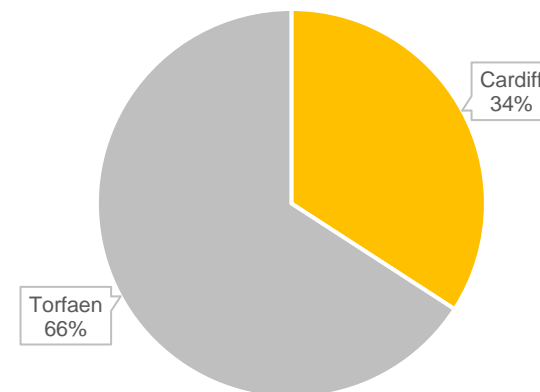
Fund	AUM	Launch date
Global Growth	£2,373,367,154	6 th Feb 2019
Global Opportunities	£2,230,646,643	14 th Feb 2019
UK Opportunities	£545,585,824	10 th Oct 2019

Note: All data as at 30th June 2020

Key:

- Dyfed
- Powys
- Gwynedd
- RCT
- Torfaen
- Clwyd
- Swansea
- 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 ▪ Delay to Absolute Return Bond fund launch due to ineligible asset 	<p>27th and 30th July 2020</p> <p>September for ARB</p>
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 ▪ Prospectus submission delayed being worked through with Russell Investments and Eversheds before review by WPP ▪ Submission to FCA planned 	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 ▪ LFS / Hymans / Host Authority held call to discuss progress 5th August 2020 	January to June 2021

Tudalen 58

LFS Corporate Update & Engagement

LFS Corporate Update & Engagement

Personnel change

- **Richard Thornton:** LFS have appointed Richard Thornton as Head of Relationship Management, Asset Owners and Eamonn Gough will report to Richard. Richard has been a prominent member of the Relationship Management team since 2005 and has worked with a number of strategic clients during this period, forming lasting relationships.
- **Duncan Lowman:** Having spent the last three and a half years as Head of Relationship Management, Duncan's role is shifting focus to working within our Business Development team, as well as retaining overall accountability for Relationship Management.
- **Sheetal Shetty:** Sheetal will also be moving roles within Link Fund Solutions to start working within our Investment Risk team. The Client Service Team will remain the key channel for Operational / Investor queries.

These moves emphasise the importance that Link Group places in supporting our employees to further their careers whilst continuing to maintain a strong relationship model with our clients.

Key Q2 and future WPP Engagement

Link attendance at OWG/JGC meetings in period:

- JGC 17th July 2020 (VC)
- OWG 24th July 2020 (VC)

Link attendance at OWG/JGC meetings in next quarter:

- JGC 11th Sep 2020 (VC)
- OWG 18th Sep 2020 (VC)

Link - Pension Committee attendance in period:

- Cardiff – 16th June 2020 (VC)

Link - Pension Committee attendance in next quarter :

- None arranged, 2020/21 dates to be confirmed

Other meetings in period

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

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

- Chris Moore
- Anthony Parnell
- Two Section 151 / Deputy Section 151 officers

Link Attendees

- Karl Midl, Managing Director
- Richard Thornton, Head of Relationship Management, Asset Owners
- 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

- Joint Governance Committee (JGC)

Link Attendees

- Karl Midl, Managing Director / Adam Tookey, Head of Product – as required
- Richard Thornton, Head of Relationship Management, Asset Owners / Duncan Lowman, Head of Client Coverage
- Eamonn Gough, Senior Relationship Manager
- 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

- Officers Working Group (OWG)

Link Attendees

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

Dyfed Pension Fund Committee

Friday, 16 October 2020

PRESENT: Councillor D.E. Williams (Chair)

Councillors:

D.M. Cundy and D. Thomas (In place of T.J. Jones);

Also in attendance:

A. Brown, Independent Investment Adviser;

The following Officers were in attendance:

C. Moore, Director of Corporate Services;

R. Hemingway, Head of Financial Services;

A. Parnell, Treasury & Pension Investments Manager;

B. Owen, Pension Investment Officer;

J. Owen, Democratic Services Officer;

M.S. Davies, Democratic Services Officer.

Virtual Meeting: 2.00 pm - 3.00 pm

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Cllr. Jim Jones. The Chair wished Councillor Jones a speedy recovery following his recent hospitalisation.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES - 24TH JUNE 2020

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 24th June, 2020 be signed as a correct record.

4. AUDIT OF FINANCIAL STATEMENTS REPORT 2019-20

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

It was noted that the Auditor General was responsible for providing an opinion on whether the financial statements of the Dyfed Pension Fund gave a true and fair view of their financial position as at 31 March 2020 and of its income and expenditure for the year end. The Committee was advised that an unqualified audit report on the financial statements had been issued and the finalised report would be considered by the Audit Committee in due course.

UNANIMOUSLY RESOLVED that the Audit of Financial Statement Report 2019-20 (ISA260) be received.

5. BUDGET MONITORING 1 APRIL 2020 - 30 JUNE 2020

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2020/21

financial year. It was noted that the current position, as at 30 June 2020, forecasted an under-spend of £3.2m in cash terms. With regard to expenditure the net effect of Benefits Payable and Transfers Out was an under spend of £1.5m. This was mainly due to an increase of 3% built in at budget setting for pensioners, actual increase for the year to date was 1.5%. Management expenses were underspent by £420k.

With regard to income, the net effect of contributions, investment income and transfers in was an increase of £1.3m, mainly due to an increase in Investment Income of £1.5m. Overall total expenditure was estimated at £99.1m and total income estimated at £102.3m resulting in a positive cash flow position of £3.2m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April 2020 to 30th June 2020 be received.

6. CASH RECONCILIATION AS AT 30 JUNE 2020

The Committee considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund. It was noted that, as at 30 June 2020, £20.9m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

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

7. BREACHES REPORT 2020-21

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

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

The Committee noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time. No report, however, had been sent to the Pensions Regulator.

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

8. RISK REGISTER 2020-21

The Committee was advised that the Risk Register was a working document that highlights all the risks identified in relation to the functions of the Dyfed Pension Fund. This had been reviewed and there were no changes to the Risk Register presented to Committee on the 2nd March 2020. The risks would continue to be

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

UNANIMOUSLY RESOLVED to note that the risk register for 2020-2021 has been reviewed to ensure risks are identified and assessed.

9. OPERATOR UPDATE

The Committee received an update report on the Wales Pension Partnership (WPP), on the progress and milestones of the following Sub Funds together with the current fund holdings, fund launch progress and LFS corporate update and engagement.

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

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Update be received.

10. EXCLUSION OF THE PUBLIC

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

11. INDEPENDENT ADVISOR PERFORMANCE & RISK TO 30 JUNE 2020

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

The Committee received the Independent Investment Adviser Report which provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3 year periods ending 30 June 2020.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 30 June 2020 be noted.

12. SECURITIES LENDING

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 10 above, to consider this matter in private, with the public excluded from the meeting as it would involve the disclosure of exempt information relating to the financial or business affairs of any particular person (including the Authority holding that information).

The Committee considered a report provided by Northern Trust for the Wales Pension Partnership on securities lending for the period 1 April 2020 – 30 June

2020 and was recommended to approve the application of securities lending in the Global Credit Fund of the Wales Pension Partnership.

UNANIMOUSLY RESOLVED to note the securities lending report and to approve the application of securities lending in the Global Credit Fund of the Wales Pension Partnership.

13. NORTHERN TRUST PERFORMANCE REPORT 30 JUNE 2020

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

The Committee considered the Northern Trust Performance report for the Dyfed Pension Fund as at 30 June 2020, which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

UNANIMOUSLY RESOLVED that the Northern Trust Performance report for the Dyfed Pension Fund as at 30 June 2020 be received.

CHAIR

DATE

Eitem Rhif 8

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

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Mae'r dudalen hon yn wag yn fwriadol

Eitem Rhif 9

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

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Eitem Rhif 10

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

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