

**DYDD MERCHER, 18 HYDREF 2023**

**AT: HOLL AELODAU'R BWRDD PENSIWN**

YR WYF DRWY HYN YN EICH GALW I FYNYCHU CYFARFOD O'R **BWRDD PENSIWN** A GYNHELIR YN Y **SIAMBR, NEUADD Y SIR, CAERFYRDDIN, SA31 1JP AC O BELL AM 1.00 YP, DYDD MERCHER, 25 HYDREF, 2023** ER MWYN CYFLAWNI'R MATERION A AMLINELLIR AR YR AGENDA SYDD YNGHLWM

*Wendy Walters*

**PRIF WEITHREDWR**

<b>Swyddog Democraidd:</b>	<b>Janine Owen</b>
<b>Ffôn (llinell uniongyrchol):</b>	<b>01267 224030</b>
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Cyfarfod aml-leoliad yw hwn. Gall aelodau'r pwyllgor fynychu'n bersonol yn y lleoliad a nodir uchod neu o bell drwy'r ddolen Zoom a ddarperir ar wahân.	
Gellir gwyllo'r cyfarfod ar wefan y cyngor drwy'r ddolen canlynol:- <a href="https://carmarthenshire.public-i.tv/core/portal/home">https://carmarthenshire.public-i.tv/core/portal/home</a>	

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

## BWRDD PENSIWN

<b>Michael Evans</b>	<b>Cynrychiolydd Aelod</b>
<b>Richard Edwards</b>	<b>Cynrychiolydd o'r Cyflogwyr</b>
<b>Y Cyng. Alun Lenny</b>	<b>Cynrychiolydd o'r Cyflogwyr</b>
<b>John Jones</b>	<b>Cynrychiolydd Annibynnol (Cadeirydd y Panel)</b>
<b>Cllr Wyn Thomas</b>	<b>Cynrychiolydd o'r Cyflogwyr</b>
<b>Mike Rogers</b>	<b>Cynrychiolydd Aelod Pensiynwyr</b>
<b>Tommy Bowler</b>	<b>Cynrychiolydd Undeb</b>

# AGENDA

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NI DDYLID CYHOEDDI'R ADRODDIAD SY'N YMWNEUD Â'R MATERION CANLYNOL GAN EU BOD YN CYNNEWYS 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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## BWRDD PENSIWN

DYDD MERCHER 19EG GORFFENNAF 2023

**YN BRESENNOL:** Mr J. Jones [Cadeirydd]

**Aelodau'r Bwrdd:**

R. Edwards – Cynrychiolydd Cyflogwyr sy'n Aelodau

M. Evans - Cynrychiolydd Aelodau

Y Cynghorydd A. Lenny – Cynrychiolydd Cyflogwyr sy'n Aelodau

Y Cynghorydd W. Thomas – Cynrychiolydd Cyflogwyr sy'n Aelodau

**Yn bresennol fel sylwedydd:**

Y Cynghorydd D.E. Williams - Cadeirydd Pwyllgor Cronfa Bensiwn Dyfed

**Hefyd yn bresennol:**

R. Hemingway - Pennaeth y Gwasanaethau Ariannol

K. Gerard - Pensions Manager

A. Parnell - Treasury & Pension Investments Manager

M. Owens - Pension Investment Officer

A. Brown – Independent Investment Advisor

M. Evans Thomas - Principal Democratic Services Officer

M. Runeckles – Swyddog Cymorth Aelodau

A. Eynon - Cyfieithydd ar y Pryd

**Cyfarfod rhithwir: 2.30 pm - 4.13 pm**

**1. YMDDIHEURIADAU AM ABSENOLDEB**

Derbyniwyd ymddiheuriadau am absenoldeb gan Mr T. Bowler, Cynrychiolydd o'r Undeb a Mr M. Rogers, Cynrychiolydd Pensiynwyr sy'n Aelodau.

**2. DATGANIADAU O FUDDIANNAU PERSONOL**

Cynghorydd/Swyddog	Rhif y Cofnod	Y Math o Fuddiant
Mr J. Jones	4.9 - Adolygiad o'r Dyraniad Asedau Strategol	Mae'n gysylltiedig â'r cwmni sy'n cwblhau'r adolygiad.
Mr A. Brown	4.9 - Adolygiad o'r Dyraniad Asedau Strategol	Mae'n gysylltiedig â'r cwmni sy'n cwblhau'r adolygiad.

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

**3. COFNODION CYFARFOD Y BWRDD PENSIWN A GYNHALIWDYD AR 18 EBRILL 2023**

**CYTUNWYD** bod cofnodion cyfarfod y Bwrdd Pensiwn a gynhaliwyd ar 18 Ebrill 2023 yn cael eu cadarnhau fel cofnod cywir.

**4. CYFARFOD Y PWYLLGOR CRONFA BENSIWN DYFED A GYNHALIWDYD AR 26 MEHEFIN 2023**

Bu'r Bwrdd yn ystyried yr adroddiadau a gyflwynwyd i Bwyllgor Cronfa Bensiwn Dyfed i'w hystyried yn ei gyfarfod a gynhaliwyd ar 26 Mehefin, 2023, fel a ganlyn:-

**4.1. CYNLLUN ARCHWILIO MANWL 2023**

Bu'r Bwrdd yn ystyried Cynllun Archwilio Manwl Cronfa Bensiwn Dyfed a oedd yn nodi cyfrifoldebau statudol Archwilydd Cyffredinol Cymru fel archwilydd allanol y Gronfa Bensiwn. Roedd y cynllun yn nodi'r gwaith y mae ei dîm yn bwriadu ei wneud i fynd i'r afael â'r risg archwilio a nodwyd a meysydd ffocws allweddol eraill yn ystod 2023. Roedd hefyd yn nodi'r ffi archwilio amcangyfrifedig, manylion y tîm archwilio a'r dyddiadau allweddol ar gyfer cyflawni gweithgareddau'r tîm ac allbynnau arfaethedig.

**CYTUNWYD** bod yr adroddiad yn cael ei nodi.

**4.2. SEFYLLFA GYLLIDEBOL DERFYNOL 2022-2023**

Bu'r Bwrdd yn ystyried adroddiad a oedd yn nodi sefyllfa derfynol cyllideb Cronfa Bensiwn Dyfed ar gyfer 2022/23

**CYTUNWYD** bod yr adroddiad yn cael ei nodi.

**4.3. CYSONI ARIAN PAROD FEL YR OEDD AR 31 MAWRTH 2023**

Bu'r Bwrdd yn ystyried yr adroddiad Cysoni Arian Parod a oedd yn rhoi'r wybodaeth ddiweddaraf am sefyllfa ariannol Cronfa Bensiwn Dyfed fel yr oedd ar 31 Mawrth 2023.

**CYTUNWYD** bod yr adroddiad yn cael ei nodi.

**4.4. ADRODDIAD GWEINYDDU PENSIYNAU**

Bu'r Bwrdd yn ystyried adroddiad a oedd yn rhoi'r wybodaeth ddiweddaraf am gynnydd nifer o brosiectau sy'n cael eu cynnal, ynghyd â gwybodaeth am faterion perthnasol wrth weinyddu buddion y cynllun.

**CYTUNWYD** bod yr Adroddiad Gweinyddu Pensiynau mewn perthynas â Chronfa Bensiwn Dyfed yn cael ei nodi.

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

#### **4.5. ADRODDIAD TORRI AMODAU**

Bu'r Bwrdd yn ystyried yr Adroddiad Torri Amodau mewn perthynas â Chronfa Bensiwn Dyfed. Nodwyd bod Adran 70 o Ddeddf Pensiynau 2004 yn pennu'r ddyletswydd gyfreithiol i roi gwybod am achosion o dorri'r gyfraith. Cymeradwywyd Polisi Torri Amodau Cronfa Bensiwn Dyfed gan Bwyllgor Cronfa Bensiwn Dyfed ym mis Mawrth 2016 ac o dan y polisi, mae'n ofynnol rhoi gwybod am achosion o dorri'r gyfraith i'r Rheoleiddiwr Pensiynau.

Ers cyfarfod diwethaf Pwyllgor y Gronfa Bensiwn bu ychydig achosion lle nad oedd cyfraniadau gweithwyr/cyflogwr wedi'u derbyn ar amser. Rhoddwyd gwybod am y mater hwn i'r Rheoleiddiwr Pensiynau.

**CYTUNWYD bod yr Adroddiad Torri Amodau mewn perthynas â Chronfa Bensiwn Dyfed yn cael ei nodi.**

#### **4.6. COFRESTRY RISG**

Rhoddwyd gwybod i'r Bwrdd fod y Gofrestr Risg yn ddogfen waith sy'n tynnu sylw at yr holl risgiau a nodwyd mewn perthynas â swyddogaethau Cronfa Bensiwn Dyfed. Mae'r gofrestr risg yn cael ei monitro a'i hadolygu'n rheolaidd ac mae risgiau'n cael eu nodi fel rhai gweithredol a strategol. Dywedwyd nad oedd unrhyw newidiadau ers cyfarfod blaenorol y pwyllgor.

**CYTUNWYD bod y wybodaeth ddiweddaraf am y gofrestr risg yn cael ei nodi.**

#### **4.7. PARTNERIAETH PENSIWN CYMRU (PPC)**

Bu'r Bwrdd yn ystyried y wybodaeth ddiweddaraf am weithgareddau a chynnydd Partneriaeth Pensiwn Cymru gan gynnwys gwaith sydd wedi'i gwblhau ers cyfarfod diwethaf y Cyd-bwyllgor Llywodraethu a chymau nesaf/blaenoriaethau Partneriaeth Pensiwn Cymru.

**CYTUNWYD bod adroddiad diweddarau Partneriaeth Pensiwn Cymru yn cael ei nodi.**

#### **4.8. CYNLLUN HYFFORDDI 2023-2024**

Bu'r Bwrdd yn ystyried Cynllun Hyfforddi Cronfa Bensiwn Dyfed ar gyfer 2023/24, a oedd yn darparu manylion am gyfarfodydd, digwyddiadau hyfforddi a'r aelodau a'r swyddogion y rhagwelwyd y byddent yn mynychu'r digwyddiadau hynny.

**CYTUNWYD bod Cynllun Hyfforddi Cronfa Bensiwn Dyfed ar gyfer 2023/24 yn cael ei nodi.**

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

#### **4.9. ADOLYGIAD O'R DYRANIAD ASED AU STRATEGOL**

[NODER:

[1] Gan eu bod wedi datgan buddiant yn y mater hwn yn gynharach, gadawodd Mr J. Jones a Mr A. Brown y cyfarfod cyn i'r Pwyllgor ystyried y mater a phenderfynu arno.

[2] Yn absenoldeb y Cadeirydd, etholwyd Mr Mike Evans i gadeirio'r cyfarfod tra oedd yr eitem hon yn cael ei hystyried.]

Bu'r Bwrdd yn ystyried adroddiad a oedd yn rhoi manylion am yr Adolygiad o'r Dyraniad Asedau Strategol a fydd yn archwilio Dyraniad Asedau Strategol cyffredinol y portffolio buddsoddi ac yn rhoi argymhellion ynghylch lle y gellir gweithredu'r portffolio mor effeithiol â phosibl i gyflawni amcanion a gofynion y Gronfa.

**CYTUNWYD bod yr Adolygiad o'r Dyraniad Asedau Strategol yn cael ei nodi.**

#### **4.10. DADANSODDIAD DWYSEDD CARBON**

Bu'r Bwrdd yn ystyried yr adroddiad Dadansoddi Dwyster Carbon a oedd yn rhoi diweddariad ynghylch y gweithgarwch a'r cynnydd o ran sefyllfa Ôl Troed Carbon y Gronfa.

Dangosodd y diweddariad y Cyfartaledd Pwysedig o ran Dwyster Carbon (WACI) ar gyfer portffolio ecwiti'r Gronfa a dangosodd fod y Gronfa wedi lleihau ei hól troed carbon o waelodlin o 147 WACI ym mis Medi 2020 i 102 WACI ym mis Mawrth 2023.

**CYTUNWYD bod yr adroddiad Dadansoddi Dwyster Carbon yn cael ei nodi.**

#### **4.11. COFNODION DRAFFT CYFARFOD Y PWYLLGOR CRONFA BENSIWN DYFED A GYNHALIWDYD AR 26 MEHEFIN 2023**

**CYTUNWYD bod cofnodion drafft cyfarfod Pwyllgor Cronfa Bensiwn Dyfed a gynhaliwyd ar 26 Mehefin 2023 yn cael eu nodi.**

### **5. CYNLLUN GWAITH Y BWRDD PENSIWN 2023**

Bu'r Bwrdd yn ystyried Cynllun Gwaith y Bwrdd Pensiwn ar gyfer 2023 a oedd yn amlinellu gwaith y Bwrdd Pensiwn drwy gydol 2023 a'r eitemau i'w cyflwyno ym mhob cyfarfod.

**CYTUNWYD bod Cynllun Gwaith y Bwrdd Pensiwn ar gyfer 2023 yn cael ei nodi.**

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf



**6. MONITRO CYLLIDEB Y BWRDD PENSIWN 1 EBRILL 2023 - 30 MEHEFIN 2023**

Bu'r Bwrdd yn ystyried adroddiad Monitro Cyllideb y Bwrdd Pensiwn fel yr oedd ar 30 Mehefin 2023. Cyfanswm y gwariant gwirioneddol oedd £9.6k. Rhagwelwyd y byddai'r gwariant ar gyfer y flwyddyn yn cyd-fynd â'r gyllideb.

**CYTUNWYD** bod yr adroddiad yn cael ei nodi.

**7. GORCHYMYN I'R CYHOEDD ADAEL Y CYFARFOD**

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

**8. ADRODDIAD PERFFORMIAD A RISG YMGYNGHORYDD BUDDSODDI ANNIBYNNOL 31 MAWRTH 2023**

**Yn sgil gweithredu'r prawf budd y cyhoedd PENDERFYNWYD YN UNFRYDOL**, yn unol â'r Ddeddf y cyfeiriwyd ati yng nghofnod rhif 7 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 cael effaith andwyol ar y Gronfa Bensiwn drwy beryglu perfformiad buddsoddi.

Bu'r Pwyllgor yn ystyried yr Adroddiad Perfformiad a Risg gan yr Ymgynghorydd Buddsoddi Annibynnol, a oedd yn rhoi manylion mewn perthynas â pherfformiad y Rheolwr Buddsoddi ar gyfer pob chwarter, pob 12 mis a chyfnodau treigl o 3 blynedd, gan ddod i ben ar 31 Mawrth 2023. Roedd yr adroddiad hefyd yn cynnwys cefndir y farchnad fyd-eang a materion i'w hystyried.

**CYTUNWYD** bod yr adroddiad Perfformiad a Risg gan yr Ymgynghorydd Annibynnol fel yr oedd ar 31 Mawrth, 2023 yn cael ei nodi.

**9. ADRODDIAD PERFFORMIAD NORTHERN TRUST 31 MAWRTH 2023**

**Yn sgil gweithredu'r prawf budd y cyhoedd PENDERFYNWYD YN UNFRYDOL**, yn unol â'r Ddeddf y cyfeiriwyd ati yng nghofnod rhif 7 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 cael effaith andwyol ar y Gronfa Bensiwn drwy beryglu perfformiad buddsoddi.

Bu'r Bwrdd yn ystyried adroddiad Perfformiad Northern Trust a oedd yn nodi perfformiad Cronfa Bensiwn Dyfed fel yr oedd ar 31 Mawrth, 2023. Roedd yr adroddiad yn darparu dadansoddiad perfformiad ar lefel cronfa gyfan a chan y Rheolwr Buddsoddi am y cyfnodau hyd at y cychwyn.

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

**CYTUNWYD** bod adroddiad Perfformiad Northern Trust ar gyfer Cronfa Bensiwn Dyfed fel yr oedd ar 31 Mawrth 2023 yn cael ei nodi.

**10. ADRODDIADAU'R RHEOLWR BUDDSODDI AR 31 MAWRTH 2023**

Yn sgil gweithredu'r prawf budd y cyhoedd **PENDERFYNWYD YN UNFRYDOL**, yn unol â'r Ddeddf y cyfeiriwyd ati yng nghofnod rhif 7 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 cael effaith andwyol ar y Gronfa Bensiwn drwy beryglu perfformiad buddsoddi.

Bu'r Bwrdd yn ystyried adroddiad a oedd yn rhoi'r wybodaeth ddiweddaraf am berfformiad y Rheolwr Buddsoddi fel yr oedd ar 31 Mawrth, 2023.

**CYTUNWYD** bod adroddiadau'r Rheolwr Buddsoddi ar gyfer Cronfa Bensiwn Dyfed yn cael eu nodi.

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**CADEIRYDD**

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**DYDDIAD**

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

**BWRDD PENSIYNAU CRONFA BENSIWN DYFED  
25 HYDREF 2023**

**CYFARFOD PWYLLGOR CRONFA BENSIWN DYFED  
28 MEDI 2023**

**Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**

Y Bwrdd Pensiwn i nodi a rhoi sylwadau ar a cyfarfod pwyllgor Cronfa Bensiwn Dyfed ar 28 Medi 2023.

**Y Rhesymau:**

I gynghori'r Bwrdd Pensiwn am y cyfarfod a gynhaliwyd gan bwyllgor Cronfa Bensiwn Dyfed ar 28 Medi 2023.

Angen i'r Cabinet wneud penderfyniad Amherthnasol

Angen i'r Cyngor wneud penderfyniad Amherthnasol

YR AELOD O'R CABINET SY'N GYFRIFOL AM Y PORTFFOLIO:- Amherthnasol

**Y Gyfarwyddiaeth:**

Gwasanaethau Corfforaethol

**Enw'r Gyfarwyddwr:**

Chris Moore

**Awdur yr Adroddiad:**

Chris Moore

**Swyddi:**

Cyfarwyddwr Gwasanaethau  
Corfforaethol,  
Cyngor Sir Gâr

**Rhifau ffôn:**

01267 224120

**Cyfeiriadau E-bost:**

CMoore@sirgar.gov.uk

**EXECUTIVE SUMMARY  
DYFED PENSION FUND PENSION BOARD  
25<sup>TH</sup> OCTOBER 2023**

**DYFED PENSION FUND COMMITTEE MEETING  
28 SEPTEMBER 2023**

A Pension Fund Committee meeting was held on 28 September 2023 and the following agenda items were considered and approved:

- Pre-Audit statement of accounts 2022-23
- Budget monitoring 1 April 2023 -30 June 2023
- Cash Reconciliation as at 30 June 2023
- Pensions Administration Report
- Breaches Report
- Risk Register
- Wales Pension Partnership – JGC & operator updates
- Training Plan 2023-24
- Strategic Asset Allocation (SAA) Review 2023

The draft minutes of the Pension Fund Committee meeting on 28 September 2023 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
<b>YES</b>	<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>

### Policy

**Strategic Asset Allocation** - The findings of the review will have an impact on the Investment Strategy Statement (ISS) which will require updating if the recommendations of the review are approved.

### Finance

**Pre-Audit statement of accounts-** The fund account and Net Asset Statement for the Dyfed Pension Fund at the 31 March 2023 was £3,143m.

**Budget monitoring-** Overall, the Fund needs to maintain a positive cash flow balance to meet its obligations. The cash flow projection was positive by £0.9m as at 30 June 2023.

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

**Strategic Asset Allocation-** A key consideration of the SAA is to ensure that the Fund generates sufficient usable income from investments to meet obligations without having to resort to forced asset sales.

### Risk Management

**Risk Register** - The register is used to identify any risks relating to the functions of the Dyfed Pension Fund and highlights what measures are in place to mitigate these risks. Failure to manage the risks correctly could result in the Fund not meeting its objectives.

**Strategic Asset Allocation-** Option 1A maintains similar levels of expected return to the current SAA, while reducing the concentration of equity risk.

# 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 request for pre-determination

N/A

2. Local Member(s) N/A

3. Community / Town Council N/A

4. Relevant Partners N/A

5. Staff Side Representatives and other Organisations N/A

CABINET MEMBER PORTFOLIO  
HOLDER(S) AWARE/CONSULTED

N/A

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

THERE ARE NONE

## EXECUTIVE SUMMARY

### Pre-Audit Statement of Account 2022-23

The Dyfed Pension Fund accounts provide information about the financial position, performance and financial adaptability of the Fund for the year 2022-23. 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

Mae'r dudalen hon yn wag yn fwriadol



## PRE-AUDIT DYFED PENSION FUND STATEMENT OF ACCOUNTS 2022-23

### 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 2022-23. 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 2022-23 (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.

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; and
- 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; and
- Complied with the Code

## Certification of Accounts

I certify that the Statement of Accounts on pages 3 to 37 gives a true and fair view of the financial position of the Dyfed Pension Fund at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.



Chris Moore FCCA  
Director of Corporate Services

Dated:

14/09/23

## Fund Account for the Year Ended 31 March 2023

2021-22 £'000		<u>Note</u>	2022-23 £'000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
	Contributions		
	Employer		
68,144	Normal		74,089
5,397	Augmentation		4,805
(7,373)	Past Service Deficit/(Surplus)		(7,663)
	Member		
22,519	Normal		24,489
328	Additional voluntary		197
4,196	Transfers in from other pension funds	6	4,999
93,211			100,916
	Benefits payable		
(77,001)	Pensions payable		(81,118)
(14,174)	Commutation and lump sum retirement benefits		(15,635)
(1,227)	Lump sum death benefits		(2,670)
(3,534)	Payments to and on account of leavers	7	(4,530)
(95,936)			(103,953)
<b>(2,725)</b>	<b>Net Additions (Withdrawals) from dealings with Members</b>		<b>(3,037)</b>
(14,411)	Management Expenses	8	(13,567)
<b>(17,136)</b>	<b>Net Additions (Withdrawals) including fund management expenses</b>		<b>(16,604)</b>
	<b>Returns on Investments</b>		
32,138	Investment Income	9	27,472
(2)	Taxes on Income (Irrecoverable Withholding Tax)	10	0
	Changes in the market value of investments		
122,786	Unrealised	11.2	(106,241)
55,269	Realised	11.3	(4,696)
<b>210,191</b>	<b>Net Return on Investments</b>		<b>(83,465)</b>
<b>193,055</b>	<b>Net Increase (Decrease) in the net assets available for benefits during the year</b>		<b>(100,069)</b>
3,049,549	Opening Net Assets of Scheme		3,242,604
<b>3,242,604</b>	<b>Closing Net Assets of Scheme</b>		<b>3,142,535</b>

## Net Assets Statement for the year ended 31 March 2023

31/03/22 £'000		<u>Note</u>	31/03/23 £'000
3,211,708	Investment Assets		3,109,619
24,969	Cash deposits		27,061
0	Investment liabilities		0
<u>3,236,677</u>		11.1	<u>3,136,680</u>
9,323	Current assets	15	11,224
(3,396)	Current liabilities	16	(5,369)
<u>5,927</u>	Net Current Assets/(Liabilities)		<u>5,855</u>
<u><b>3,242,604</b></u>	<b>Total Net Assets</b>		<u><b>3,142,535</b></u>

## Reconciliation of the movement in Fund Net Assets

2021-22 £'000		2022-23 £'000
3,049,549	Opening Net Assets	3,242,604
15,000	Net New Money Invested	10,868
178,055	Profit and losses on disposal of investments and changes in the market value of investments	(110,937)
<u><b>3,242,604</b></u>	<b>Closing Net Assets of Fund</b>	<u><b>3,142,535</b></u>

## Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2023

### 1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and the administering authority (the Authority) is Carmarthenshire County Council.

#### 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 benefit 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

Members of the LGPS are automatically enrolled and are free to choose whether to 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 69 employer organisations within the Dyfed Pension Fund as at 31 March 2023 and these are detailed in Note 20. The membership details of these organisations are summarised below:

<b>31/03/22</b>		<b>31/03/23</b>
18,643	Number of active contributors in the Fund	19,355
15,342	Number of pensioners	16,009
16,214	Number of deferred pensioners	16,373
<u>2,536</u>	Number of undecided leavers	<u>2,818</u>
<b><u>52,735</u></b>	<b>Total membership</b>	<b><u>54,555</u></b>
49	Number of employers with active members	50

These figures reflect the recorded position as at 31 March 2023 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 2023. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2019. Currently, employer contribution rates range from 9.5% to 46.2% of pensionable pay as detailed in Note 20.

### 1.4 Benefits

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

	<b>Service pre 1 April 2008</b>	<b>Service 31 March 2008 - 31 March 2014</b>
<b>Pension</b>	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
<b>Lump Sum</b>	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 1<sup>st</sup> 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 1/49<sup>th</sup>. 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](http://www.dyfedpensionfund.org.uk)

## 2 **Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2022-23 financial year and its position at year end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 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 Authority 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 £0.36m in 2022-23 (2021-22: Fee was £0.26m).

The costs of the Authority's pension investments team are charged direct to the fund and a proportion of the Authority's costs representing management time spent by officers on investment management is also charged to the fund. The Authority charged the Pension Fund an amount of £1.2m (£1.1m in 2021-22) in respect of administration and support during 2022-23.



## 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, 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 17.

## **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 2023 was £48.2m (31st March 2022: £46.3m).

## 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 Authority 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 2023 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.	The total Limited Partnership property investments are £48.2m. There is a risk that this investment may be under or overstated in the accounts.
Alternatives – Strategic Alternative Income Fund (SAIF)	The SAIF investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total SAIF investment is £124.1m. There is a risk that this investment may be under or overstated in the accounts.

## 6 Transfers in from other pension funds

2021-22		2022-23
£'000		£'000
0	Group transfers in from other schemes and scheme mergers	0
4,196	Individual transfers in from other schemes	4,999
<u>4,196</u>		<u>4,999</u>

## 7 Payments to and on account of Leavers

2021-22		2022-23
£'000		£'000
(203)	Refunds to members leaving service	(273)
3	Payments for members joining state scheme	1
0	Group transfers	0
(3,334)	Individual transfers	(4,258)
<u>(3,534)</u>		<u>(4,530)</u>

## 8 Management Expenses

2021-22		2022-23
£'000		£'000
(1,409)	Administrative costs	(1,546)
(12,435)	Investment management expenses	(11,271)
(567)	Oversight and governance costs	(750)
<u>(14,411)</u>		<u>(13,567)</u>

2022-23 Audit fees of £36,113 (2021-22: £31,465) are included within Oversight and governance costs.

## 8.1 Investment Management Expenses

2022-23	£'000	£'000	£'000	£'000
	Total	Management Fees	Performance Related Fees	Transaction Costs
Pooled Investments	7,103	5,194	360	1,549
Pooled Property Investments	4,129	1,365	0	2,764
	<b>11,232</b>	<b>6,559</b>	<b>360</b>	<b>4,313</b>
Custody Fees	39			
Total	<b>11,271</b>			

2021-22	£'000	£'000	£'000	£'000
	Total	Management Fees	Performance Related Fees	Transaction Costs
Pooled Investments	7,787	5,604	262	1,921
Pooled Property Investments	4,609	1,380	0	3,229
	<b>12,396</b>	<b>6,984</b>	<b>262</b>	<b>5,150</b>
Custody Fees	39			
Total	<b>12,435</b>			

## 9 Investment Income

2021-22		2022-23
£'000		£'000
20,076	Income from pooled investments*	16,386
12,076	Income from pooled property investments	10,932
(14)	Interest on cash deposits	154
<b>32,138</b>		<b>27,472</b>

\*A stock dividend accumulation took place during 2022-23 for the WPP Global Growth Fund. From May 2022 income of £9.33m was retained in its market value price and will be reflected as income in the 2023-24 accounts.

## 10 Taxation

2021-22		2022-23
£'000		£'000
(2)	Withholding tax - equities	(0)
<b>(2)</b>		<b>(0)</b>

## 11 Investments

### 11.1 Net investment assets

<b>Fair value 31/03/2022 £'000</b>		<b>Fair value 31/03/2023 £'000</b>
	<b><u>Investment assets</u></b>	
	<b>Pooled Investments</b>	
570,137	UK Equities	562,035
987,519	Global Equities	978,714
85,436	European Equities	91,957
109,595	Japanese Equities	113,904
271,323	Emerging Markets Equities	282,817
324,448	ACS World Low Carbon Equity Tracker Fund	311,069
247,621	Fixed Income	226,700
31,515	Index Linked	10,781
120,559	Alternatives	124,097
<b>2,748,153</b>		<b>2,702,074</b>
	<b>Other Investments</b>	
461,700	Pooled Property Investments	407,472
<b>461,700</b>		<b>407,472</b>
24,969	<b>Cash deposits</b>	27,061
1,855	<b>Investment income due</b>	73
0	<b>Amounts receivable for sales</b>	0
<b>26,824</b>		<b>27,134</b>
<b>3,236,677</b>	<b>Total investment assets</b>	<b>3,136,680</b>
<b>3,236,677</b>	<b>Net investment assets</b>	<b>3,136,680</b>

## 11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £96m whilst sales totalled £81m. Purchase and sales costs are included in the purchase price and sales proceeds of the investment.

	Fair Value 31/03/2022 £'000	Purchases £'000	Sales £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair Value 31/03/2023 £'000
Pooled investments	2,748,153	72,012	(58,206)	(5,672)	0	(54,213)	2,702,074
Pooled property investments	461,700	24,166	(22,945)	(3,421)	0	(52,028)	407,472
	<b>3,209,853</b>	<b>96,178</b>	<b>(81,151)</b>	<b>(9,093)</b>	<b>0</b>	<b>(106,241)</b>	<b>3,109,546</b>
<b>Other investment balances</b>							
Cash deposits	24,969	0	0	0	2,092	0	27,061
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	1,798	0	0	0	(1,786)	0	12
Tax reclaims due	57	0	0	0	4	0	61
Amounts payable for purchases investments	0	0	0	0	0	0	0
	<b>3,236,677</b>	<b>96,178</b>	<b>(81,151)</b>	<b>(9,093)</b>	<b>310</b>	<b>(106,241)</b>	<b>3,136,680</b>

	Fair value 31/03/2021 £'000	Purchases £'000	Sales £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2022 £'000
Pooled investments	2,691,278	126,369	(122,483)	(6,474)	0	59,463	2,748,153
Pooled property investments	338,043	93,102	(28,818)	(3,950)	0	63,323	461,700
	<b>3,029,321</b>	<b>219,471</b>	<b>(151,301)</b>	<b>(10,424)</b>	<b>0</b>	<b>122,786</b>	<b>3,209,853</b>
<b>Other investment balances</b>							
Cash deposits	11,376	0	0	0	13,593	0	24,969
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	477	0	0	0	1,321	0	1,798
Tax reclaims due	70	0	0	0	(13)	0	57
Amounts payable for purchases investments	0	0	0	0	0	0	0
	<b>3,041,244</b>	<b>219,471</b>	<b>(151,301)</b>	<b>(10,424)</b>	<b>14,901</b>	<b>122,786</b>	<b>3,236,677</b>

### 11.3 Realised gains and losses

2021-22		2022-23	
£'000		£'000	
53,587	Pooled investments	(868)	
1,682	Pooled property investments	(3,828)	
<b>55,269</b>		<b>(4,696)</b>	

### 11.4 Geographical analysis of investments

Fair value	Geographical analysis	Fair value
31/03/22		31/03/23
£'000		£'000
1,325,649	UK	1,238,321
288,453	Europe (excl UK)	355,774
964,677	North America	889,270
180,612	Japan	175,597
45,484	Pacific Rim	41,412
318,344	Emerging Markets	318,552
53,781	International pooled funds	50,424
59,677	EMEA (Europe, Middle East & Africa)	67,330
<b>3,236,677</b>		<b>3,136,680</b>

### 11.5 Fund manager analysis

Market value	Fund manager analysis	Market value		
31/03/22		31/03/23		
£'000	%	£'000		
1,235,140	38.2	Wales Pension Partnership	38.4	1,205,414
<b>1,235,140</b>	<b>38.2</b>		<b>38.4</b>	<b>1,205,414</b>
1,514,713	46.8	BlackRock	48.0	1,503,729
440,490	13.6	Schroders	12.1	379,305
46,334	1.4	Partners Group	1.5	48,232
<b>2,001,537</b>	<b>61.8</b>		<b>61.6</b>	<b>1,931,266</b>
<b>3,236,677</b>	<b>100</b>		<b>100.0</b>	<b>3,136,680</b>



## 11.6 Wales Pension Partnership (WPP)

Included in Management Expenses (Table 8) is the cost of our involvement in the Wales Pension Partnership (WPP). 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 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). The underlying manager fees of £161k (2021-22: £179k) for the Global Credit Fund are not included in this table.

Wales Pension Partnership costs included in the Dyfed Pension Fund accounts for 2022-23 are below:

<b>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
	<b>WPP oversight and governance costs</b>	
135	Running Costs	158
	<b>WPP Investment Management expenses</b>	
3,926	Fund Manager fees	3,731
227	Transaction costs	241
184	Custody Fees	172
<u>4,472</u>		<u>4,302</u>

## 12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31st March 2023 and 31st March 2022:

	<b>Value as at 31/03/2023</b>	<b>Proportion of Investment Portfolio</b>
	<b>£'000</b>	<b>%</b>
Wales Pension Partnership Global Growth Fund	978,714	31.20
BlackRock Aquila Life UK Equity Index Fund	562,033	17.92
BlackRock ACS World Low Carbon Tracker Fund	311,069	9.92
BlackRock iShares Emerging Markets Index Fund	282,817	9.02
Wales Pension Partnership Global Credit Fund	226,700	7.23
	<b>Value as at 31/03/2022</b>	<b>Proportion of Investment Portfolio</b>
	<b>£'000</b>	<b>%</b>
Wales Pension Partnership Global Growth Fund	987,519	30.51
BlackRock Aquila Life UK Equity Index Fund	570,136	17.61
BlackRock ACS World Low Carbon Tracker Fund	324,448	10.02
BlackRock iShares Emerging Markets Index Fund	271,323	8.38
Wales Pension Partnership Global Credit Fund	247,621	7.65

## 13 Financial Instruments

### 13.1 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.

2021-22				2022-23			
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
2,748,153	0	0	2,748,153	2,702,074	0	0	2,702,074
461,700	0	0	461,700	407,472	0	0	407,472
0	29,447	0	29,447	0	33,706	0	33,706
1,855	0	0	1,855	73	0	0	73
0	4,845	0	4,845	0	4,579	0	4,579
<b>3,211,708</b>	<b>34,292</b>	<b>0</b>	<b>3,246,000</b>	<b>3,109,619</b>	<b>38,285</b>	<b>0</b>	<b>3,147,904</b>
0	0	0	0	0	0	0	0
0	0	(3,396)	(3,396)	0	0	(5,369)	(5,369)
0	0	(3,396)	(3,396)	0	0	(5,369)	(5,369)
<b>3,211,708</b>	<b>34,292</b>	<b>(3,396)</b>	<b>3,242,604</b>	<b>3,109,619</b>	<b>38,285</b>	<b>(5,369)</b>	<b>3,142,535</b>

### 13.2 Net gains and losses on financial instruments

2021-22 £'000		2022-23 £'000
	<b>Financial assets</b>	
178,055	Fair value through profit and loss	(110,937)
<b>178,055</b>	<b>Total financial assets</b>	<b>(110,937)</b>
	<b>Financial liabilities</b>	
<b>0</b>	<b>Total financial liabilities</b>	<b>0</b>
<b>178,055</b>	<b>Total</b>	<b>(110,937)</b>

### 13.3 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 31/03/22 £'000	Fair value 31/03/22 £'000		Carrying value 31/03/23 £'000	Fair value 31/03/23 £'000
<b>Financial assets</b>				
2,552,697	3,211,708	Fair value through profit and loss	2,565,943	3,109,619
34,292	34,292	Loans and receivables	38,285	38,285
<b>2,586,989</b>	<b>3,246,000</b>	<b>Total financial assets</b>	<b>2,604,228</b>	<b>3,147,904</b>
<b>Financial liabilities</b>				
0	0	Fair value through profit and loss	0	0
(3,396)	(3,396)	Financial liabilities at amortised cost	(5,369)	(5,369)
<b>(3,396)</b>	<b>(3,396)</b>	<b>Total financial liabilities</b>	<b>(5,369)</b>	<b>(5,369)</b>
<b>2,583,593</b>	<b>3,242,604</b>	<b>Total</b>	<b>2,598,859</b>	<b>3,142,535</b>

### 13.4 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.

13.5 Fair value – Basis of valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash and Cash Equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled property investments:	Level 1	Unit trust. Uses the bid market price on the final day of the accounting period.	Not required	Not required
Pooled investments: equity funds	Level 2	The 'NAV' (net asset value) calculation is based on the market value of the underlying assets	Evaluated price feeds	Not required
Pooled investments: fixed income funds	Level 2	The NAV calculation is based on the market value of the underlying fixed income securities	Evaluated price feeds	Not required
Pooled property funds	Level 2	The 'NAV' (net asset value) calculation is based on the market value of the underlying assets	Evaluated price feeds	Not required
Pooled property funds	Level 3	Fair value is ascertained from periodic valuations provided by those controlling the partnership	Unobservable inputs-price depends on information not publicly available	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Pooled investments: alternatives	Level 3	Fair value is ascertained from periodic valuations provided by asset's fund manager	Unobservable inputs-the fund is exposed to security and other assets that will not have readily assessable market values	Valuations may rely on internal and external pricing models. May also be affected by changes in accounting standard, policies or practices

13.5 (continued from previous page)

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	Total
Fair values at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	330	2,650,746	458,543	3,109,619
Loans and receivables	38,285	0	0	38,285
<b>Total financial assets</b>	<b>38,615</b>	<b>2,650,746</b>	<b>458,543</b>	<b>3,147,904</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(5,369)	0	0	(5,369)
<b>Total financial liabilities</b>	<b>(5,369)</b>	<b>0</b>	<b>0</b>	<b>(5,369)</b>
<b>Net financial assets</b>	<b>33,246</b>	<b>2,650,746</b>	<b>458,543</b>	<b>3,142,535</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Fair values at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	2,123	2,627,595	581,990	3,211,708
Loans and receivables	34,292	0	0	34,292
<b>Total financial assets</b>	<b>36,415</b>	<b>2,627,595</b>	<b>581,990</b>	<b>3,246,000</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(3,396)	0	0	(3,396)
<b>Total financial liabilities</b>	<b>(3,396)</b>	<b>0</b>	<b>0</b>	<b>(3,396)</b>
<b>Net financial assets</b>	<b>33,019</b>	<b>2,627,595</b>	<b>581,990</b>	<b>3,242,604</b>

### 13.6 Reconciliation of fair value measurements within level 3

#### 2022-23

Asset Type	Market Value 01 April 2022 £'000	Transfers out of Level 3* £'000	Purchases £'000	Sales £'000	Unrealised Gains / (Losses) £'000	Realised Gains / (Losses) £'000	Market Value 31 March 2023 £'000
Alternatives	120,559	0	12,086	0	(8,548)	0	124,097
Property	461,431	(89,911)	24,166	(12,337)	(44,311)	(4,593)	334,445
<b>Total</b>	<b>581,990</b>	<b>(89,911)</b>	<b>36,252</b>	<b>(12,337)</b>	<b>(52,859)</b>	<b>(4,593)</b>	<b>458,542</b>

\*The transfers out of Level 3 for Property were due to the reclassification of two funds by the investment manager during 2022-23.

#### 2021-22

Asset Type	Market Value 01 April 2021 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	Unrealised Gains / (Losses) £'000	Realised Gains / (Losses) £'000	Market Value 31 March 2022 £'000
Alternatives	84,314	0	34,132	0	2,113	0	120,559
Property	328,585	0	93,102	(19,524)	57,097	2,171	461,431
<b>Total</b>	<b>412,899</b>	<b>0</b>	<b>127,234</b>	<b>(19,524)</b>	<b>59,210</b>	<b>2,171</b>	<b>581,990</b>

### 13.7 Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2022-23.

## 14 **Nature and extent of risks arising from financial instruments**

### 14.1 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.dvfpensionfund.org.uk](http://www.dvfpensionfund.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.

## 14.2 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

## 14.3 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.

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.

## 14.4 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:

<b>Asset Type</b>	<b>Potential market movements (+/-)</b>
Equity	12.50%
Bonds	7.10%
Alternatives	5.30%
Property	5.30%
Cash	0.90%

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	Change	Value on	Value on
	31 March		Increase	Decrease
	2023	%	£'000	£'000
Cash	27,061	0.90%	27,305	26,818
UK Equities	562,035	12.50%	632,290	491,781
Overseas Equities	799,747	12.50%	899,715	699,778
Global Pooled Equities inc UK	978,714	12.50%	1,101,053	856,375
Alternatives	124,097	5.30%	130,674	117,520
Bonds	237,481	7.10%	254,342	220,620
Property	407,472	5.30%	429,068	385,876
Sales receivable	0	0.00%	0	0
Purchases payable	0	0.00%	0	0
Income receivables	73	0.00%	73	73
<b>Total Assets</b>	<b>3,136,680</b>		<b>3,474,520</b>	<b>2,798,841</b>

Asset Type	Value as at	Change	Value on	Value on
	31 March		Increase	Decrease
	2022	%	£'000	£'000
Cash	24,969	1.10%	25,244	24,694
UK Equities	570,137	14.40%	652,237	488,037
Overseas Equities	790,802	14.40%	904,677	676,926
Global Pooled Equities inc UK	987,519	14.40%	1,129,721	845,316
Alternatives	120,559	6.70%	128,636	112,481
Bonds	279,136	6.50%	297,280	260,992
Property	461,700	3.70%	478,782	444,617
Amounts receivables for sales	0	0.00%	0	0
Amounts payable for purchases	0	0.00%	0	0
Income receivables	1,855	0.00%	1,855	1,855
<b>Total Assets</b>	<b>3,236,677</b>		<b>3,618,432</b>	<b>2,854,918</b>

#### 14.4.1 Sensitivity of assets valued at level 3

Asset Type	Value as at 31	Change	Value on	Value on
	March 2023		Increase	Decrease
	£'000	%	£'000	£'000
Alternatives	124,097	5.30%	130,674	117,520
Pooled Property	334,445	5.30%	352,170	316,719
<b>Total Level 3 Assets</b>	<b>458,542</b>		<b>482,844</b>	<b>434,239</b>



#### 14.5 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 2022 and 31 March 2023 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

<b>31/03/22</b>	<b>Asset type</b>	<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
24,969	Cash and cash equivalents	27,061
4,478	Cash held at CCC	6,645
279,137	Bonds	237,481
<b>308,584</b>	<b>Total</b>	<b>271,187</b>

#### 14.6 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:

<b>Asset type</b>	<b>Value as at 31/03/23 £'000</b>	<b>Change in year in the net assets available to pay benefits</b>	
		<b>+1%</b>	<b>-1%</b>
		<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	27,061	271	(271)
Cash held at CCC	6,645	66	(66)
Bonds	237,481	2,375	(2,375)
<b>Total change in available assets</b>	<b>271,187</b>	<b>2,712</b>	<b>(2,712)</b>

<b>Asset type</b>	<b>Value as at 31/03/22 £'000</b>	<b>Change in year in the net assets available to pay benefits</b>	
		<b>+1%</b>	<b>-1%</b>
		<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	24,969	250	(250)
Cash held at CCC	4,478	45	(45)
Bonds	279,137	2,791	(2,791)
<b>Total change in available assets</b>	<b>308,584</b>	<b>3,086</b>	<b>(3,086)</b>

#### 14.7 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.

#### 14.8 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 2022 and as at 31 March 2023:

<b>Fair value</b>		<b>Fair value</b>
<b>31/03/22</b>	<b>Asset type</b>	<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
1,876,457	Overseas pooled investments	1,861,920
34,572	Overseas pooled property investments	36,431
0	Cash	9
<b>1,911,029</b>	<b>Total overseas assets</b>	<b>1,898,360</b>

#### 14.9 Currency risk sensitivity analysis

The aggregate currency risk within the Fund as at 31 March 2023 was 6.8% (2021-22: 6.1%).

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

A 6.8% 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:

<b>Asset type</b>	<b>Fair value</b>	<b>Change in year in the net assets</b>	
		<b>available to pay benefits</b>	
	<b>31/03/23</b>	<b>+6.8%</b>	<b>-6.8%</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overseas pooled investments	1,861,920	126,611	(126,611)
Overseas pooled property investments	36,431	2,477	(2,477)
Cash	9	1	(1)
<b>Total change in available assets</b>	<b>1,898,360</b>	<b>129,089</b>	<b>(129,089)</b>

Asset type	Fair value 31/03/22	Change in year in the net assets available to pay benefits	
		+6.1%	-6.1%
	£'000	£'000	£'000
Overseas pooled investments	1,876,457	114,464	(114,464)
Overseas pooled property investments	34,572	2,109	(2,109)
Cash	0	0	0
<b>Total change in available assets</b>	<b>1,911,029</b>	<b>116,573</b>	<b>(116,573)</b>

#### 14.10 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.

#### 14.11 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.

## 15 Current assets

31/03/22		31/03/23
£'000		£'000
	Contributions due from employer	
2,291	- Employer	2,145
2,188	- Employee	2,065
4,478	Cash Balances	6,645
366	Debtors	369
<u>9,323</u>		<u>11,224</u>

### 15.1 Analysis of Current assets

31/03/22		31/03/23
£'000		£'000
7,796	Local authorities	9,407
1,527	Other entities and individuals	1,817
<u>9,323</u>		<u>11,224</u>

## 16 Current liabilities

31/03/22		31/03/23
£'000		£'000
(1,493)	Unpaid benefits	(2,849)
(1,903)	Creditors	(2,520)
<u>(3,396)</u>		<u>(5,369)</u>

### 16.1 Analysis of Current liabilities

31/03/22		31/03/23
£'000		£'000
(763)	HMRC	(861)
(336)	Public corporations and trading funds	(369)
(2,297)	Other entities and individuals	(4,139)
<u>(3,396)</u>		<u>(5,369)</u>

## 17 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, 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 31/03/22 £ '000	Contributions £ '000	Expenditure £ '000	Change in Market Value £ '000	Value as at 31/03/23 £ '000
Prudential*	8,585	1,582	(961)	102	9,308
UTMOST	435	3	(29)	0	409
Standard Life	2,949	403	(406)	(21)	2,925
<b>Total</b>	<b>11,969</b>	<b>1,988</b>	<b>(1,396)</b>	<b>81</b>	<b>12,642</b>

\*It was reported in the 2021-22 accounts that the closing balance for Prudential was £6,276k. This was the closing balance as at 31 March 2020 as the Fund had not received either the 2020-21 or 2021-22 Prudential accounts. These have now been received, along with the accounts for 2022-23 resulting in the above table being correct as at 31 March 2023.

## 18 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 2019.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk)

## 19 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. In addition, the Authority's Governance and Audit Committee is responsible for the approval of the Fund's Annual Report and Accounts.

The Authority incurred costs of £1.164 million (2021-22: £1.145 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 £40.420 million to the Fund in 2022-23 (2021-22: £37.524 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 2023, the Fund had an average investment balance of £14 million (2021-22: £14.93 million) earning interest of £210,740 (2021-22: £11,261).

## 19.1 Governance

### Pension Committee

There are three members and one substitute member of the Pension Committee. During 2022-23 these were Councillor Elwyn Williams (active member), Councillor Dai Thomas (active member), Councillor Rob James (active member) and the substitute was Councillor Denise Owen (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 11<sup>th</sup> February 2015 effective from 1<sup>st</sup> 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](http://www.dyfedpensionfund.org.uk)

## 19.2 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:

<b>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
15	Short-term benefits	15
4	Post-employment benefits	4
<b>19</b>		<b>19</b>

20 Employing bodies contribution rates, contributions receivable and benefits payable

2021-22				2022-23			
Contribution rate %	Deficit/ (Surplus) Contribution £'000	Contributions £'000	Benefits payable £'000	Contribution rate %	Deficit/ (Surplus) Contribution £'000	Contributions £'000	Benefits payable £'000
<b>Scheduled bodies</b>							
19.9	(2,695)	40,217	40,757	19.9	(2,800)	43,220	43,842
19.8	(2,066)	23,604	19,311	19.8	(2,146)	25,536	21,540
20.1	(2,232)	14,605	12,802	20.1	(2,320)	15,712	13,797
17.8	(7)	6,681	3,405	17.8	(7)	7,131	3,775
18.1	(195)	1,752	2,005	18.1	(203)	1,917	1,666
19.7	0	311	400	19.7	0	293	331
20.0	0	2,020	1,214	20.0	0	2,051	1,252
19.9	(287)	876	826	19.9	(298)	922	948
18.6	28	1,529	460	18.6	29	1,714	557
	(7,454)	91,595	81,180		(7,745)	98,496	87,708
<b>Designated (Resolution) bodies</b>							
25.6	(4)	15	17	25.6	(4)	22	14
22.4	(25)	97	96	22.4	(26)	109	109
20.9	1	45	0	20.9	1	61	0
24.1	0	21	0	24.1	0	24	0
28.8	0	7	4	28.8	0	8	4
-	0	12	37	-	0	13	39
27.6	8	19	12	27.6	8	20	11
25.9	0	3	1	25.9	0	2	33
19.4	0	1	1	19.4	0	2	1
19.9	(53)	269	250	19.9	(55)	294	202
20.3	15	75	100	20.3	16	75	298
22.9	3	15	0	22.9	3	17	0
25.8	6	41	30	25.8	6	57	26
17.3	(12)	59	19	17.3	(12)	70	39
22.5	(6)	14	11	22.5	(6)	18	12
19.6	2	17	0	19.6	2	18	0
22.7	2	16	0	22.7	2	19	0
0	0	0	0	21.9	0	4	0
	(63)	726	578		(65)	833	788

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2021-22				2022-23			
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
<b>Admission bodies</b>							
<b>Community Admission Body (CAB)</b>							
21.1	8	46	31	21.1	6	44	27
19.9	0	1,209	1,292	19.9	0	1,307	1,574
22.9	3	42	36	22.9	3	35	37
0.0	0	2	14	0.0	0	1	14
20.2	0	15	42	20.2	0	28	43
26.9	2	3	16	26.9	2	4	16
0.0	0	0	39	0.0	0	0	40
16.7	13	88	38	16.7	14	96	17
17.6	14	47	62	17.6	14	25	39
13.3	2	79	0	13.3	2	73	0
9.5	0	15	10	9.5	0	14	11
22.8	0	5	10	22.8	0	5	11
22.7	0	62	62	22.7	0	65	64
19.2	0	101	34	19.2	0	99	83
21.4	0	316	280	21.4	0	299	458
22.0	0	622	559	22.0	0	573	696
25.1	92	8	210	25.1	96	9	214
19.7	0	414	453	19.7	0	417	371
21.2	0	24	44	21.2	0	25	48
15.3	0	17	58	15.3	0	19	47
	134	3,115	3,290		137	3,138	3,810
<b>Transferee Admission Body (TAB)</b>							
22.8	0	18	46	22.8	0	17	43
0.0	0	0	14	0.0	0	0	15
17.3	10	822	198	17.3	10	989	79
0.0	0	0	78	0.0	0	0	83
0.0	0	0	1	0.0	0	0	1
22.2	0	12	0	22.2	0	10	0
46.2	0	9	0	46.2	0	12	0
23.4	0	16	0	23.4	0	10	0
	10	877	337		10	1,038	221



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				<b>Bodies with no pensionable employees</b>				
0.0	0	6	7	DVLA	0.0	0	6	7
0.0	0	0	13	Cardigan Swimming Pool	0.0	0	0	14
0.0	0	0	74	PRISM	0.0	0	0	56
0.0	0	53	325	Dyfed Powys Magistrates Courts	0.0	0	53	410
0.0	0	1	7	Carmarthen Family Centre	0.0	0	2	8
0.0	0	2	4	Milford Haven Town Council	0.0	0	2	4
0.0	0	0	2	Mencap	0.0	0	0	16
0.0	0	0	6,530	Dyfed County Council	0.0	0	0	6,339
0.0	0	0	2	Dyfed AVS	0.0	0	0	2
0.0	0	7	8	NHS	0.0	0	7	7
0.0	0	4	16	Welsh Water	0.0	0	4	17
0.0	0	0	8	Cwm Environmental	0.0	0	0	8
0.0	0	0	19	Cartrefi Cymru	0.0	0	0	7
0.0	0	2	2	Rent Officer Service	0.0	0	1	1
	0	75	7,017			0	75	6,896
	<b>(7,373)</b>	<b>96,388</b>	<b>92,402</b>	<b>Total</b>		<b>(7,663)</b>	<b>103,580</b>	<b>99,423</b>

#### 20.1 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.

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

#### 21 **Stock Lending**

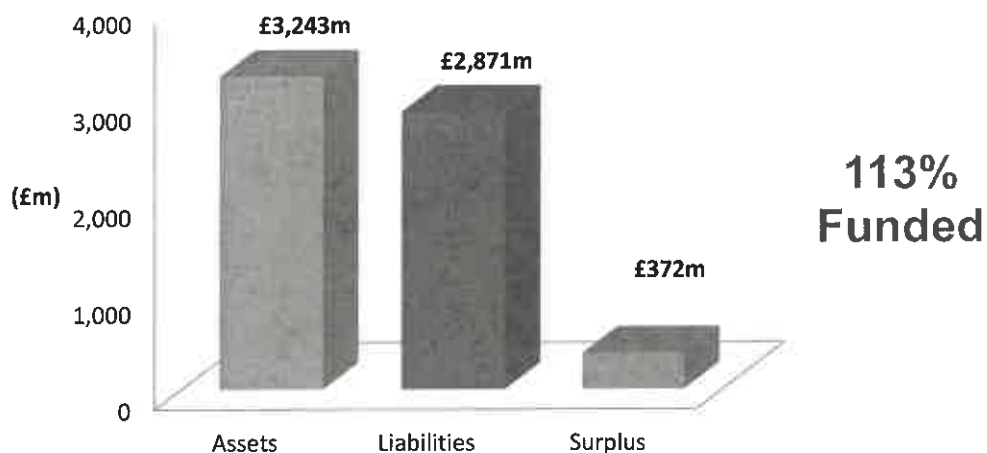
The Fund's investment strategy permits stock lending subject to specific approval. During 2022-23, the income earned by the Fund through stock lending was £93,731 (2021-22: £88,153). At 31 March 2023 the Fund had £52.8m out on loan (2021-22: £45.9m).

## 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 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £3,243 million represented 113% of the Fund's past service liabilities of £2,871 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £372 million.



The valuation also showed that a Primary contribution rate of 19.8% 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 may be 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 the last actuarial valuation the average recovery period adopted was 9 years for employers in deficit and 14 years for employers in surplus, and the total initial recovery payment (the "Secondary rate" for 2023/26) was a surplus offset of 3.7% of pensionable pay - approximately £14m per annum 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 March 2023.

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 (with the exception of two employers who have included provision for a non-ill health early retirement allowance within their contributions).

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)
<b>Rate of return on investments (discount rate)</b>	4.55% per annum	5.10% per annum
<b>Rate of pay increases (long term)</b>	4.60% per annum	4.60% per annum
<b>Rate of increases in pensions in payment (in excess of GMP)</b>	3.10% per annum	3.10% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be reassessed with effect from 1 April 2026.

#### **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 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
<b>Rate of return on investments (discount rate)</b>	2.8% per annum	4.8% per annum
<b>Rate of CPI Inflation / CARE benefit revaluation</b>	3.3% per annum	2.7% per annum
<b>Rate of pay increases</b>	4.8% per annum	4.2% per annum
<b>Increases on pensions (in excess of GMP) / Deferred revaluation</b>	3.4% per annum	2.8% per annum

The demographic assumptions are the same as those used for funding purposes:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumption adopted for the 2022 actuarial valuation, with a long-term rate of life expectancy improvement of 1.5% p.a.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

<b>Start of period liabilities</b>	<b>£4,234m</b>
<b>Interest on liabilities</b>	£118m
<b>Net benefits accrued/paid over the period*</b>	£88m
<b>Actuarial (gains)/losses (see below)</b>	(£1,565m)
<b>End of period liabilities</b>	<b>£2,875m</b>

*\*this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.3% p.a.. In combination, these factors lead to a significant reduction in liabilities
- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions. This acts to reduce the liabilities
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities
- **2022 actuarial valuation:** The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

## **Additional Considerations**

**The “McCloud judgment”:** The figures above allow for the impact of the judgment based on the proposed remedy.

**GMP indexation:** The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

**Covid 19 / Ukraine:** The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

**Current high inflation:** The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

**Clive Lewis**  
Fellow of the Institute and  
Faculty of Actuaries

**Laura Evans**  
Fellow of the Institute and  
Faculty of Actuaries

Mercer Limited  
July 2023

## **23 Events after the balance sheet date**

There have been no events since 31st March 2023, and up to the date when these accounts were authorised, that require any adjustments to these accounts.



## EXECUTIVE SUMMARY

### Budget Monitoring 1 April 2023 – 30 June 2023

The position as at 30 June 2023 was an under spend compared to budget of £0.9m.

#### Expenditure

Expenditure is projected to be underspent by £1.3m on Pensions Payable. At budget setting for 2023-24 an increase of 2.2% was included to estimate the additional pensions paid on new pensioner members for the year, to date the actual increase in pensioner membership has been closer to 1%.

#### Income

Contributions are forecast to be £1.9m more than budgeted which is due to member pensionable payroll being higher than anticipated at budget setting. Investment income is forecast to below budget by £2.3m. Therefore, income is forecast to be below budget by £0.4m.

Total expenditure is estimated at £121.5m and total income estimated at £122.4m resulting in a positive cash flow position of £0.9m.

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**Dyfed Pension Fund**

**Budget Monitoring**

1st April 2023 - 30th June 2023

	Budget Type	Actual 2022-2023	Budget 2023-2024	Total income/ expenditure to date	Forecast Commitments	Forecast 2023-2024	End of year variance		Assumptions/Comments
	Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (c)	£ '000 (d)	£ '000 (e)	£ '000 (f)	%	
<b>Expenditure</b>									
<b>Benefits Payable</b>	Both	99,422	108,932	25,295	82,353	107,648	-1,284	-1.2	2.2% included at budget setting for new pensioners, actual increase year to date is 1%
Pensions Payable	Controllable	81,126	92,432	22,439	68,709	91,148	-1,284		
Commutation and lump sum retirement benefits	Non Controllable	15,626	14,000	2,730	11,270	14,000	0		Forecast in line with budget
Lump sum death benefits	Non Controllable	2,670	2,500	126	2,374	2,500	0		Forecast in line with budget
<b>Payments to and account of leavers</b>	Non Controllable	4,529	3,670	1,586	2,084	3,670	0	0.0	Forecast in line with budget
<b>Management Expenses</b>		9,253	10,211	1,470	8,741	10,211	0	0.0	Forecast in line with budget
Computer Software	Controllable	579	500	3	497	500	0		
Printing charges	Controllable	8	20	13	7	20	0		
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	51	70	17	53	70	0		
Fund Managers									
BlackRock	Controllable	1,650	1,600	0	1,600	1,600	0		
Schroders	Controllable	708	750	0	750	750	0		
Wales Pension Partnership	Controllable	4,062	4,900	0	4,900	4,900	0		
Partners Group	Controllable	657	700	0	700	700	0		
Custodian									
Northern Trust	Controllable	39	31	0	31	31	0		
Actuary									
Mercer	Controllable	242	125	37	88	125	0		
Performance Manager									
Northern Trust / PIRC / CEM	Controllable	9	26	0	26	26	0		
Independent Advisor	Controllable	28	30	7	23	30	0		
Other									
Euraplan, LSE, Pension Board	Controllable	23	47	10	37	47	0		
Central recharges	Non Controllable	1,164	1,380	1,380	0	1,380	0		
Audit fees	Controllable	33	32	3	29	32	0		
<b>Controllable Expenditure</b>		89,215	101,263	22,529	77,450	99,979	-1,284		
<b>Non Controllable Expenditure</b>		23,990	21,550	5,822	15,728	21,550	0		
<b>Total Expenditure</b>		113,205	122,813	28,351	93,178	121,529	-1,284		
<b>Income</b>									
<b>Contributions</b>									
Employer	Controllable	-71,232	-69,522	-23,173	-47,364	-70,537	-1,015	1.5	Advance payments made resulting in discounted contributions; Carmarthen CC & Ceredigion CC in 2023-24.
Member	Controllable	-24,699	-25,577	-1,746	-24,668	-26,414	-837	3.3	Employee pensionable pay higher than anticipated at budget setting.
<b>Investment Income</b>	Controllable	-19,436	-24,214	-6,340	-15,608	-21,948	2,266	-9.4	Includes SAIF and Schroders dividend income.
<b>Other Income</b>	Controllable	0	0	0	0	0	0	0.0	
<b>Transfers in from other pension funds</b>	Non Controllable	-4,986	-3,500	-371	-3,129	-3,500	0	0.0	
<b>Controllable Income</b>		-115,367	-119,313	-31,259	-87,640	-118,899	414		
<b>Non Controllable Income</b>		-4,986	-3,500	-371	-3,129	-3,500	0		
<b>Total Income</b>		-120,353	-122,813	-31,630	-90,769	-122,399	414		
<b>Controllable Total</b>		-26,152	-18,050	-8,730	-10,190	-18,920	-870		
<b>Non Controllable Total</b>		19,004	18,050	5,451	12,599	18,050	0		
<b>Total</b>		-7,148	0	-3,279	2,409	-870	-870		
<b>Cash Transfer to Fund Managers</b>	Cash	12,000	0	2,230	0	2,230	2,230		
<b>Net Total of Cash Related Items</b>		4,852	0	-1,049	2,409	1,360	1,360		
<b>Indirect Transactional Management Fees (fees deducted from NAV)</b>	Non Cash	4,314	5,000	0	5,000	5,000	0	0.0	CIPFA Management cost guidance issued to show indirect transactional fees indirectly paid by the funds
<b>Investment Income (fees deducted from NAV)</b>	Non Cash	-4,314	-5,000	0	-5,000	-5,000	0	0.0	Contra entry to the Indirect transactional fees
<b>Realised gain/loss</b>	Non Cash	4,696	-50,000	-805	-35,258	-36,063	13,937	-27.9	Non Controllable. No impact to cash.
<b>Net Total of Non-Cash Related Items</b>		4,696	-50,000	-805	-35,258	-36,063	13,937		

Mae'r dudalen hon yn wag yn fwriadol

## EXECUTIVE SUMMARY

### Cash Reconciliation as at 30 June 2023

The position as at 30 June 2023 reports £7.8m 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.

Mae'r dudalen hon yn wag yn fwriadol

**Dyfed Pension Fund Cash Reconciliation****June 2023**

Balance b/f 1st April 2023 £5,855,271.44

***Investment trades***

Sales	268,769,357.04	
Purchases	-293,743,634.18	
		<hr/>
		-£24,974,277.14

Contributions received	£31,080,868.25	
Payments made	-£27,110,533.83	
Dividend Income	£21,449,381.27	£25,419,715.69
		<hr/>
		£6,300,709.99

<b>Total Available for Investment</b>		<hr/> <b>£6,300,709.99</b> <hr/>
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***Represented by :***

Cash at Carmarthenshire		£7,822,657.57
Cash due to be received/deducted		£0.00
CCC Debtors		£334,547.76
CCC Creditors		-£1,856,495.34
		<hr/>
		<b>£6,300,709.99</b> <hr/>
		£0.00

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## EXECUTIVE SUMMARY

### **Pensions Administration Report**

The attached report has been prepared by the Pensions Manager to provide an update to the Pension Committee on activity within the Pensions Administration service. The report includes updates on:

- Regulatory matters
- Terminated admitted bodies
- Breaches register
- i-Connect
- GMP reconciliation
- Workflows

Mae'r dudalen hon yn wag yn fwriadol



## PENSIONS ADMINISTRATION REPORT – 22<sup>nd</sup> September 2023

This report provides a progress update on a number of projects being simultaneously undertaken, along with providing information on relevant issues in the administration of scheme benefits.

### 1. Regulatory update –

- a. McCloud/Sargeant update – You will recall from the previous report that the remedy would require the recalculation all pensions (including dependants pensions), death grants, and deferred benefits calculated since 1<sup>st</sup> April 2014 for those that were active on 31<sup>st</sup> March 2012. This will require all employers to provide the hours each part time scheme member, including any changes, they have worked between 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2022. All Employers have also been provided with data extracts to undertake data comparisons and identify any issues. Data reconciliation and validation is progressing well and query resolution is underway. Once amending regulations are issued our software supplier will be able to reflect the changes in the pensions system. At the time of writing the report regulations had not been issued but they must be in place by 1<sup>st</sup> October 2023. It is anticipated that manual intervention will be required for retirements from active status until software systems have been amended but it appears that recalculations for those who have already had benefits paid or are deferred would all need to be done manually.
- b. Pru – It was identified at the UK Technical Group that there had been a deterioration in service levels experienced by funds nationally. This was raised at the both the Local Government Pensions Committee and the National Scheme Advisory Board who met with representatives from Pru. UK Technical Group representatives have met directly with PRU. Nationally, there has been an overall improvement in disinvestment timescales. Further updates will be provided at the next meeting on service improvements by the Pru.

2. Terminated admitted bodies – Under the Pension Regulations, once the last active member terminates with an employer, a cessation valuation must be undertaken. Regulation 64 requires the Fund Actuary to issue a certificate confirming if there is an exit credit to be paid to the employer or debt to be recovered. Certificates have been requested from the Fund Actuary. The employers which have ceased are Pobl and Coombe Cheshire.

### 3. Breaches Register

Regulation 18(5) of the LGPS Regulations 2013 prescribes that there is a time limit for payment of a refund of pension contributions:

*“An administering authority shall refund contributions to a person entitled under paragraph (1) when the person requests payment, or on the expiry of a period of five years beginning with the date the person’s active membership ceased if no request is made before then or, if the person attains age 75 before then, on the day before attaining age 75.”*

The National Technical Group recommend to SAB, to change the regulations concerning the payment of a refund to reflect the position prior to 1 April 2014 i.e. to remove the prescription that requires an administering authority to pay a refund on the expiry of a period of five years beginning with the date the person’s active membership ceased if no request is made before then.

In making this recommendation the group acknowledged that interest would be added up to the date of payment, as opposed to on the expiry of 5 years and if a fully completed mandate is not returned by the member, no further action would take place i.e. the group agreed not to waste time or money on using Tracing services in respect of members who have been contacted repeatedly and do not reply. The SAB have made recommendations to MHCLG.

The refunds scheduled to be automatically paid in June 2023 to August 2023 have been included on the breaches register as the scheme members have not replied in order for the refund to be paid.

### 4. I-connect

In order to improve the timeliness of data flow from scheme employers to the administration section, a monthly update system called ‘i-connect’ has been implemented.

Further development work has continued with employers to ‘on board’ them in order that data can be transferred electronically. The table below shows the employers who are active on i-connect. In order to expedite the transition to electronic transmission of data, Pembrokeshire College, Coleg Ceredigion and Coleg Sir Gar have all be provided with a spreadsheet template to provide updates similar to i-connect. This process is known colloquially as ‘Monthly Updates’. Many of the other smaller employers already utilise ‘Monthly Updates’.

Coleg Ceredigion and Coleg Sir Gar are continuing to work with their payroll provider to ensure the data required is extracted and inputted into the correct fields. They have been given additional access to ‘test’ load the files in order that

discrepancies can be immediately identified. Pembrokeshire College are still working on resolving the outstanding queries before submitting further files.

Dyfed Powys Police have confirmed their intention is to implement i-connect with assistance from their payroll provider by April 2024.

<b>Employer</b>	<b>i-Connect status</b>
ABERYSTWYTH TOWN COUNCIL	Active
ADAPT	Active
BURRY PORT MARINA LTD	Active
CAREERS WALES WEST	Active
CARMARTHEN TOWN COUNCIL	Active
CARMARTHESHIRE AVS	Active
CARMARTHESHIRE C C	Active
COLEG SIR GAR	
CARMARTHESHIRE FED OF YFC	Active
CEREDIGION AVO	Active
CEREDIGION C C	Active
COLEG CEREDIGION	
CWARTER BACH COMMUNITY COUNCIL	Active
CWMAMMAN TOWN COUNCIL	Active
DYFED-POWYS POLICE	
GORSLAS COMMUNITY COUNCIL	Active
IAITH CYFYNGEDIG	Active
KIDWELLY TOWN COUNCIL	Active
LLANBADARN FAWR COUMMUNITY	Active
LLANEDI COMMUNITY COUNCIL	Active
LLANELLI RURAL COUNCIL	Active
LLANELLI TOWN COUNCIL	Active
LLANGENNECH COMMUNITY COUNCIL	Active
LLANNON COMMUNITY COUNCIL	Active
LLESIAINT DELTA WELLBEING LTD	Active
MENTER BRO DINEFWR	Active
MENTER CASTELL NEDD PT	Active
MENTER CWM GWENDRAETH	Active
MENTER GORLLEWIN SIR GAR	Active
MID & WEST WALES FIRE	
NARBERTH AND DISTRICT SPORTS ASSOC	Active
PEMBREY AND BURRY PORT TOWN COUNCIL	Active
PEMBROKE DOCK TOWN COUNCIL	Active
PEMBROKE TOWN COUNCIL	Active
PEMBROKESHIRE AVS	Active
PEMBROKESHIRE C C	Active
PEMBROKESHIRE COAST NAT PARK	Active
PEMBROKESHIRE COLLEGE	
PLANED	Active
TAI CEREDIGION	Active
TENBY TOWN COUNCIL	Active
TRINITY COLLEGE	Active
UNIVERSITY COLLEGE OF WALES	Active
WELSH BOOKS COUNCIL	Active
WEST WALES ACTION FOR MENTAL HEALTH	Active

VALUATION TRIBUNAL FOR WALES	Active
VISIT PEMBROKESHIRE	Active

## 5. GMP Reconciliation

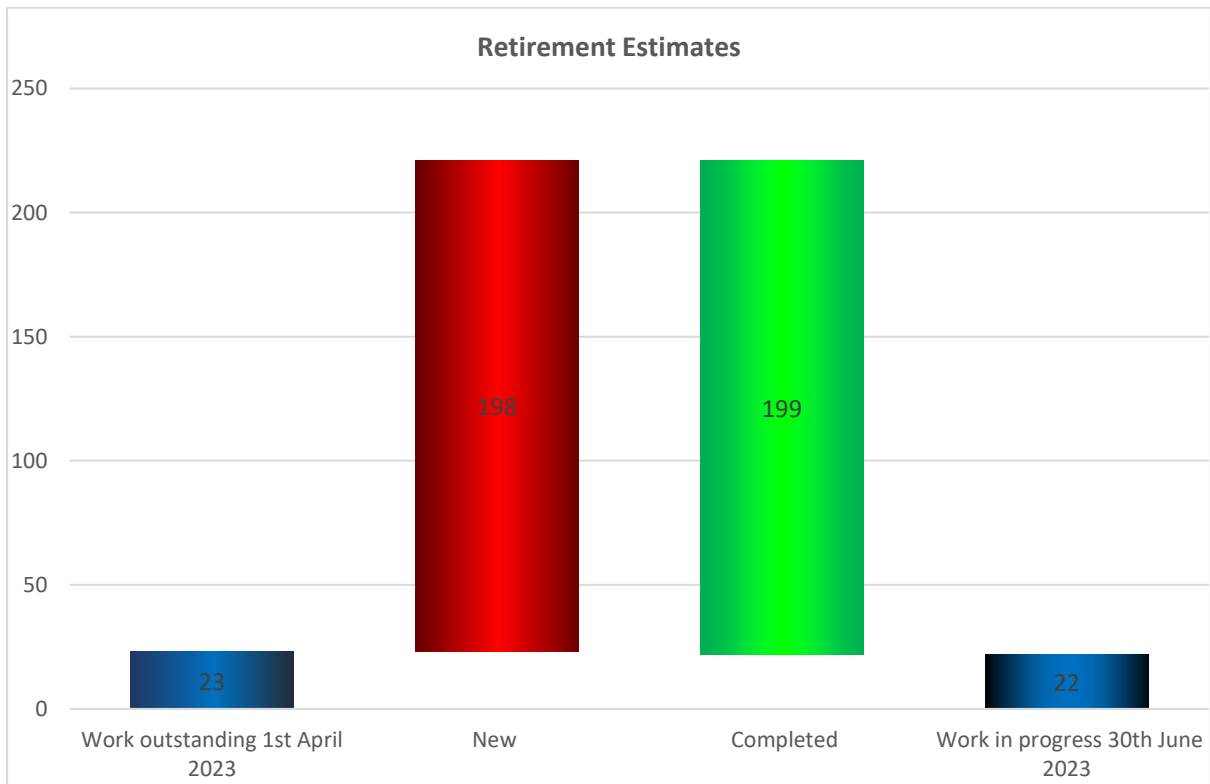
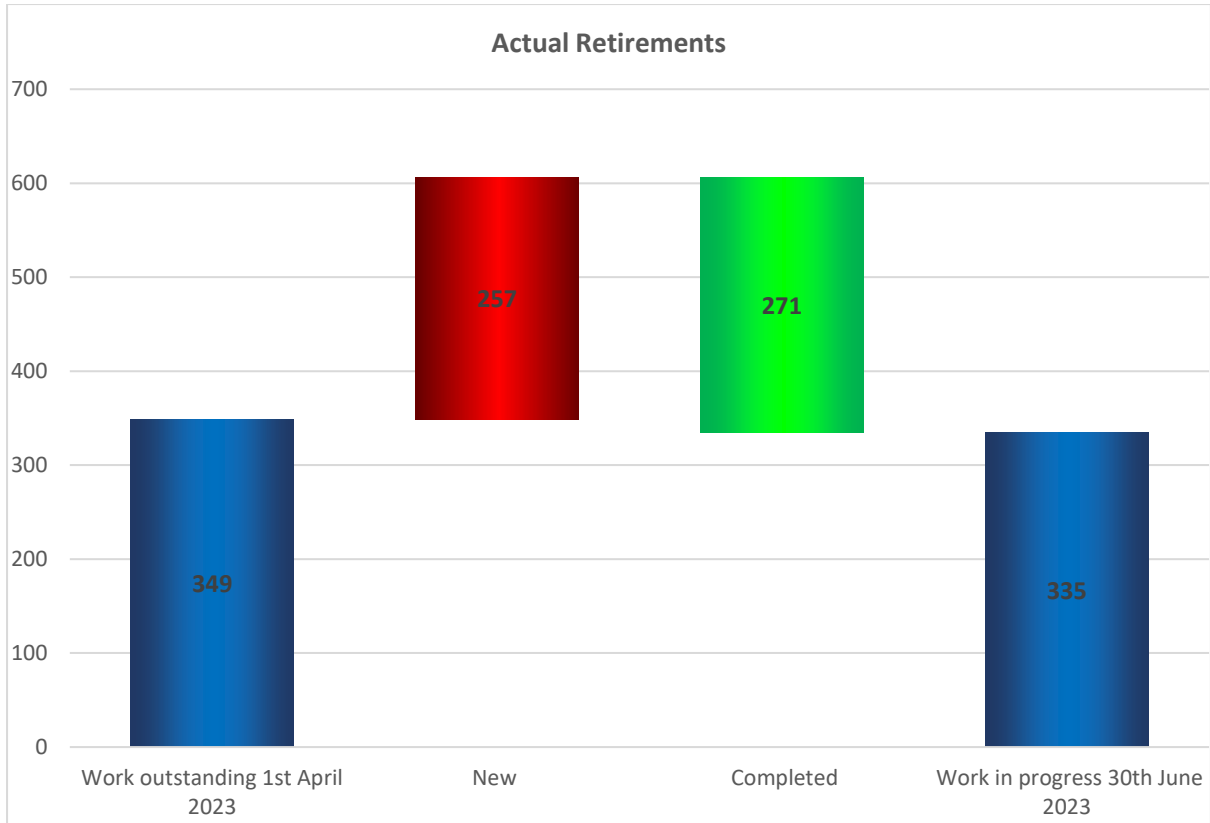
When a scheme member attains State Pension Age, they will be advised of the amount of Guaranteed Minimum Pension (GMP) which is included in their pension. The GMP relates to the part of the pension for the period between April 1978 and April 1997 for which they were 'contracted-out'. For this period, the Scheme has to guarantee that their pension will be at least the same as it would have been, had they not been 'contracted-out'. Contracting out ceased in April 2016. HMRC have now stated that they will not be sending a statement to all individuals affected specifying who is responsible for paying their Guaranteed Minimum Pension (GMP). The pensions section will continue to reconcile the GMP values it holds for members with those calculated by HMRC. It ensures that all individuals recorded by HMRC against the fund are correct. The pensions section has reconciled 99.76% of the records held. Further information has also been issued to HMRC in order that they can amend their records, unfortunately, a response remains outstanding. Reconciliation work has also been undertaken in respect of active scheme members and 99.40% have been reconciled. Unfortunately HMRC have not responded to all the outstanding queries and therefore the reconciled data remains the same as the previous report.

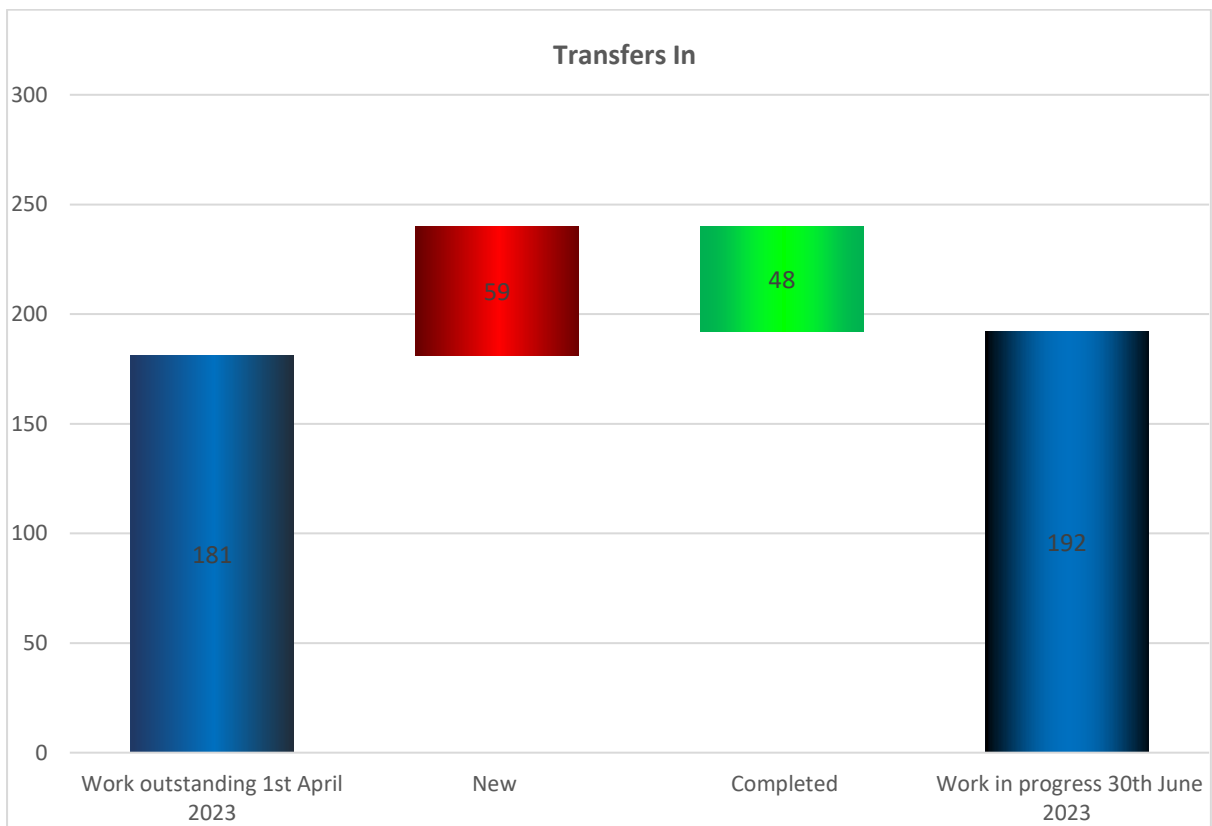
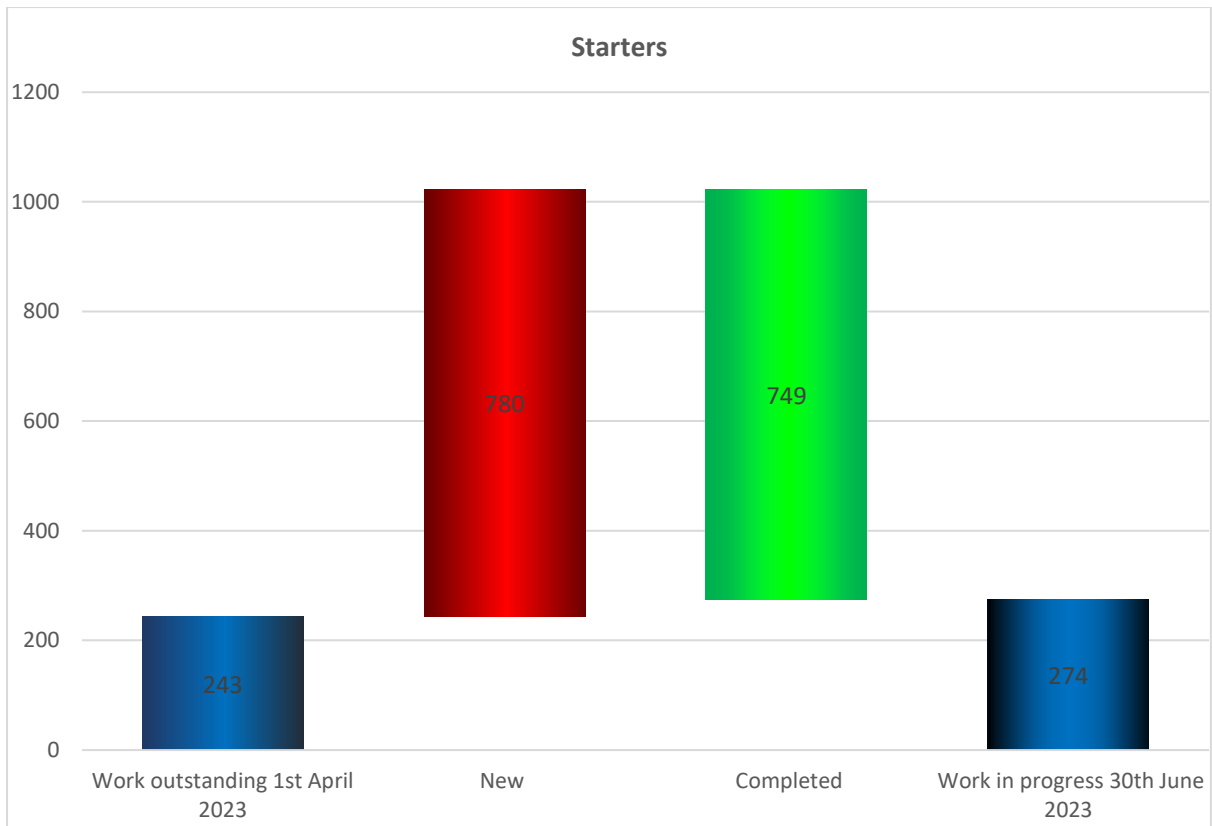
## 6. Workflow

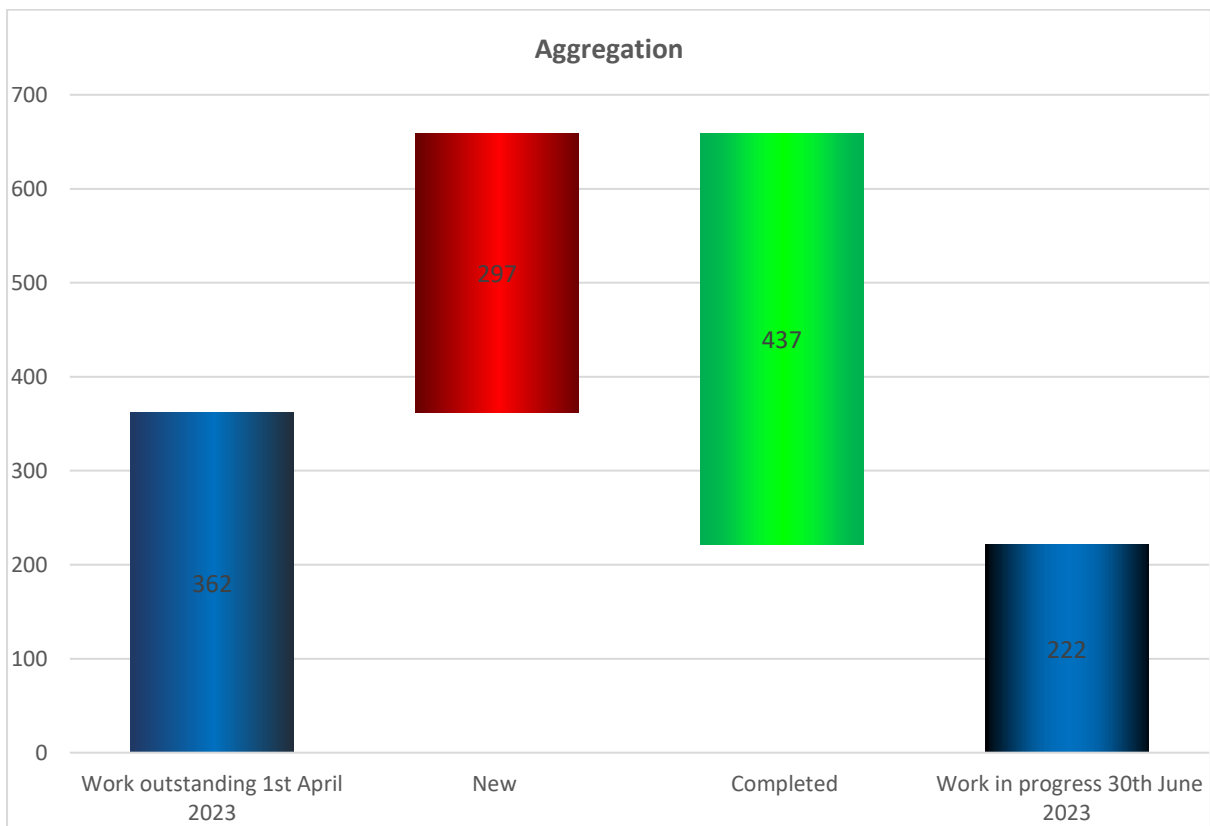
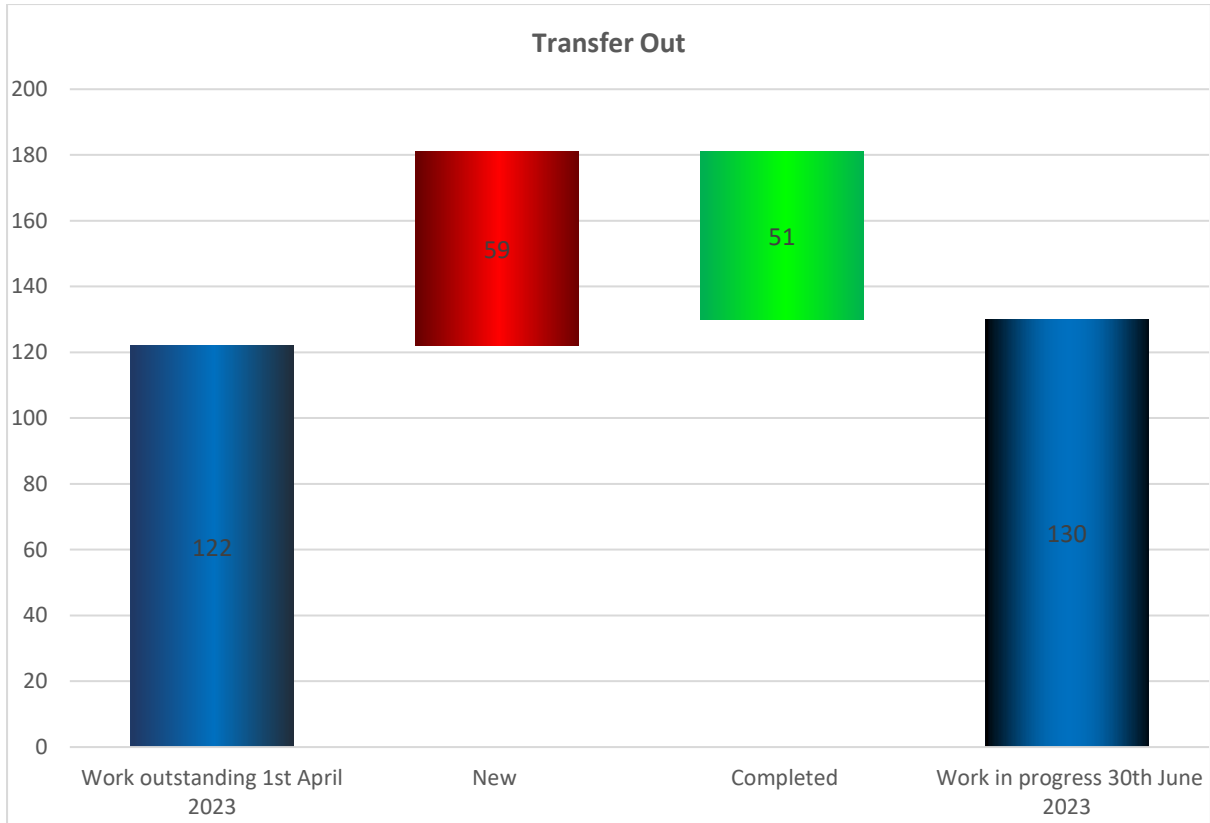
The tables overleaf detail the workflow statistics for the key tasks undertaken in the section for the period 1<sup>st</sup> April 2023 to 30<sup>th</sup> June 2023 in respect of the LGPS only. Please note that in circumstances where multiple iterations for the same calculation date have been undertaken, this is recorded as a single estimate. The workflow statistics are recorded on a quarterly basis.

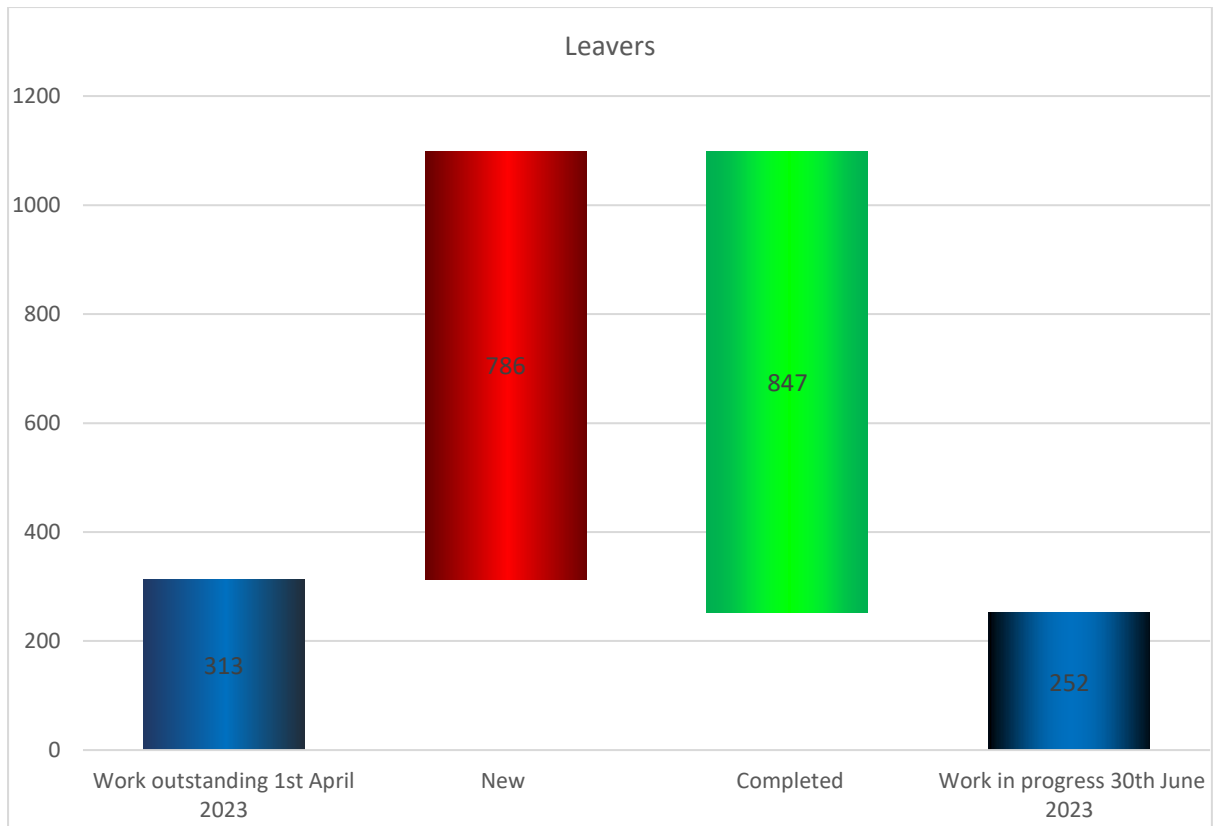
Kevin Gerard

Pensions Manager











## EXECUTIVE SUMMARY

### 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 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.

It has been previously reported to Committee that an Employer has regularly failed to pay contributions as required into the Fund. This has been reported to The Pensions Regulator, who have also been advised that the Employer has now entered administration. The contributions owed to the Fund to the date of administration are estimated to be £7,230.56. Ongoing discussions between the Fund and administrators are taking place in relation to the contributions owed.

Mae'r dudalen hon yn wag yn fwriadol

### Breaches Report

Breach Number	Year	Date of Breach / Likely Breach	Failure Type	A description of the breach (including relevant dates), its cause and effect, including the reasons it is, or is not, believed to be of material significance	Been reported to tPR before	RAG Status	Report to tPR	Actions taken to rectify the breach. A brief descriptions of any longer term implications and actions required to prevent similar types of breaches recurring in the future
117	2022-23	22/4/22	Contributions	March payment of £693.45 not yet received. Finance Manager has been contacted by email.	No	Amber	No Report	Payment received 26.9.22
118	2022-23	22/4/22	Contributions	March qtr payment & paperwork not received yet. Clerk (only contributor) passed away in February 2022. Pensions Admin in contact with new clerk regarding paperwork.	No	Amber	No Report	There are no long term implications associated with this breach. Payment received 28.10.22
119	2022-23	April 2022, May 2022, June 2022	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 - 16 members & total refunds = £4374.47, May - 10 members & total refunds = £1821.48, June - 11 members & total refunds = £1883.03	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.
120	2022-23	22/5/22	Contributions	April payment & remittance not yet received. Finance Manager has been contacted by email.	No	Amber	No Report	Payment received 1.9.22
121	2022-23	22/6/22	Contributions	May payment & remittance not yet received.	No	Amber	No Report	Payment received 1.9.22
122	2022-23	22/7/22	Contributions	Remittance advices dated April-July have now been received. No payments received but are expected to be made by 19 August.	No	Amber	No Report	Payment received 1.9.22
123	2022-23	July 2022, August 2022	Automatic payment of refund after 5 years for post 2014 leavers	Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members. July - 21 members & total refunds = £2948.40, August - 27 members & total refunds = £8464.63	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.
124	2022-23	22/7/22	Contributions	June contributions of £185.54 received 8 days late. New Clerk in post, slight delay due to payment issues. Future payments will be made by Standing Order	No	Amber	No Report	There are no long term implications associated with this breach.
125	2022-23	22/8/22	Contributions	July contributions of £802.17 received 10 days late. April, May and June payments that were outstanding were received on the same date (1.9.22). March 22 payment still outstanding, email sent requesting that payment be made immediately.	No	Amber	No Report	Payment received 1.9.22
126	2022-23	22/9/22	Contributions	August contributions of £802.17 received 4 days late. March 22 payment received on the 26 September.	No	Amber	No Report	Payment received 26.9.22
127	2022-23	22/9/22	Contributions	August contributions of £4,725.38 received 6 days late. Finance person had IT issue with emails which resulted in the payment being made late.	No	Amber	No Report	There are no long term implications associated with this breach.
128	2022-23	22/10/22	Contributions	No paperwork or payment received for September contributions. Email has been sent to Finance Manager	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
129	2022-23	September 2022, October 2022	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. September - 11 members & total refunds = £2190.02, October - 22 members & total refunds = £7315.25	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.
130	2022-23	22/11/22	Contributions	No paperwork or payment received for October contributions. Email has been sent to Finance Manager	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.

131	2022-23	22/12/22	Contributions	No paperwork or payment received for November contributions.	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
132	2022-23	22/1/23	Contributions	No paperwork or payment received for December contributions.	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
133	2022-23	22/1/23	Contributions	December contributions of £24,380.47 received 2 days late. Issue at bank with second authoriser approval which resulted in the payment being made late.	No	Amber	No Report	There are no long term implications associated with this breach.
134	2022-23	22/1/23	Contributions	December contributions of £518.84 received 1 day late. New finance officer thought monthly payment was made by standing order.	No	Amber	No Report	There are no long term implications associated with this breach.
135	2022-23	22/2/23	Contributions	No paperwork or payment received for January contributions.	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
136	2022-23	November 2022, December 2022, January 2023, February 2023	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. November - 12 members & total refunds = £6214.68, December - 10 members & total refunds = £2914.10, January - 17 members & total refunds = £4376.92, February - 6 members & total refunds = £1948.39	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.
137	2022-23	22/3/23	Contributions	No paperwork or payment received for February contributions.	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
138	2022-23	22/3/23	Contributions	February contributions of £1,550.34 received 6 days late. Payment not actioned by internal finance team.	No	Amber	No Report	There are no long term implications associated with this breach.
139	2022-23	22/4/23	Contributions	No paperwork or payment received for March contributions.	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
140	2023-24	22/5/23	Contributions	No paperwork or payment received for April contributions.	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
141	2023-24	22/5/23	Contributions	April contributions of £5,373.96 received 2 days late. Payment not actioned by finance team.	No	Amber	No Report	There are no long term implications associated with this breach.
142	2023-24	March 2023, April 2023, May 2023	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. March 2023 - 20 members & total refunds = £10211.91, April - 12 members & total refunds = £3294.38, May - 12 members & total refunds = £4924.85	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.
143	2023-24	June 2023, July 2023, August 2023	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 2023 - 17 members & total refunds = £16888.08, July - 21 members & total refunds = £2344.57, August - 39 members & total refunds = £12963.03	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.
144	2023-24	Ongoing	Contributions	No paperwork or payments received for May-July contributions.	No	Red	Yes	Ongoing discussions taking place with the Administrators. The Pensions Regulator are aware of the situation.

## EXECUTIVE SUMMARY

### Risk Register

The Risk Register is a working document that highlights all the risks identified in relation to the functions of the Dyfed Pension Fund. This is regularly monitored and reviewed.

The register includes:

- 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 document identifies the risks as operational and strategic.

The Risk Register has been reviewed and no changes have been made since the previous Committee meeting.

Mae'r dudalen hon yn wag yn fwriadol

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled (Assume NO Controls in place)		Risk	Controls	Assigned To	Target Date Priority	Assessment of Controlled (Assume CONTROLLED in place)		Risk
	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
DPFOP0001 - Failure to process accurate pension benefits payments, including lump sum payments, in a timely manner	Significant 3	Unlikely 2	Medium 6	<ul style="list-style-type: none"> <li>• Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer <i>Implemented</i></li> <li>• Altair Development Officer is responsible for regular system checks regarding calculations <i>Implemented</i></li> <li>• Communication&amp;Training Officer liaises closely with all employing authorities to ensure timely submission of information to DPF <i>Implemented</i></li> <li>• Payroll deadline procedures in place <i>Implemented</i></li> <li>• Item in Business Continuity/Disaster Recovery Plan <i>Implemented</i></li> </ul>	Pensions Manager  Pensions Manager  Pensions Manager  Pensions Manager  Pensions Manager		Significant 3	Improbable 1	Very Low 3

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>Participate in National Fraud Initiative (NFI) <i>Implemented</i></li> <li>Life Certificates exercise carried out for all cheque payments <i>Implemented</i></li> <li>Undertake reviews of monthly performance to ensure service standards are maintained <i>Implemented</i></li> <li>IT Contingency/Resilience Plan in place <i>Implemented</i></li> </ul>	Pensions Manager				
<b>DPFOP0002 - Failure to collect and account for full receipt of contributions from employers and employees on time</b> Failure to collect full receipt of pension contributions from employees and employers in line with Regulation guidelines.	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>Contributions monitoring procedures <i>Implemented</i></li> </ul>	Pensions Manager and Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8



# Risk Register

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

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

Date: **11 September, 2023**

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

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled (Assume NO Controls in place)		Risk	Controls	Assigned To	Target Date Priority	Assessment of Controlled (Assume CONTROLLED in place)		Risk
	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
DPFOP0003 - Failure to keep pension records up to date and accurate	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> <li>Senior Officers liaise closely with employing authorities to ensure timely and accurate submission of data to DPF <i>Implemented</i></li> <li>i-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis <i>Implemented</i></li> <li>Data accuracy checks undertaken by the pension section prior to continual validation on workflow system <i>Implemented</i></li> <li>Data integrity validation is performed monthly by Altair Development Officer <i>Implemented</i></li> <li>Data validation checks also undertaken by the DPF's partners (e.g.the Actuary at Valuation) <i>Implemented</i></li> </ul>	Pensions Manager  Pensions Manager  Pensions Manager  Pensions Manager		Significant 3	Improbable 1	Very Low 3

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled (Assume NO Controls in place)		Risk	Controls	Assigned To	Target Date Priority	Assessment of Controlled (Assume CONTROLLED in place)		Risk
	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
				<ul style="list-style-type: none"> <li>Additional validation carried out through NFI <i>Implemented</i></li> <li>Opportunity to escalate non-compliance <i>Implemented</i></li> </ul>	Pensions Manager				
DPFOP0004 - Failure to hold personal data securely	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> <li>Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls <i>Implemented</i></li> <li>Disaster Recovery Plan for pensions system <i>Implemented</i></li> <li>Authorised users have unique usernames and passwords must be changed every 60 days <i>Implemented</i></li> </ul>	Pensions Manager  Pensions Manager  Pensions Manager		Significant 3	Improbable 1	Very Low 3

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>• <b>Documentation is scanned on to the pensions system</b> and paper copies are held for a period of 3 months before shredding <i>Implemented</i></li> <li>• <b>Compliance with the Data Protection Act 1998</b> <i>Implemented</i></li> <li>• <b>Compliance with the Authority's in-house IT policies</b> <i>Implemented</i></li> <li>• <b>Systems and Payroll audit undertaken annually</b> <i>Implemented</i></li> </ul>	Pensions Manager				
DPFOP0005 - Loss of funds through fraud or misappropriation in administration related functions	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> <li>• <b>Internal and external audit checks performed to ensure that appropriate and effective controls are in place</b> <i>Implemented</i></li> </ul>	Pensions Manager		Moderate 2	Unlikely 2	Low 4

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>• Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer and Pensions Officer <i>Implemented</i></li> <li>• Altair Development Officer undertakes data integrity checks <i>Implemented</i></li> <li>• Systems and Payroll audit undertaken annually <i>Implemented</i></li> </ul>	Pensions Manager				
<p><b>DPFOP0006 - Normal operations disrupted by uncontrollable external factors</b></p> <p>Service delivery threats from fire, bomb, extreme weather, electrical faults etc.</p> <p>Insufficient daily back up, disaster recovery, and IT cover to support systems.</p> <p>Temporary loss of ability to provide service to stakeholders.</p>	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>• Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls <i>Implemented</i></li> <li>• Disaster Recovery Plan for pensions system with the software provider <i>Implemented</i></li> </ul>	Pensions Manager  Pensions Manager		Significant 3	Improbable 1	Very Low 3

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>Pension Software is a hosted system provided by Aquila Heywood and is a tier 4 design data centre with ISO27001 accreditation. <i>Implemented</i></li> </ul>	Pensions Manager				
DPFOP0007 - Inability to keep service going due to loss of main office, computer system, or staff	Moderate 2	Unlikely 2	Low 4	<ul style="list-style-type: none"> <li>Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls <i>Implemented</i></li> <li>Pension Software is a hosted system provided by Aquila Heywood and is a tier 4 design data centre with ISO27001 accreditation. <i>Implemented</i></li> </ul>	Pensions Manager  Pensions Manager		Moderate 2	Improbable 1	Very Low 2
DPFOP0008 - Lack of expertise among some Pension Administration officers	Significant 3	Unlikely 2	Medium 6	<ul style="list-style-type: none"> <li>Personal development plan in place to support the development of each officer in the Section <i>Implemented</i></li> </ul>	Pensions Manager		Significant 3	Improbable 1	Very Low 3

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		
	Impact	Probability					Impact	Probability	Controlled Risk Rating
				<ul style="list-style-type: none"> <li>• <b>Specific courses / seminars attended by officers to further their knowledge and understanding</b> <i>Implemented</i></li> </ul>	Pensions Manager				
<p><b>DPFOP0009 - Over reliance on key Pensions Administration and Investment Officers</b> Specialist nature of the work means there are relatively few experts in Investments and the Local Authority Pensions Regulations.</p> <p>Significant knowledge gap left if experts leave.</p>	<b>Significant</b> 3	<b>Possible</b> 3	<b>Medium</b> 9	<ul style="list-style-type: none"> <li>• <b>Key officers convey specialist knowledge to colleagues on a function or topic basis by mentoring</b> <i>Implemented</i></li> <li>• <b>Enhance training by bespoke sessions / courses / workshops</b> <i>Implemented</i></li> <li>• <b>Specific relevant qualifications for administration and investment staff</b> <i>Implemented</i></li> </ul>	<p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p>		<b>Significant</b> 3	<b>Unlikely</b> 2	<b>Medium</b> 6

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>External consultants and independent adviser available for short term assistance <i>Implemented</i></li> </ul>	Pensions Manager and Treasury & Pensions Investments Manager				
<b>DPFOP0010 - Failure to appropriately attract, manage, develop, and retain staff at all levels</b>	<b>Substantial</b> 4	<b>Possible</b> 3	<b>High</b> 12	<ul style="list-style-type: none"> <li>Training and Development Plan established <i>Implemented</i></li> <li>Carmarthenshire County Council recruitment and retention policy implemented <i>Implemented</i></li> </ul>	Pensions Manager  Pensions Manager		<b>Substantial</b> 4	<b>Unlikely</b> 2	<b>Medium</b> 8
<b>DPFOP0011 - Failure to communicate properly with stakeholders</b> Lack of clear communications.  Scheme members are not aware of their rights and entitlements, are distanced from the Fund, which could lead to a reduction in new members and an increase in leavers.  Communication with investment	<b>Significant</b> 3	<b>Unlikely</b> 2	<b>Medium</b> 6	<ul style="list-style-type: none"> <li>Dedicated Communication &amp; Training Officer post established Dedicated Communication &amp; Training Officer will continue to fulfil all the communication requirements of the DPF, in accordance with the Communications Policy Statement <i>Implemented</i></li> </ul>	Pensions Manager		<b>Significant</b> 3	<b>Improbable</b> 1	<b>Very Low</b> 3



# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		
	Impact	Probability				Current Risk Rating	Impact	Probability
managers, custodian, independent adviser, fund employers, pensioners, scheme members, actuary and government organisations.			<ul style="list-style-type: none"> <li><b>Comprehensive website is continually updated and developed</b> <i>Implemented</i></li> <li><b>My Pension Online is used to enhance the service provided to scheme members</b> <i>Implemented</i></li> <li><b>Quarterly meetings with independent adviser and investment managers</b> <i>Implemented</i></li> <li><b>Communications Policy in place</b> <i>Implemented</i></li> <li><b>Annual Employer &amp; Consultative Meeting</b> <i>Implemented</i></li> </ul>	<p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager</p> <p>Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p>				

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled (Assume NO Controls in place)		Risk	Controls	Assigned To	Target Date Priority	Assessment of Controlled (Assume CONTROLLED in place)		Risk
	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
<p><b>DPFOP0012 - Liquidity/cashflow risk - insufficient funds to meet liabilities as they fall due</b></p> <p>Failure of employers to pay contributions on time; low dividend income; significant number of liabilities paid out at the same time.</p> <p>Immediate cash contribution would be required via employers; delay in the payment of promised liabilities; negative publicity and an adverse audit report.</p>	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>• <b>Monthly cash and dividend reconciliations</b> <i>Implemented</i></li> <li>• <b>Quarterly monitoring of investment managers by Pension Committee</b> <i>Implemented</i></li> <li>• <b>Appointment of custodian</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
<p><b>DPFOP0013 - Loss of funds through fraud or misappropriation in investment related functions</b></p> <p>Fraud or misappropriation of funds by an employer, investment managers or custodian.</p> <p>Financial loss to the fund.</p>	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>• <b>Internal and External Audit regularly test that appropriate controls are in place and working</b> <i>Implemented</i></li> <li>• <b>Regulatory control reports from investment managers, custodian, etc., are also reviewed by audit.</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>• <b>Due diligence is carried out whenever a new manager is appointed.</b> <i>Implemented</i></li> <li>• <b>Reliance also placed in Financial Conduct Authority registration.</b> <i>Implemented</i></li> <li>• <b>Quarterly monitoring by Pension Committee and Independent Adviser</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager				
<b>DPFOP0014 - Excessive levels of Pension Fund Cash held within Carmarthenshire County Council investment balances</b> High dividend / interest receipts and low benefit payments being made in period.  Lower cash like return instead of equity or bond investment returns.	<b>Significant</b> 3	<b>Unlikely</b> 2	<b>Medium</b> 6	<ul style="list-style-type: none"> <li>• <b>Monthly cash reconciliations and separate pension fund bank accounts</b> <i>Implemented</i></li> <li>• <b>Quarterly monitoring by Pension Fund Committee</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager		<b>Significant</b> 3	<b>Improbable</b> 1	<b>Very Low</b> 3

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>Internal Audit and Wales Audit Office review <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager				
<p><b>DPFOP0015 - Lack of expertise on Pension Fund Committee and/or amongst Officers</b> Lack of training, continuous professional development and 4 year election cycle.</p> <p>Flawed recommendations given to Pension Fund Committee which, unchallenged, could lead to incorrect decisions being made.</p>	Significant 3	Likely 4	High 12	<ul style="list-style-type: none"> <li>Ensure Officers are trained and up to date in key areas through courses, seminars, reading, discussions with consultants, etc. <i>Implemented</i></li> <li>Members given induction training on joining Committee with subsequent opportunities to attend other specialist training. <i>Implemented</i></li> <li>Members' training plan and Governance Policy established <i>Implemented</i></li> <li>Specialist assistance available from consultants and independent adviser <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled (Assume NO Controls in place)		Risk	Controls	Assigned To	Target Date Priority	Assessment of Controlled (Assume CONTROLLED in place)		Risk
	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
<b>DPFOP0016 - Prolonged failure of investment managers to achieve the returns specified on their mandates</b> Under-performance by the investment managers; lack of monitoring and challenging by the Committee.	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>Quarterly monitoring of investment managers and performance company reports by investment team and Pension Committee <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
<b>DPFOP0017 - Failure to meet deadlines or maintain robust working papers which do not provide assurance of the accuracy of the accounts</b> Lack of planning for closure of accounts; lack of training; loss of expert knowledge.  Qualified audit report; potential bad publicity; members' loss of confidence on officers' abilities.	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>Timetabled Governance &amp; Audit Committee cycles <i>Implemented</i></li> <li>Liaise with external audit <i>Implemented</i></li> <li>Establish closedown timetable <i>Implemented</i></li> <li>Establish Audit Wales working paper guidance &amp; planning document <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>• <b>Excellent time management skills</b> <i>Implemented</i></li> <li>• <b>Attendance at CIPFA Pension Fund Accounts Training &amp; CIPFA Pension Fund Example Accounts reviewed</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager				
<b>DPFOP0018 - Adequate skilled resources not available for accounts preparation</b> Lack of training; loss of expert knowledge; annual or study leave.  Qualified audit report; unsatisfactory internal audit report; failure to meet statutory closure deadlines; employee stress.	Significant 3	Likely 4	High 12	<ul style="list-style-type: none"> <li>• <b>Appropriate Treasury &amp; Pension Investments structure in place</b> <i>Implemented</i></li> <li>• <b>Arrange training courses and seminars, and mentoring</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9
<b>DPFOP0019 - Failure to recover all debts</b> Lack of communication between fund officers and administering authority officers (debtors); lack of monitoring / recovery procedures.	Substantial 4	Likely 4	Significant 16	<ul style="list-style-type: none"> <li>• <b>Use of specialist debt recovery section within the administering authority</b> <i>Implemented</i></li> </ul>	Pensions Manager and Treasury & Pensions Investments Manager		Moderate 2	Improbable 1	Very Low 2

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		
	Impact	Probability					Impact	Probability	Controlled Risk Rating
Loss of income to the Fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to Fund employers				<ul style="list-style-type: none"> <li><b>Monthly monitoring of debts due Implemented</b></li> </ul>	Pensions Manager and Treasury & Pensions Investments Manager				
<p><b>DPFOP0020 - Officers acting outside delegated authority</b> Threat of officers making unauthorised decisions or payments.</p> <p>Loss of income to fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers</p>	<p><b>Substantial</b></p> <p>4</p>	<p><b>Unlikely</b></p> <p>2</p>	<p><b>Medium</b></p> <p>8</p>	<ul style="list-style-type: none"> <li><b>Undertake regular review of Standing Orders &amp; Constitution Implemented</b></li> <li><b>Report to Executive Board Implemented</b></li> <li><b>Monitoring officer role Implemented</b></li> </ul>	<p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p>		<p><b>Substantial</b></p> <p>4</p>	<p><b>Improbable</b></p> <p>1</p>	<p><b>Low</b></p> <p>4</p>

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk		Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk		Risk Controls
	(Assume NO Controls in place)					(Assume CONTROLLED in place)		
	Impact	Probability	Current Risk Rating			Impact	Probability	Controlled Risk Rating
<p><b>DPFOP0021 - Non-performance by Officers and Committee Members</b> Lack of training for officers and members; turnover in officers and members; lack of appraisals; lack of PI monitoring; time constraints for members; conflicting deadlines for officers.</p> <p>Qualified audit report; potential bad publicity; members' loss of confidence in officers' abilities; excessive pressure on officers; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers</p>	<p><b>Substantial</b></p> <p>4</p>	<p><b>Possible</b></p> <p>3</p>	<p><b>High</b></p> <p>12</p>	<ul style="list-style-type: none"> <li><b>Establish performance measurement system</b> <i>Implemented</i></li> <li><b>Pension Committee member assessments</b> <i>Implemented</i></li> <li><b>Officer appraisals in October and March annually</b> <i>Implemented</i></li> <li><b>Regular internal and external audits</b> <i>Implemented</i></li> </ul>	<p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p>	<p><b>Substantial</b></p> <p>4</p>	<p><b>Unlikely</b></p> <p>2</p>	<p><b>Medium</b></p> <p>8</p>



# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>Establish &amp; review training plan for officers and members <i>Implemented</i></li> </ul>	Pensions Manager and Treasury & Pensions Investments Manager				
<p><b>DPFOP0022 - Failure to operate strict financial and budgetary controls</b> Lack of regular budget monitoring and budget setting; lack of communication between admin and investment sections; lack of scrutiny of investment managers', consultants', and advisers' fees.</p> <p>Unexpected variances over budget headings; members' loss of confidence in officers' abilities; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers.</p>	<p><b>Substantial</b></p> <p>4</p>	<p><b>Possible</b></p> <p>3</p>	<p><b>High</b></p> <p>12</p>	<ul style="list-style-type: none"> <li>Quarterly monitoring of budgets <i>Implemented</i></li> <li>Quarterly forecasting and profiling of budgets <i>Implemented</i></li> <li>Closure of accounts to Audit Committee <i>Implemented</i></li> <li>Monthly reconciliations of contributions, dividends, and pension payroll <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		<p><b>Substantial</b></p> <p>4</p>	<p><b>Unlikely</b></p> <p>2</p>	<p><b>Medium</b></p> <p>8</p>

# Risk Register

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

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Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled (Assume NO Controls in place)		Risk	Controls	Assigned To	Target Date Priority	Assessment of Controlled (Assume CONTROLLED in place)		Risk
	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
<b>DPFOP0023 - Insufficient resources to provide information requirements for the Wales Pension Partnership on the management of the fund</b>	<b>Substantial</b> 4	<b>Possible</b> 3	<b>High</b> 12	<ul style="list-style-type: none"> <li>Staffing resources to be kept under review to ensure the Fund's interests are properly met when developing investment pooling arrangements <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager		<b>Substantial</b> 4	<b>Unlikely</b> 2	<b>Medium</b> 8
<b>DPFOP0024 - Coronavirus - COVID19</b> Service delivery threats from COVID-19 and / or similar pandemics.  Insufficient daily back up, disaster recovery, and IT cover to support systems and staff.  Temporary loss of ability to provide service to stakeholders.	<b>Substantial</b> 4	<b>Possible</b> 3	<b>High</b> 12	<ul style="list-style-type: none"> <li>Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls. Remote working arrangements with access to key systems through CCC IT equipment and software. <i>Implemented</i></li> </ul>	Pensions Manager and Treasury & Pensions Investments Manager		<b>Moderate</b> 2	<b>Possible</b> 3	<b>Medium</b> 6

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
DPFST0001 - Failure to comply with LGPS regulations as well as other overriding regulations	<b>Substantial</b> 4	<b>Unlikely</b> 2	<b>Medium</b> 8	<ul style="list-style-type: none"> <li><b>Altair Development Officer undertakes Altair system checks to ensure compliance with LGPS regulations</b> <i>Implemented</i></li> <li><b>Network Groups (Altair &amp; LGPC)</b> <i>Implemented</i></li> <li><b>Communication &amp; Training Officer</b> Communication &amp; Training Officer responsible for the maintenance of Online Procedure manuals, and the provision of training to all section staff and employing bodies via site visits. <i>Implemented</i></li> <li><b>Continue to act as an "Early Adopter" in conjunction with the system provider to ensure system meets regulatory requirements</b> <i>Implemented</i></li> </ul>	Pensions Manager  Pensions Manager  Pensions Manager		<b>Substantial</b> 4	<b>Improbable</b> 1	<b>Low</b> 4

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		
	Impact	Probability					Impact	Probability	Controlled Risk Rating
				<ul style="list-style-type: none"> <li>• <b>Technical Officer ensures legislative accuracy of calculations</b> <i>Implemented</i></li> </ul>	Pensions Manager				
DPFST0002 - Failure to respond to major change to the LGPS following Public Sector Pension Review	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>• <b>Participation in all high level Government discussions and consultations</b> <i>Implemented</i></li> <li>• <b>Ensure best practice is implemented and DPF is seen as a centre of excellence for pension administration</b> <i>Implemented</i></li> <li>• <b>Continue to be recognised nationally by peers as one of the leaders in pension administration and facilitate site visits</b> <i>Implemented</i></li> </ul>	Pensions Manager and Treasury & Pensions Investments Manager  Pensions Manager  Pensions Manager		Substantial 4	Improbable 1	Low 4

# Risk Register

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

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Date: **11 September, 2023**

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	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>• <b>Society of Welsh Treasurers review the suitability of existing and any new pension fund arrangements</b> <i>Implemented</i></li> <li>• <b>CIPFA Pensions Network membership</b> <i>Implemented</i></li> <li>• <b>Technical Officer ensures legislative accuracy of calculations</b> <i>Implemented</i></li> </ul>	<p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager</p>				
DPFST0003 - No appropriate procedures for Employer bodies transferring out of the pension fund or Employer bodies closing to new membership	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> <li>• <b>Inter valuation monitoring and rate reassessment if appropriate</b> <i>Implemented</i></li> </ul>	Pensions Manager		Significant 3	Unlikely 2	Medium 6

# Risk Register

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	Impact	Probability					Impact	Probability	
				<ul style="list-style-type: none"> <li>• <b>Identification of any issue and resolution via regular site visits by Communication &amp; Training Officer</b> <i>Implemented</i></li> <li>• <b>Requirement for employing authorities to issue termination forms for each active member</b> <i>Implemented</i></li> <li>• <b>Validation of membership numbers</b> <i>Implemented</i></li> <li>• <b>Employer covenant checks</b> <i>Implemented</i></li> </ul>	Pensions Manager  Pensions Manager  Pensions Manager  Pensions Manager				
<b>DPFST0004 - Significant rises in employer contributions due to increases in liabilities or fall in assets</b> Scheme liabilities increase disproportionately as a result of increased longevity or falling bond yields. Poor economic conditions,	Substantial  4	Likely  4	Significant  16	<ul style="list-style-type: none"> <li>• <b>Use qualified actuary who uses assumptions and recommends appropriate recovery period and strategy</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager		Significant  3	Possible  3	Medium  9

# Risk Register

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Risk (Threat to achievement of business objective)	Assessment of Uncontrolled (Assume NO Controls in place)		Risk	Controls	Assigned To	Target Date Priority	Assessment of Controlled (Assume CONTROLLED in place)		Risk
	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
incorrect investment strategy, poor selection of investment managers.  Poor / negative returns leading to potential increase in employer's costs.				<ul style="list-style-type: none"> <li><b>Quarterly monitoring of investment managers by Pension Committee</b> <i>Implemented</i></li> <li><b>Diversified Strategic Asset Allocation</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager				
<b>DPFST0005 - Failure of Investment Strategy to deliver investment objectives</b> Inaccurate triennial valuation assumptions used. Incorrect recovery period used.  Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employer's costs.	<b>Significant</b>  3	<b>Likely</b>  4	<b>High</b>  12	<ul style="list-style-type: none"> <li><b>Qualified Actuary makes assumptions and recommends appropriate recovery period and strategy.</b> <i>Implemented</i></li> <li><b>Independent Investment adviser employed to assist the committee in making informed decisions.</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		<b>Significant</b>  3	<b>Possible</b>  3	<b>Medium</b>  9
<b>DPFST0006 - Concentration risk - single asset class having disproportionate impact on investment objectives</b> Risk of the performance of a single asset class having a disproportionate	<b>Substantial</b>  4	<b>Possible</b>  3	<b>High</b>  12	<ul style="list-style-type: none"> <li><b>Establish &amp; review diversified strategic asset allocation</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager		<b>Substantial</b>  4	<b>Unlikely</b>  2	<b>Medium</b>  8

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
<p>impact on the ability to meeting investment objectives. Inappropriate investment strategy following the triennial valuation, including lack of diversification.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs.</p>				<ul style="list-style-type: none"> <li><b>Proactive in decision making</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager				
<p><b>DPFST0007 - Counterparty risk - risk of other party in a transaction failing to meet its obligation to the fund</b> This arises from deposits held with banks and other financial institutions, as well as credit exposures to the fund's members and employers.</p> <p>Loss of capital; decrease in asset values; cost of legal proceedings; adverse publicity.</p>	<b>Substantial</b> 4	<b>Possible</b> 3	<b>High</b> 12	<ul style="list-style-type: none"> <li><b>Set appropriate parameters with fund managers and custodian to limit exposure to default risk</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager		<b>Substantial</b> 4	<b>Unlikely</b> 2	<b>Medium</b> 8
<p><b>DPFST0008 - Interest rate risk</b> Arises from risk of exposure to significant interest rate movements on investments.</p> <p>Bond yields and cash decrease in value.</p>	<b>Substantial</b> 4	<b>Possible</b> 3	<b>High</b> 12	<ul style="list-style-type: none"> <li><b>Establish &amp; review diversified strategic asset allocation</b> <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager		<b>Substantial</b> 4	<b>Unlikely</b> 2	<b>Medium</b> 8



# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
<p><b>DPFST0009 - Discount rate risk</b> Use of inappropriate discount rate to estimate future liabilities.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs.</p>	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>Engage qualified actuary to make assumptions <i>Implemented</i></li> <li>Engage independent adviser to assist the committee in making informed decisions <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
<p><b>DPFST0010 - Price risk</b> The equity investments held exposes the fund to risk in relation to the market price of its investments.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.</p>	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>Establish &amp; review a diversified strategic asset allocation. <i>Implemented</i></li> <li>Anticipate long term returns on a prudent basis. <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
<p><b>DPFST0011 - Foreign exchange risk</b> The fund holds financial assets and liabilities denominated in foreign currencies. It is therefore exposed to an element of risk in relation to currency fluctuation.</p> <p>Funding level decreases; employer</p>	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> <li>Establish &amp; review diversified (within regions) strategic asset allocation <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

# Risk Register

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

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

Date: **11 September, 2023**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)		Current Risk Rating	Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED in place)		Controlled Risk Rating
	Impact	Probability					Impact	Probability	
contribution rates become unacceptable, causing a potential increase in employers' costs.									
<b>DPFST0012 - Global financial markets impacted by economic climate, national/global austerity measures and geopolitical events</b>	<b>Catastrophic</b> 5	<b>Possible</b> 3	<b>High</b> 15	<ul style="list-style-type: none"> <li>Ongoing review by Pension Committee, Officers and Independent Adviser of the global economy and potential global instability. <i>Implemented</i></li> </ul>	Treasury & Pensions Investments Manager		<b>Substantial</b> 4	<b>Possible</b> 3	<b>High</b> 12

## EXECUTIVE SUMMARY

### Wales Pension Partnership (WPP) – Update

The JGC report provides the Committee with information of the July 2023 JGC Meeting and includes the agenda items and the details of discussions that took place on each item.

The Operator report provides an update on the following:

- March 2023 LF WPP Fund Assets Under Management
- March 2023 Fund Snapshot – Equities and Fixed Income
- Fund Launches & Changes
- Initiatives
- Markets
- LFS Corporate Update & Engagement

Mae'r dudalen hon yn wag yn fwriadol

## Wales Pension Partnership (WPP) - JGC Update

JGC meeting date: Wednesday 19 July 2023

Location: Virtual meeting

Chair: Cllr Ted Palmer, Clwyd

Vice Chair: Cllr Elwyn Williams, Dyfed

Agenda item	Detail
Chair / Vice Chair	Cllr Ted Palmer and Cllr Elwyn Williams were appointed as Chair and Vice Chair for 2023/24
Annual Return 2022/23	Anthony Parnell of the Host Authority and Jason Blewitt of Audit Wales presented the 2022/23 Annual Return and Audit letter. The audit is now complete and there were no issues raised.
Host Authority update	<p>Anthony Parnell of the Host Authority provided an update in relation to work that has been completed since the last JGC meeting and WPP's next steps / priorities.</p> <p>Anthony mentioned that the pooling consultation has now been released and the WPP will be providing a pooled response in addition to the individual CAs responses. The consultation will last for a period of 12 weeks, from 11 July 2023 to 2 October 2023. Hymans has drafted a summary of the consultation's main issues, which can be found on the following link: <a href="https://www.hymans.co.uk/LGPS_60ss_-_next_steps_on_investments.pdf">LGPS 60ss - next steps on investments.pdf (hymans.co.uk)</a></p> <p>Anthony also presented the 2022/23 Business Plan update as at 31 March 2023 (attached).</p>
Risk Register Q2 2023 Review	The OWG is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the JGC on a quarterly basis. The OWG has a dedicated Risk Sub-Group to take ownership of the Risk Register and the quarterly review of the document.

	<p>During Q2 2023, a review was undertaken of some of the risks within the Governance and Regulation section of the Risk Register, risks G7 to G14. Another risk has also been added, risk G.15.</p> <p>Hymans presented the changes which were approved by the JGC. The Risk Register has been uploaded on the WPP website.</p>
<p>Policy Reviews: Climate Policy Voting Policy</p>	<p>The WPP have approved several policies / plans which are to be reviewed on a regular basis. This quarter, the OWG have undertaken an annual review of the Climate Risk Policy and Voting Policy.</p> <p>The Climate Risk Policy sets out WPP's approach to addressing the requirements of the Constituent Authorities with regard to climate related risks and the monitoring of these risks. Following this year's review, the policy has been amended to be in keeping with the goals of the Paris agreement (point 28).</p> <p>The WPP voting policy sets out the WPP's policy on proxy voting. This policy has now been updated as an overall Stewardship Policy to better reflect WPP's stewardship (voting and engagement) aims and practices, including the development of an escalation policy, when enhanced engagement has failed. WPP will continue to adopt Robeco's House Voting Policy.</p> <p>Hymans also presented an annual progress update of WPP in relation to Responsible Investment and Climate Risk and the proposed areas for future focus.</p> <p>The updated policies have been approved and these policies have been updated on the WPP website. The progress update has also been uploaded to the website.</p> <p>There were no new policies this quarter.</p>
<p>Operator Update</p>	<p>Link presented their quarterly update report as at 31 March 2023 (attached). This provides an update on WPP's sub funds and corporate and engagement activity.</p>

Performance Reports as at 31 March 2023	Russell Investments presented a Q1 2023 performance summary paper (attached) summarising the performance of each individual ACS sub fund for the quarter ending 31 March 2023.
<b>Exempt Items</b> – the following items were discussed during the non-public part of the meeting.	
Securities Lending Performance Review 2022/23	Stock Lending commenced in March 2020 and Northern Trust presented the Securities Lending Performance Review for the fiscal year 2022/23.
Robeco Engagement Report – Q1 2023	In March 2020, Robeco was appointed as WPP’s Voting & Engagement Provider to undertake Voting and Engagement functions on behalf of the WPP. Robeco commenced their engagement service in April 2020, and they have provided an engagement report for Quarter 1 2023. The engagement theme chosen for Q1 2023 was SDG Engagement.
Responsible Investment and Climate Risk reports	<p>Each quarter, Hymans Robertson produce quarterly Responsible Investment &amp; Climate Risk Reports for the WPP’s sub funds.</p> <p>For Quarter 1 2023 (quarter ending 31 March 2023), the Global Growth and Global Opportunities reports were produced.</p> <p>Hymans presented the reports to the JGC members.</p>
Sub fund reviews	<p>Hymans Robertson undertake an annual performance review of a selection of WPP Sub Funds.</p> <p>During 2022/23, reviews were undertaken of the WPP’s UK Opportunities, Global Credit and Global Government Bond Sub Funds.</p> <p>Hymans presented the reports to the JGC members.</p>
Operator Procurement evaluation criteria	The current contract with Link Fund Solutions, WPP’s existing operator comes to an end in December 2024. The procurement process for a new operator has commenced and the WPP are developing the

	<p>procurement documentation, with the Invitation to tender due to be issued mid-October 2023.</p> <p>Hymans Robertson presented the proposed evaluation criteria which was approved by the JGC. The evaluation criteria is now to be approved by the individual Constituent Authorities.</p>
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Webcast link for the 19 July 2023 JGC meeting below:

[Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 19th July, 2023, 10.00 am](#)

WPP's website address - [Wales Pension Fund | Home \(walespensionpartnership.org\)](#)

Next meeting:

- Wednesday 20 September 2023 – Hybrid meeting, hosted by RCT



Wales Pension Partnership  
Joint Governance Committee  
Q1 2023 review – 17 July 2023



# Market Updates

## Proposed Acquisition

As discussed since the last Joint Governance Committee on 29 March 2023;

Below is the update in relation to the progress of the sale of the Fund Solutions business (FS Business) and ongoing negotiations with the UK Financial Conduct Authority (FCA) to settle the FCA investigation against Link Fund Solutions Limited (LFSL).

Link Group announced on 20<sup>th</sup> April 2023 (Sydney time) that:

Link Group and LFSL have reached a conditional agreement for the sale of the FS Business, excluding its Luxembourg and Swiss entities, and excluding Woodford related liabilities, on a debt and cash free and normalised working capital adjustments basis, to the Waystone Group for an aggregate consideration value of between £110 million and £140 million (the Sale).

At the same time, Link Group and LFSL have reached a conditional agreement with the FCA to settle its investigation into LFSL in respect of LFSL's role as authorised corporate director (ACD) of the LF Woodford Equity Income Fund (now known as the LF Equity Income Fund) (WEIF), (the Settlement).

The Settlement is conditional on, amongst other things, completion of the Sale and the English High Court sanctioning a scheme of arrangement proposed under Part 26 of the Companies Act 2006 addressing WEIF related redress and claims against LFSL (Scheme), as outlined below. The FCA has confirmed its intention to support the Scheme and intends to support its approval by WEIF Investors.

As part of the Settlement, and conditional on the Scheme, Link Group has agreed to contribute to LFSL all of the available consideration to be received from the Waystone Group under the Sale, meaning Link Group would receive no net proceeds of the Sale. There is no further contribution required of Link Group'.

The Scheme will provide that the payment of amounts to WEIF Investors, in accordance with the Scheme, will be in return for a full and final release from WEIF Investors to LFSL and the wider Group.

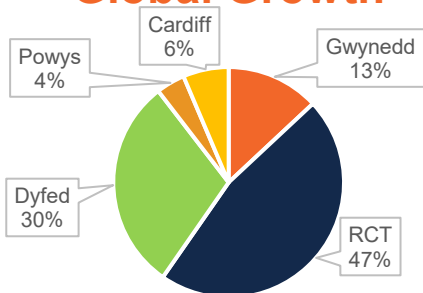
The Sale is targeted to complete by October 2023 and is not contingent on the Scheme or the Settlement becoming unconditional.

# March 2023 LF Wales PP Fund Summary AUM

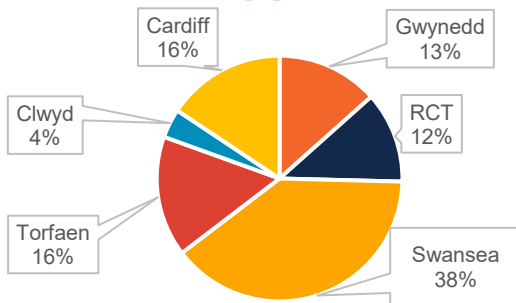
Fund	AUM	Inception date
Global Growth	£3,274,152,681	6 <sup>th</sup> Feb 2019
Global Opportunities	£3,269,124,129	14 <sup>th</sup> Feb 2019
UK Opportunities	£760,143,154	10 <sup>th</sup> Oct 2019
Emerging Markets	£354,601,402	20 <sup>th</sup> Oct 2021
Sterling Credit	£520,721,095	19 <sup>th</sup> Aug 2020
Global Credit	£693,664,784	21 <sup>st</sup> Aug 2020
Multi Asset Credit	£655,191,299	12 <sup>th</sup> Aug 2020
Global Government Bond	£481,416,739	20 <sup>th</sup> Aug 2020
Absolute Return Bond	£559,106,849	30 <sup>th</sup> Sept 2020
<b>Total Active Investments</b>	<b>£10,568,122,134</b>	
<b>Total Passive Investments</b>	<b>£5,074,366,199</b>	
<b>Total Pooled Assets</b>	<b>£15,642,488,333 as at 31 March 2023</b>	

# March 2023 Fund Snapshot - Equities

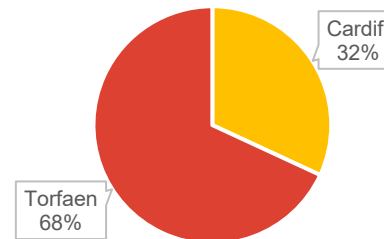
## Global Growth



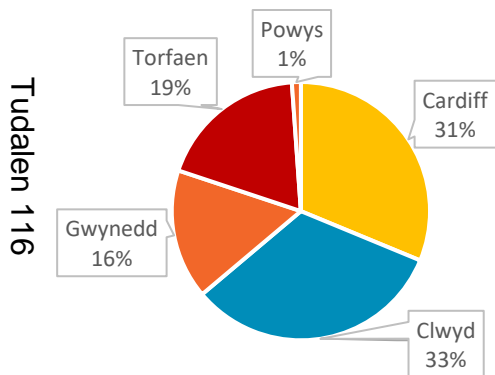
## Global Opportunities



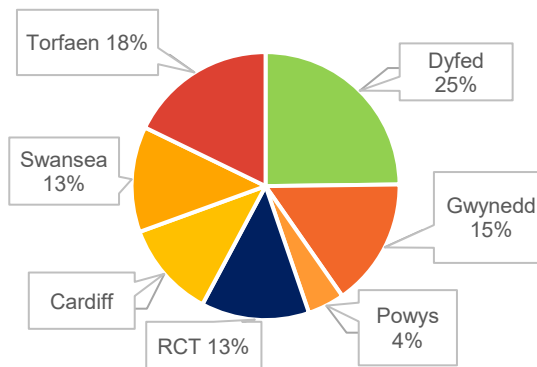
## UK Opportunities



## Emerging Markets



## Passive\*

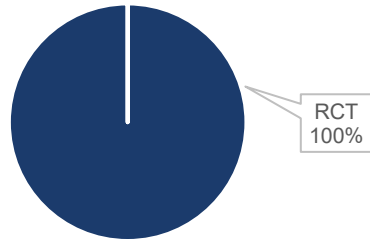


- Key:
- Dyfed
  - Powys
  - Gwynedd
  - RCT
  - Torfaen
  - Clwyd
  - Swansea
  - Cardiff

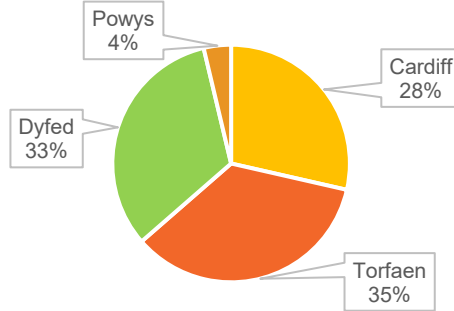
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# March 2023 Fund Snapshot - Fixed Income

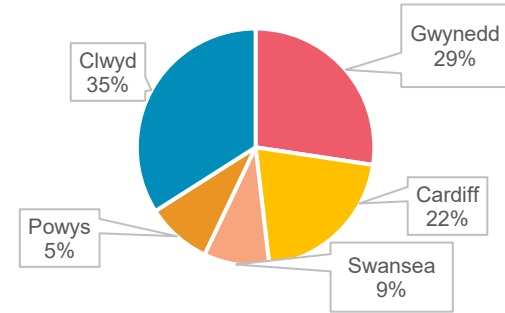
## Sterling Credit



## Global Credit



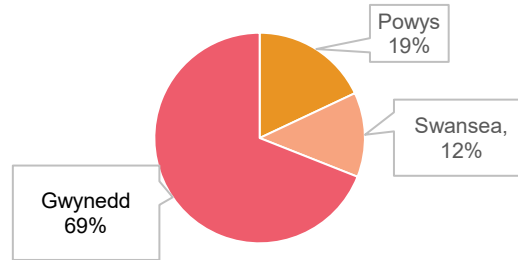
## Multi Asset Credit



## Global Gov. Bond



## Absolute Return Bnd



- Key:
- Dyfed
  - Powys
  - Gwynedd
  - RCT
  - Torfaen
  - Clwyd
  - Swansea
  - Cardiff

# Sub-Funds Update

## Fund Launches & Changes

	Activity	Status	Commentary
<b>Completed Fund Launches &amp; Changes</b>	N/a		N/a
<b>Ongoing Fund Launches &amp; Changes</b>	Addition of Robeco to the Global Credit fund, removal of T Rowe Price	✓	New Investment Manager 'Robeco' to be implemented June 2023
	Establishment of a Sustainable Equities Fund	✓	Weekly Transition Calls ongoing with full working party and Legacy managers with launch date agreed for 20 June 2023
	Addition of New Investment Manager to the Global Growth Fund, as an addition to current Managers	✓	Proposed addition new manager to be discussed at OWG. Paper to be shared with all investing Constituent Authorities with rationale behind the change

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Status key:

- Completed or already in place
- On target;
- Delay Expected;
- Not Applicable

# Initiatives

Business as Usual + Key Changes			
	Activity	Status	Commentary
<b>Management Information</b>	Move to Quarterly Reporting cycle with changes to information captured	✓	Working with internal Teams to move from monthly to quarterly with updates to information provided
<b>Class action reporting</b>	Rolled out class action reporting to the Host on quarterly basis	✓	We have continued to provide the Class Action reporting to the Host Authority

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Status key:

- Completed or already in place
- On target;
- Delay Expected;
- Not Applicable

# Market Updates

	Activity	Status	Commentary
<b>Russia / Ukraine</b>	Impact to ACS sub-funds holding Russian companies	✓	LFSL continue to monitor the situation and will advise Constituent Authorities of any developments. Our Fair Value Pricing Committee regularly discuss and assets are still priced accordingly.
<b>LDI</b>	Liability Driven Investments & market volatility	✓	No LDI investments in the WPP sub-funds.

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Status key

- Completed or already in place
- On target;
- Delay Expected;
- Not Applicable



# LFS Corporate Update & Engagement

## Key Q1 and future WPP Engagement

**Link attendance at OWG/JGC meetings in period:**

- OWG 7 February 2023
- WPP JGC 29 March 2023

**Link attendance at OWG/JGC meetings in next quarter:**

- OWG 23 May 2023
- WPP JGC 19 July 2023

**Link - Pension Committee attendance in period:**

- RCT Panel Meeting - 23 March 2023
- RCT – Pension Committee meeting 27 March 2023
- Gwynedd – Pension Committee meeting 27 March 2023
- Dyfed – Pension Committee meeting 28 March 2023

**Link - Pension Committee attendance in next quarter :**

- Clwyd – Pension committee 23 June 2023

**Other meetings in period**

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly
- WPP briefing / training session – (First session)

**Other meetings in next quarter**

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly
- Pension Board Chairs Engagement Meeting 25 April 2023

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# LFS Engagement Protocol – Business as Usual

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

Note: The OWG Engagement and Monthly KPI meetings may be conducted remotely and/or amalgamated where required.

# Link Engagement Protocol continued...

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

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### ***Relationship Managers***

**Name: James Zealander**  
Role: Senior Relationship Manager  
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Email: [James.Zealander@linkgroup.co.uk](mailto:James.Zealander@linkgroup.co.uk)

**Heidi Robinson**  
Relationship Manager  
+44 (0) 7843 804917  
[Heidi.Robinson@linkgroup.co.uk](mailto:Heidi.Robinson@linkgroup.co.uk)

### ***Head of Client Relations***

**Name: Richard Thornton**  
Role: Head of Relationship Management – Asset Owners  
Number: +44 (0)20 7954 9806  
Email: [Richard.Thornton@linkgroup.co.uk](mailto:Richard.Thornton@linkgroup.co.uk)

### ***Executive Contact***

**Name: Karl Midl**  
Role: CEO & Managing Director  
Number: +44 (0)7951 266225  
Email: [karl.midl@linkgroup.co.uk](mailto:karl.midl@linkgroup.co.uk)

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## EXECUTIVE SUMMARY

### Training Plan 2023-2024

The report includes the schedule of Committee meetings and training events for members and officers of the Dyfed Pension Fund.

Mae'r dudalen hon yn wag yn fwriadol

## DYFED PENSION FUND

### Committee Members and Officers Training 2023-2024

#### Committee Members

Councillor Elwyn Williams (EW) – Chair  
Councillor Dai Thomas (DT) – Committee Member  
Councillor Rob James (RJ) – Committee Member  
Councillor Neil Lewis (NL) – Substitute Committee Member

#### Officers

Chris Moore (CM) – Director of Corporate Services  
Randal Hemingway (RH) – Head of Financial Services  
Anthony Parnell (AP) – Treasury & Pension Investments Manager  
Kevin Gerard (KG) – Pensions Manager  
Martin Morgan (MM) – Deputy Pensions Manager  
Martin Owens (MO) – Pension Investment Officer

<u>Date</u>	<u>Subject</u>	<u>Provider</u>	<u>Venue</u>	<u>Attendees</u>
19 April 2023	Business Meeting	LAPFF	Hybrid/ London	AP & DT
25 – 26 April 2023	Pooling Symposium	LAPF	The Belfry	AP
2 & 3 May 2023	Schroders Briefing		London	CM, RH, AP, EW, DT & RJ
8 June 2023	WPP Training Session		Online	AP
26 June 2023	Committee Meeting		Hybrid	CM, AP, MO, EW, DT & RJ
26 – 28 June 2023	LA Conference	PLSA	Glouc.	CM, KG, AP & EW
4 – 6 July 2023	Strategic Investment Forum	LAPF	The Grove Hotel, Herts	AP
12 July 2023	Business Meeting	LAPFF	Hybrid/ London	AP & DT
7 & 8 September 2023	Investment Summit	LGC	Leeds	AP, MO, RJ & NL
21 September 2023	WPP Training Session		Online	CM, RH, AP, MO, EW, DT & RJ Tudalen 127

21 September 2023	Schroders Briefing		Carmarthen	CM, RH, AP, MO, EW, DT & RJ
22 September 2023	Committee Meeting		Hybrid	CM, RH, AP, KG, MO, EW, DT & RJ
22 September 2023	Partners Group Briefing		Hybrid	CM, RH, AP, MO, EW, DT & RJ
4 October 2023	AGM & Business Meeting	LAPFF	Hybrid/ London	AP & DT
19 & 26 October 2023	Fundamentals Training	LGPC	Online	NL
14 November 2023	ACM		Llanelli	All members & officers
15 November 2023	Committee Meeting		Hybrid	CM, RH, AP, KG, MO, EW, DT, RJ & NL
16 & 23 November 2023	Fundamentals Training	LGPC	Online	NL
21 -22 November 2023	Pension Managers Conference	SWPE	Torquay	KG & MM
6 – 8 December 2023	Annual Conference	LAPFF	Bournemouth	tbc
11 & 19 December 2023	Fundamentals Training	LGPC	Online	NL
January 2024 (tbc)	Business Meeting	LAPFF	London	AP & tbc
February 2024 (tbc)	Pension Fund Accounts	CIPFA	Online	MO
27 March 2024	Committee Meeting		Hybrid	CM, RH, AP, KG, MO, EW, DT, RJ & NL
March 2024 (tbc)	Investment Seminar	LGC	Carden Park	AP & tbc

**Note: The Committee reserves the right to occasionally vary the attendees at the training sessions. Courses/conferences may arise at short notice and when this occurs the Director of Corporate Services has the authority to approve attendance with Cabinet /Leader being notified retrospectively.**



## EXECUTIVE SUMMARY

### Strategic Asset Allocation (SAA) Review 2023

The review examined the overall SAA of the investment portfolio of the Fund and the attached report provides recommendations as to where portfolio optimisation may be implemented to meet the Fund's objectives and requirements.

The review examined the following data:

- Latest Investment Strategy Statement.
- Actuarial Valuation Report as at 31 March 2022.
- Latest SAA and current asset allocations as at 31 December 2022.
- Latest investment returns.
- Projections of cashflow requirements (including projected liabilities and contributions).

The recommendation is to adopt Option 1A which includes an allocation of 5% to Private Credit which is to be funded by a decrease in allocation to Equities. The decision as to which Equity portfolio should be used to fund the new allocation will be made at the time of the investment.

A further recommendation from the report is to cease the reinvestment of income generated from the Global Credit Fund and to begin receiving this income as a distribution.

Further information on the rationale for the recommendations and the review are included within the attached report.

Mae'r dudalen hon yn wag yn fwriadol

# Strategic Asset Allocation Review 2023

## Dyfed Pension Fund

August 2023

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## Introduction

The purpose of this 2023 review is to evaluate the strategic asset allocation (“SAA”) of the Dyfed Pension Fund (the “Fund”) and propose potential alternative portfolios that optimise risk and return. The assessment has been based on a number of principles, consistent with the approach taken in the last SAA exercise.

The expected risk and return of different asset classes has been based on “long-term capital market assumptions” (“LTCMA”) over 10+ years. Following 2022’s correction, **return prospects have improved for many asset classes, particularly in fixed income (including illiquid strategies like Private Credit)**, which now offer significantly higher prospective returns than in prior years. Private markets valuations have also mostly repriced, albeit with a lag, driven by the impact of higher interest rates. Amongst these, real estate has been the most affected, while infrastructure has been more resilient. The backdrop of high inflation, rising interest rates, volatile energy prices, the war in Ukraine, political uncertainties in the UK and a possible recession is therefore a challenging one. As a result, **the risk (volatility) expectations for a number of asset classes has also increased.**

The Committee has a preference for a relatively simple SAA, using traditional asset class allocations, rather than complex investments (e.g. hedge funds). This reduces the governance burden and controls costs.

The Fund is a long term investor, and, as such, is prepared to accept higher volatility, in exchange for better long term returns. However, it does not want ever to be forced to sell assets at short notice, in order to meet its obligations. **Cashflow requirements are therefore a key consideration** in determining an appropriate asset allocation. Like most Local Government Pension Scheme (“LGPS”) funds, the Fund is gradually maturing, and, assuming the current funding strategy, the **Fund’s net cashflow** from “dealing with members”, while modest now, **is expected to become increasingly negative** in the years ahead<sup>1</sup>. So a key consideration of the SAA is to **ensure that the Fund generates sufficient usable income from investments** to meet obligations without having to resort to forced asset sales. We have, again, assumed the principle that income from equities plays a critical role in generating the growth, and should be reinvested. Therefore, “usable” income is that derived from fixed income or alternative assets.

We have taken the required return to be the discount rate used by the Fund’s Actuary at the 31 March 2022 valuation. This was modelled as 10-year CPI plus 1.45%, implying a **required rate of return of at least 4.55%**. While the Fund is currently nearly fully funded on technical provisions, targeting an investment return above that assumed by the Actuary should build in an extra element of prudence and increases the probability that the Fund will retain a surplus of assets over current liabilities in the long term.

Based on the LTCMA, we believe **the Fund can continue to target an investment return well above the required rate**. Whilst this can be achieved by the existing SAA, we have illustrated for consideration several **alternative portfolios** which could achieve an **expected return only marginally lower than the existing SAA, but with a material reduction in expected risk and/or increase in usable investment income.**

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<sup>1</sup> This is covered in more detail later in the report, in the section entitled “Cashflow Position Analysis”.

## Executive Summary

In this report, we propose five alternative portfolios to the Pensions Committee, which are summarised in Table 1 on the next page.

- All portfolios would de-risk the Fund, providing greater diversification and improved cashflow characteristics, but with slightly lower expected returns relative to the existing SAA. Notably, all new asset classes introduced in these portfolios are offered by the Welsh Pension Partnership (“WPP”), therefore requiring no change in the percentage of pooled assets since the equities funding the changes are within the WPP.
- Options 1A and 2A (including Private Credit “PC”) increase the allocation to illiquid assets and largely maintain the Fund’s inflation sensitivity while improving income generation capabilities, once invested.
- Options 1B and 1C both retain liquidity and enhance usable income. Option 1C (Credit) offers slightly better income but higher credit risk, while option 1B (Government Bonds) adds diversification, given the Fund currently has no allocation to long duration bonds.
- Options 2A and 2B boost usable income and further de-risk the portfolio, crystallising profits on a larger portion (10%) of the Fund’s equity holdings. However, these options result in lower expected returns.

### Recommendation

Based on our analysis, **our recommendation is to follow Option 1A (a 5% allocation shift from Equity to Private Credit)** for the following reasons:

- Maintains similar level of expected return to current SAA, while reducing the concentration of equity risk.
- Offers another strong source of income, which will start to produce cashflows particularly from year 3 onwards, when it is likely to be needed to replace the declining income from Partners Group.
- Retains some inflation sensitivity, serving as a longer-term sensitivity, like the Equities it replaces, although not a true inflation hedge (like index-linked gilts).
- It does, however somewhat reduce the liquidity of the portfolio.
- The recommended switch from Equity to other asset classes is shown as coming from Global Equity for convenience. The actual decision as to which Equity portfolio should be used to fund the new allocation will be made at the time of the funding call.

Should the Committee be less concerned about inflation risk and more concerned about the potential for a recession, leading to increased default rates and possibly lower interest rates, which would favour long Government Bonds, **Option 1B (a 5% allocation shift from Equity to Government Bonds)** should be considered.

We also **recommend that the existing Global Credit investment is switched from reinvesting to distributing the income**, based on our findings from the forecast cashflow position analysis.

**Table 1: Summary of Current SAA and Portfolio Options**

	Current Portfolio	Current SAA	Recommendation	Options for Consideration		Other Options for Illustration	
			Option 1A	Option 1B	Option 1C	Option 2A	Option 2B
<b>Global Equities*</b>	56.8%	50%	45%	45%	45%	40%	40%
<b>UK Equities</b>	18%	15%	15%	15%	15%	15%	15%
<b>World Government Bonds</b>				5%			5%
<b>UK Index-Linked Gilts</b>	0.3%						
<b>Global Credit</b>	7.2%	10%	10%	10%	15%	15%	15%
<b>European Real Estate</b>	13.1%	15%	15%	15%	15%	15%	15%
<b>Global Infrastructure</b>	0%	5%	5%	5%	5%	5%	5%
<b>SAIF</b>	3.9%	5%	5%	5%	5%	5%	5%
<b>Private Credit</b>			5%			5%	
<b>Cash</b>	0.6%						

Source: Apex, Dyfed Pension Fund

\* The recommended switch from Equity to other asset classes is shown as coming from Global Equity for convenience. The actual decision as to which Equity portfolio should be used to fund the new allocation will be made at the time of the funding call.

**Table 2: Summary of Portfolio Options and Key Factors**

		Recommendation	Options for Consideration		Other Options for Illustration	
	Current SAA	Option 1A	Option 1B	Option 1C	Option 2A	Option 2B
<b>Portfolio Change</b>	-	-5% Equities +5% PC	-5% Equities +5% Gov Bonds	-5% Equities +5% Credit	-10% Equities +5% PC +5% Credit	-10% Equities +5% Gov Bonds +5% Credit
<b>Expected Return</b>	6.7%	6.7%	6.5%	6.6%	6.6%	6.4%
<b>Expected Risk</b>	9.8%	9.2%	9.1%	9.2%	8.7%	8.6%
<b>Forecast Usable Income (£m)*</b>	39.3	48.6	42.7	44.8	54.1	48.2
<b>Forecast Usable Income vs Current SAA</b>	-	Increase	Slight Increase	Increase	Large Increase	Increase
<b>Long-Term Inflation Sensitivity vs SAA</b>	-	Slight Decrease	Decrease	Decrease	Decrease	Large Decrease
<b>Portfolio Liquidity**</b>	75%	70%	75%	75%	70%	75%
<b>Liquidity vs SAA</b>	-	Decrease	-	-	Decrease	-

Source: Bloomberg, Apex

PC: Private Credit, Credit: Public Global Credit (Hedged), Gov Bonds: World Government Bonds (Hedged)

\*Usable income is income forecast from all asset classes except Equities. Maturity is assumed as year 4 (2026/27) when private markets investments have been invested and producing income, if relevant.

\*\*Percentage of portfolio assumed to be ordinarily realisable in 10 days.



## Portfolio Optimisation Analysis

### Model

The portfolio optimisation was performed using our proprietary mean variance optimisation (“MVO”) model, allowing us to consider the level of uncertainty (expected volatility) and identify portfolios with the highest expected returns for a given level of volatility. However, the model does not explicitly consider sources of risk (e.g. country, sector, rates) or liquidity risk. Additional information on MVO can be found in Appendix 4.

### Assumptions

Our assumptions are based on JP Morgan’s 2023 LTCMA, reflecting **long-term expected returns, volatilities, and correlations** for asset classes (over 10 to 15 years), as at 30 September 2022. We have also considered other capital market assumptions providers and market developments since then. Following robust testing, we have for clarity of audit trail. These assumptions are detailed in Appendix 3.

For the BlackRock SAIF investment, we have modelled this based on the underlying asset class exposures through information provided by the manager.

It is important to note that the assumptions are based on **benchmark level returns** for listed asset classes and **median manager** performance for alternative asset classes. Therefore, the assumptions do not include an allowance for active managers to generate any targeted outperformance.

### Constraints

Our understanding is that the Fund has a long-term investment horizon and is thereby prepared to accept short-term volatility and some illiquidity to achieve higher investment returns. The Pensions Committee believes that, over the long term, equities are expected to outperform other liquid assets. We recognise this view and as such, we introduced a **minimum level equities allocation of 55%** into the model.

We note the Fund has regional equities investments (UK, Emerging Markets, Japan) in addition to global equities investments which results in a different geographical breakdown for the Fund’s Equities relative to the broad global equities benchmark we model (see Appendix 2). The key difference is the significant UK overweight, so we have modelled UK and Global Equities as separate asset classes. However, we have limited **UK equities to a maximum of 15%** of total Fund assets to ensure equities are well diversified geographically, and due to UK equities being relatively concentrated in a number of large single stocks which results in greater idiosyncratic risk than desirable.

In addition, we are cognisant of the Fund’s desire to set a **maximum level for illiquid investments**, and we have set this **at 30%**. From the existing SAA, UK Real Estate, Global Infrastructure and SAIF are illiquid, as are the new potential asset classes of Private Credit and Private Equity. Given that it takes material time to invest new capital or adjust allocations, we have **not allowed the weights of existing illiquid asset classes to be reduced from current levels**.

For UK Real Estate we have fixed the allocation at 15%, as we know it would be undesirable to reduce this allocation in the current market, and we would not intend to increase it, due to the desire for a well-diversified portfolio. Based on the above, the existing SAA has a 25% allocation to illiquid asset classes, which only allows the model to allocate up an additional 5% to illiquid investments.

These constraints are summarised in the table below.

**Table 3: Modelling Constraints for Efficient Frontier**

Group	Asset Class	Min %	Max %	Group Min %	Group Max %	Constraint Details
Equities	All Country World Equity	55%	100%	n/a	n/a	To reflect the minimum equity exposure the Fund wishes to retain.
	Real Estate	15%	15%			To reflect the maximum individual and combined illiquid assets exposure the Fund could have.
	Infrastructure	5%	n/a			
Illiquid Assets	SAIF	5%	n/a	0%	30%	Minimums in Real Estate, Infrastructure and SAIF reflect the current investments which are not possible to reduce. The maximum real estate constraint reflects the desire for diversification of alternative assets and the current outlook for the real estate market.
	Private Credit	0%	n/a			
	Private Equity	0%	n/a			

Source: Apex

The total fixed constraints sum to 80%, which leaves 20% for the model to optimise between the included asset classes. Limiting the majority of the portfolio in this manner helps reduce the potential transaction costs and disruption of any changes as well as ensuring sufficient diversification. Based on this we have modelled multiple scenarios and our approach has resulted in several potential portfolios options.

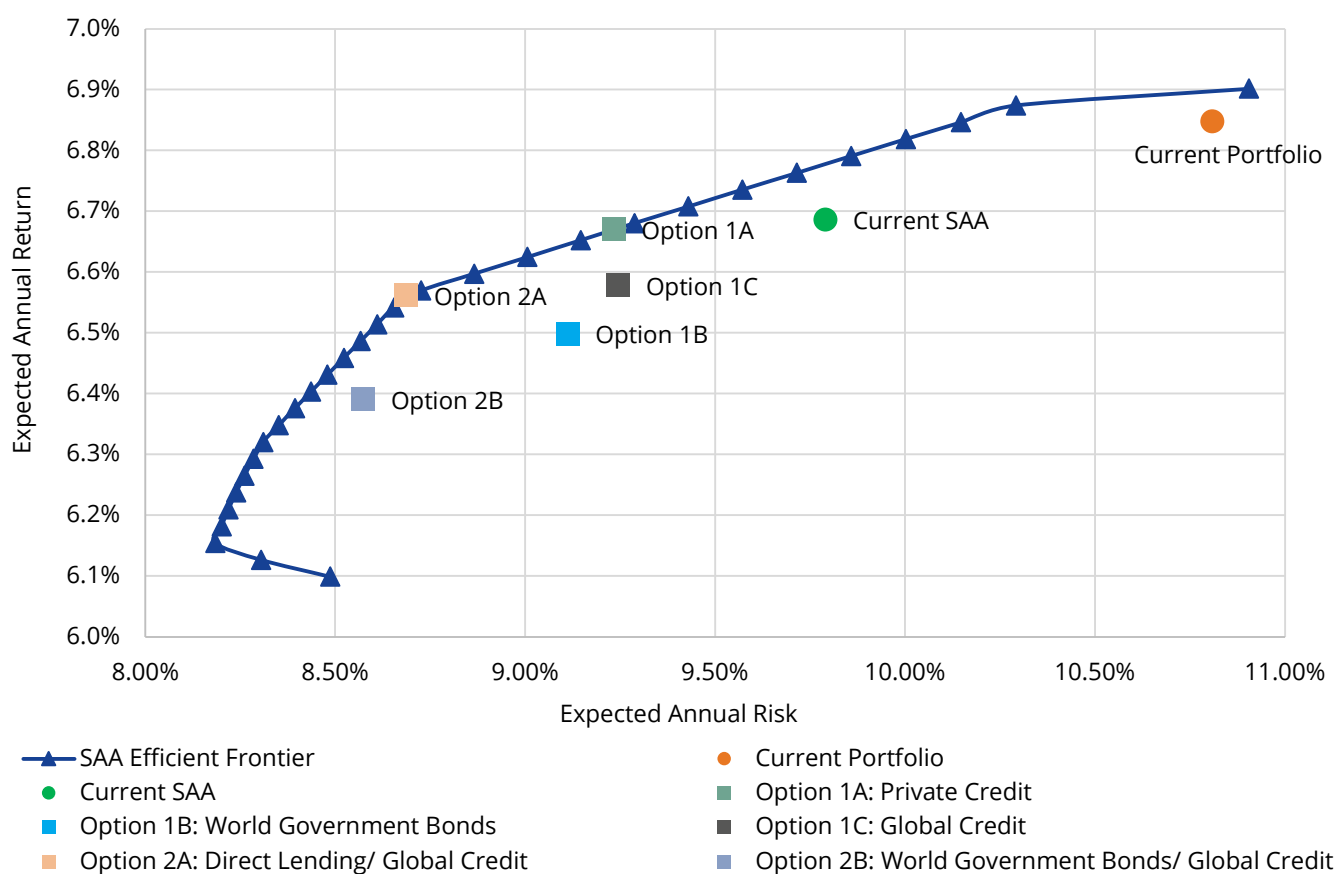
## Model Results

Figure 1 below shows 30 modelled portfolios (dark blue triangles) forming an **efficient frontier**, representing the most efficient portfolios in terms of risk and return, based on the assumptions and constraints.

If we left the SAA model totally unconstrained it produces results which, whilst academically interesting, are not relevant to the Fund, as the model takes no consideration of diversification by asset class, portfolio income or liquidity. However, what is noticeable is that unconstrained models skew away from equities due to their historically higher volatility and relatively high correlations with alternative investments, which offer a more attractive risk/return payoff. This leads the modelling to favour asset classes such as government bonds, global credit, and private credit, at the expense of equities.

The orange circle represents the Fund's current asset allocation, while the green circle represents the existing SAA. We have illustrated five portfolio options (coloured squares), which all offer moderately lower risk with a similar expected return compared to the SAA, and marginally lower returns than the current portfolio.

**Figure 1: Efficient Frontier**



Source: Apex

## Portfolio Options

The table below sets out a summary of the portfolios' asset allocations, along with their risk/ return statistics.

**Table 4: Portfolio Options**

	Current Portfolio	Current SAA	Proposed	Options for Consideration		Other Options for Illustration	
			Option 1A	Option 1B	Option 1C	Option 2A	Option 2B
Global Equities*	56.8%	50%	45%	45%	45%	40%	40%
UK Equities	18%	15%	15%	15%	15%	15%	15%
Gov. Bonds				5%			5%
UK IL Gilts	0.3%						
Global Credit	7.2%	10%	10%	10%	15%	15%	15%
UK Real Estate	13.1%	15%	15%	15%	15%	15%	15%
Global Infra	0%	5%	5%	5%	5%	5%	5%
SAIF	3.9%	5%	5%	5%	5%	5%	5%
Private Credit			5%			5%	
Cash	0.6%						
Exp. Return	6.9%	6.7%	6.7%	6.5%	6.6%	6.6%	6.4%
Exp. Risk	10.8%	9.8%	9.2%	9.1%	9.2%	8.7%	8.6%
Exp. Sharpe	0.43	0.46	0.48	0.47	0.47	0.50	0.49
95% VaR	£682m	£653m	£616m	£615m	£618m	£581m	£581m

Source: Apex

\* The recommended switch from Equity to other asset classes is shown as coming from Global Equity for convenience. The actual decision as to which Equity portfolio should be used to fund the new allocation will be made at the time of the funding call.

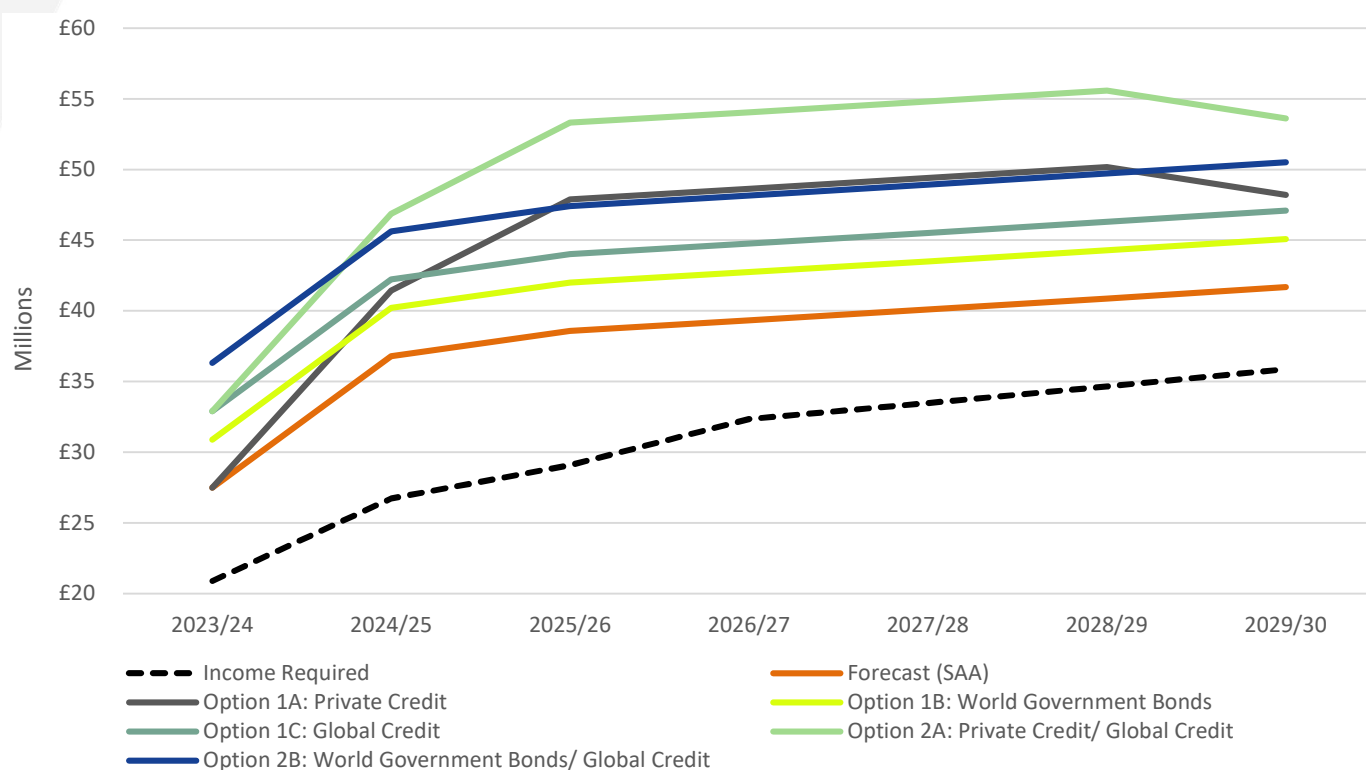
Due to the significant increase in interest rates over the last year, fixed income asset classes now offer comparable expected returns to equities. Reducing the equity allocation in favour of fixed income assets results in minimal loss of return potential. **All modelled portfolios comfortably exceed the Fund's target investment return (4.55%) and improve the risk and improve the risk-adjusted return (Sharpe ratio).** Shifting away from equities is likely to **enhance diversification** and boost the overall portfolio resilience. The correlation matrix in Appendix 3 shows that Government Bonds (1B) offer the most diversification, followed by Private Credit (1A) and Global Credit (1C). Opting to switch 10% rather than 5% from Equities is expected to yield lower long-term returns, but with more diversification and lower overall portfolio volatility (and hence the best Sharpe ratios). However, considering the **limited differences in return expectations, we suggest the decision between these options hinges on consideration of other key factors, namely: investment income generation, interest rate and credit risk, liquidity, and inflation sensitivity.**

## Portfolio Considerations

### Investment Income Generation/ Cashflow Analysis

An important consideration for the Fund is the ability to provide investment income to help meet future cashflow requirements. Figure 2 illustrates the expected “usable” cash income (income from all investments other than Equities) generated by each option : each SAA Option modelled should generate usable income comfortably above the required amount. Notably, we assume that the new SAA is fully implemented for the 23/24 year, except that it takes two years to invest capital in the Private Credit fund, after which it generates substantial investment income from 2025/26 onwards.

**Figure 2: Forecast Usable Income by Portfolio Option vs Income Required**



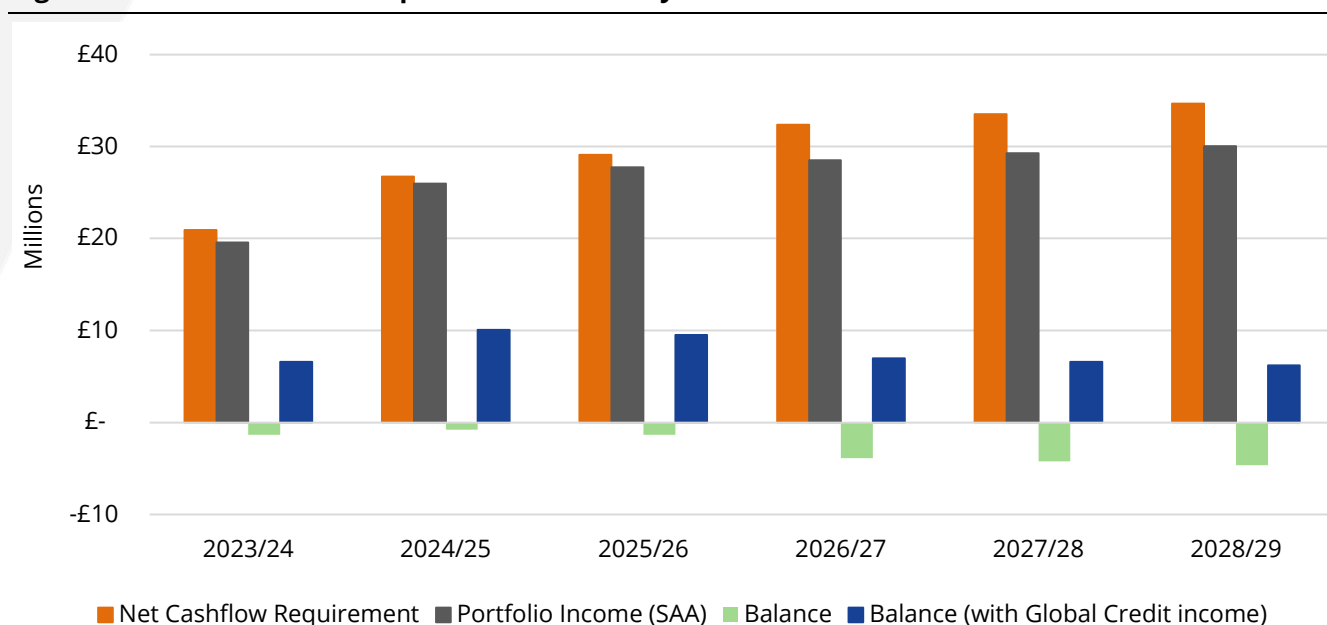
Source: Schroders, Partners Group, Bloomberg, Dyfed Pension Fund, Apex

However, we advise only to withdraw sufficient income from the portfolio to meet cashflow needs and to reinvest any excess. For the **cashflow analysis**, we have assumed that the **Fund continues using only the income generated from Real Estate** (£1m per year from Partners Group, plus income from Schroders), **SAIF, Index-Linked Gilts and Infrastructure** (in due course). We have modelled the forecast income received from **Global Credit** assuming this is switched to a distributing vehicle, while income from Global Equities is reinvested. Regarding new asset classes, we have assumed **income from Private Credit will be distributed** to the Fund (generally it is not possible to re-invest distributions in private markets, although

some private credit funds may have an initial recycling period). For **World Government Bonds** we have assumed income will be reinvested.

Figure 3 displays the expected income required from the Fund and our forecast of the cash distributed from the above investments, year by year. The green bars ('Balance') illustrate that if Global Credit is left as accumulating then there is forecast to be a cashflow shortfall through the forecast period. If Global Credit is switched to distributing, as we recommend, then the overall portfolio income is forecast to be above the level required based on forecast pension expenses.

**Figure 3: Forecast Income Required/ Generated by Current SAA**



Source: Schroders, Partners Group, Bloomberg, Dyfed Pension Fund, Apex  
 Note Partners Group income is assumed as £1m per annum.

We have also modelled the sensitivity of this cashflow analysis should inflation remain high, leading to increased pension expenses. Under the assumption that pensions paid increase by 8% per annum for 2024/25 to 2026/27 (vs. 6% and 5% in the base case), and with all else left unchanged, the Fund is still projected to have positive net cashflow, provided that Global Credit is switched to a distributing vehicle.

Cashflow considerations alone, therefore, do not necessitate a change in the current SAA, but result in a **recommendation to switch the existing Global Credit portfolio from an accumulating to distributing share class**. However, consideration of the other risks to which the Fund is exposed (below), suggests the Committee should consider alternative SAAs.

### Interest Rate and Credit Risk

The sharp rise in interest rates over the past year has resulted in significant price declines for "long duration" assets like long government bonds (down approximately -30% in the year to March 2023) and growth

equities. In contrast, shorter duration bonds (such as credit) experienced much milder declines (around -6%), while private credit, with a substantial proportion of floating rate loans, has remained relatively unaffected. Although interest rates are unlikely to return to the exceptionally low levels of recent years, **a gradual decline over time could benefit longer duration fixed income asset classes, such as World Government Bonds**. Additionally, as the Fund matures, it becomes more desirable to have increased exposure to these type of assets, as the cost of pension benefits behaves similarly to long duration bonds.

Similarly, as the economy potentially heads for a recession, credit spreads (the additional return bondholders demand to compensate for default risk) may widen, leading to bond price declines. While spreads are currently close to their long-term average levels, **the economic uncertainties driven by the rise in rates which has already occurred, may suggest a preference for more secure “investment grade” Global Credit (1C) or even Government Bonds (1B) over the riskier Private Credit (1A)**.

### Inflation

As the Fund is well aware, inflation has increased dramatically in the UK and many other major economies since early 2021. As the Fund’s pensions are fully indexed to CPI inflation, the March ’22 Actuarial Valuation discount rate is linked to inflation, and set at 1.45% above the CPI expectation of 3.1%. Although inflation has exceeded 3.1% since late 2021, the expected rates of *long-term* inflation have actually reduced marginally as at the date of this analysis. Therefore, **we are comfortable to continue to use the Valuation discount rate of 4.55%** as the required minimum rate of return for the Fund.

Table 5 shows a schematic representation of the sensitivity to both inflation and interest rates for the different asset classes currently held by the Fund, as well as those included in the Options presented earlier. So while inflation remains a key risk to the Fund, the Fund currently maintains a good level of exposure to inflation sensitive asset classes.

**Table 5: Asset Classes and Sensitivity to Interest Rates and Inflation**

	Short Duration Asset Classes (Low Interest Rate Sensitivity)	Long Duration Asset Classes (High Interest Rate Sensitivity)
High Inflation Sensitivity	Infrastructure/SAIF (10%) Real Estate (15%) Value Equity Private Credit (5%, Option 1A)	Index-Linked Gilts (<5%) Equities (60%) Growth Equity
Low Inflation Sensitivity	Corporate Bonds 10% + (5%, Option 1C) Cash	Government Bonds (5%, Option 1B)

Source: Apex

## Liquidity

Liquidity refers to the ease with which an investment can readily be bought or sold. Private market investments, including Real Estate, SAIF and Infrastructure (currently held), as well as **Private Credit in Option 1A are considered illiquid**. This means that they cannot readily be bought, sold or rebalanced (up or down) and it typically takes 2-3 years fully to invest these assets. Investors typically demand a return premium to compensate for the lack of liquidity. As a long-term investor, the Fund can generally tolerate this illiquidity risk, given it's well balanced cashflows. However, the Fund's SAA's allocation to illiquids currently stands at 25%, and with cashflows gradually becoming more negative, it is advisable not to let this proportion of illiquid assets to rise too much. While all publicly traded asset classes are generally liquid and can be easily rebalanced, **Global Credit (Option 1C) will be less liquid under some circumstances compared to the Equities used to fund the switch, or World Government Bonds (Option 1B)**.

## Carbon Footprint

This report has not looked at Carbon emissions specifically, primarily because the carbon intensity data across asset classes is not readily comparable, making this a **more appropriate consideration when looking at the specific investment within the asset class** (i.e. portfolio construction), rather than at the asset allocation stage. The Committee will look at the impact on carbon footprint at the time any specific investment decisions are made in implementing this asset allocation, with a view to ensuring our investments demonstrate a good and/or improving carbon footprint.



## Conclusion

In this report, we have conducted an SAA modelling exercise considering the Fund's beliefs, potential investment universe, liquidity, cashflow requirements, and reasonable constraints. Using long-term capital market assumptions, we have presented several alternative SAA options for the Fund to consider, whilst bearing in mind the existing illiquid investments still being deployed. The alternative portfolios offer various options to enhance the Fund's ability to generate usable investment income and meet its growing cashflow requirements as it matures.

**We recommend that the Fund switch the Global Credit investment from reinvesting to distributing the income** in order to meet the forecast cashflow shortfall. This should be the only change required to meet cashflow requirements and can be reassessed upon the next valuation/ SAA date in 2025/26.

Given then, that the Fund has sufficient cash generation, the Committee does not need to worry overly about volatility (the traditional interpretation of "investment risk"). The Fund is a long term investor, and has the ability to ride out market cycles. The risks it does need to worry about, however, are the cumulative ones (**inflation and expected returns**), which are critical in determining its ability to pay pension obligations in 10-15 years, and, perhaps, the **opportunity cost of illiquidity** (being unable to adjust to changes in market conditions or investment opportunities).

The choice of which option therefore boils down to a trade-off between these. Appendix 1 lays out the Pros and Cons of each option, but our recommendation is to pursue **Option 1A (a 5% allocation shift from Equity to Private Credit)** for the following reasons:

- Maintains similar level of expected return to current SAA, while reducing the concentration of equity risk.
- Offers another strong source of income, which will start to produce cashflows particularly from year 3 onwards, when it is likely to be needed to replace the declining income from Partners Group.
- Retains some inflation sensitivity, serving as a longer-term sensitivity, like the Equities it replaces, although not a true inflation hedge (like index-linked gilts).
- It does, however somewhat reduce the liquidity of the portfolio.
- The recommended switch from Equity to other asset classes is shown as coming from Global Equity for convenience. The actual decision as to which Equity portfolio should be used to fund the new allocation will be made at the time of the funding call.

Should the Committee be less concerned about inflation risk and more concerned about the potential for a recession, leading to increased default rates and possibly lower interest rates (which would favour the longer duration Government Bonds) **Option 1B (a 5% allocation shift from Equity to Government Bonds)** should be considered.

It does not seem necessary, from a cashflow or diversification perspective, to switch a further 5% out of equities (i.e. Options 2). However, the Committee should **rebalance the current Equity overweight by enough to correct the underweight in Global Credit**.

## Appendix 1 – Consideration of Portfolio Options

	Pros	Cons
<b>Current SAA</b>	<p>Expected return is above the actuarial discount rate.</p> <p>Expected cash yield above the expected income required over medium-term.</p> <p>Only a moderate level of illiquid assets exposure (25%).</p> <p>Overall has a moderate long-term inflation sensitivity, due to large allocations to Equities and real assets (Infrastructure, SAIF, Real Estate) which we view as being moderate to strong inflation protection respectively.</p> <p>Good alignment with the pooling (85%) and levelling up initiatives (5% in UK private assets through SAIF and 13% in UK Real Estate).</p>	<p>Large exposure to equity market risk, which can result in volatile performance.</p> <p>Overall expected risk is high given the funding position.</p>
<b>Option 1A (Private Credit)</b>	<p>Improves expected risk-adjusted return (by lowering risk with similar expected return), and is above the actuarial discount rate.</p> <p>Tactically an interesting time to invest, as tightening credit conditions offer the possibility of above average returns for the vintages which are invested over the next 2-3 years.</p> <p>Underlying loans are typically floating rate, and so yields are expected to rise with base rates and thereby provide a degree of indirect inflation protection.</p> <p>High cash yield expectation, following the initial period assumed as 1-2 years to invest cash.</p> <p>Typically private or smaller cap borrowers, so it provides diversification vs listed credit.</p> <p>A pooled solution is offered through WPP which could enable the Fund to make this allocation whilst continuing its alignment with pooling.</p>	<p>Illiquid asset class, with fund terms typically of 8-10 years before majority of capital is returned (noting potential for capital losses), and the allocation cannot easily be adjusted.</p> <p>Whilst our assumptions for Private Credit are set at a general level, there are many strategies offering a wide range of capital structure and geography exposures, for the Fund's consideration. Given the stage in the economic cycle, a relatively low risk strategy (e.g. no fund leverage, and investments in senior secured loans) would be appropriate.</p> <p>Subject to the exact agreements and manager, Private Credit is often considered a relatively more expensive asset class in terms of managers fees. Managers typically charge a per annum fee and a performance fee above a hurdle rate.</p>
<b>Option 1B (Gov Bonds)</b>	<p>Reasonable cash yield potential if required for future cashflow needs, and income would be paid immediately (no investment period).</p> <p>Government bonds, particularly developed markets, are considered a fair recession hedge given tendency for interest rates to fall in recessions and investors to turn to safe assets.</p> <p>Enables the Fund to maintain alignment with the pooling initiative by investing in the World Government Bonds WPP pooling vehicle.</p> <p>The asset class is liquid, allowing relatively fast access to cash (subject to extreme stress events) and ease of re-balancing the portfolio.</p>	<p>Lower expected return than the existing SAA, although with lower expected risk resulting in a marginal improvement in Sharpe ratio, and is above the actuarial discount rate.</p> <p>We view the asset class as a poor inflation hedge, as the loans are fixed rate and both coupons and principal are not adjusted with inflation.</p>

	Pros	Cons
<b>Option 1C (Credit)</b>	<p>Improves expected risk-adjusted return (by lowering risk with similar expected return), and is above the actuarial discount rate.</p> <p>High cash yield potential if required for future cashflow needs, and income would be paid immediately (no investment period).</p> <p>Enables the Fund to maintain alignment with the pooling initiative by investing in the current Global Credit WPP pooling vehicle.</p> <p>The asset class is liquid, allowing relatively fast access to cash (subject to extreme stress events) and ease of re-balancing the portfolio.</p>	<p>We view the asset class as a poor inflation hedge, as the loans are fixed rate and both coupons and principal are not adjusted with inflation.</p> <p>An additional 5% allocation increases the allocation to the WPP strategy to 15%. While this is not at a worrying level, particularly given the strategy is a multi-manager construction, it does represent an increased level of manager concentration.</p>
<b>Option 2A (Private Credit and Credit)</b>	<p>Further reduces equity risk, following strong performance relative to bonds, bringing it more in line with LGPS average, while maintaining a similar level of expected return to the higher equity options (Options 1A-D).</p> <p>Provides diversified exposure to credit including element of inflation sensitivity. Further bolsters Fund's ability to generate usable investment income, and takes it a step further down the road it will need to follow as it matures.</p> <p>High cash yield expectation, following 1-2 years to invest cash for Private Credit (and with no expected income to be received for Global Credit)</p>	<p>Some reduction in liquidity of the Fund, and of flexibility, as compared with the passive equity funding the transition.</p> <p>Higher costs due to the increased private markets allocation.</p>
<b>Option 2B (Gov Bonds and Credit)</b>	<p>Good cash yield potential, although both assets would assume to be invested into accumulating vehicles. This could easily be adjusted if required in future years.</p> <p>Liquidity remains high in these asset classes, allowing relatively fast access to cash (subject to extreme stress events) and ease of re-balancing the portfolio.</p> <p>Enables the Fund to maintain alignment with the pooling initiative.</p>	<p>Expected return is somewhat lower (though risk-adjusted return increases due to much lower risk), although it is above the actuarial discount rate.</p>

## Appendix 2 – Current Portfolio

### Overall Portfolio Valuation

As at 31 March 2023, the Fund's assets had a valuation of £3.13bn, which was invested across five pools/managers: BlackRock (Regional and Global Equities, and Index-Linked Gilts), WPP Growth Equity, WPP Global Credit, Schroders (Real Estate), and Partners Group (Real Estate).

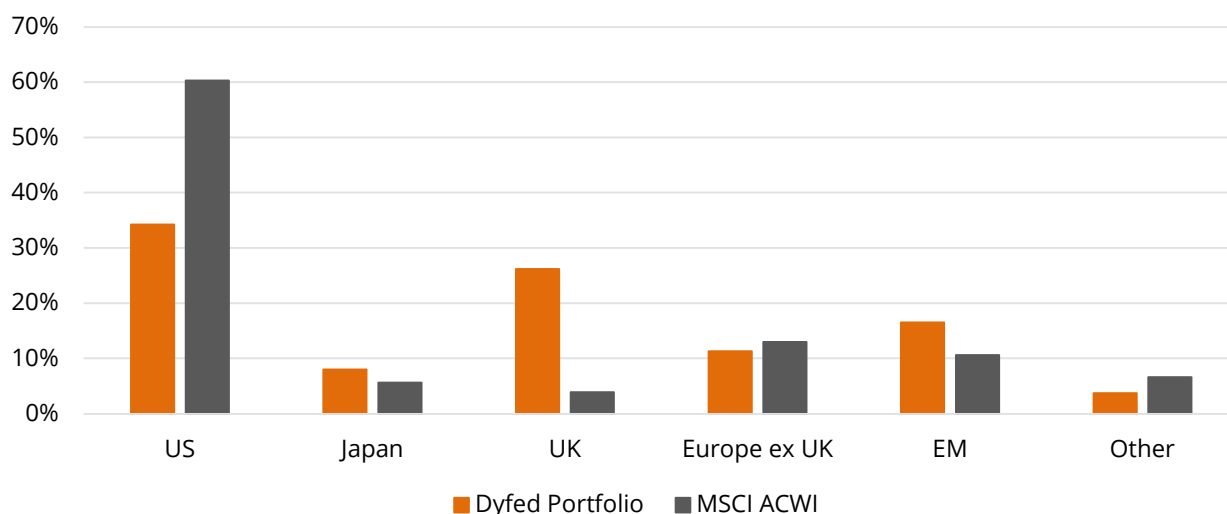
**Table 6: Fund Allocation as at 31 March 2023**

Fund	Asset Class	Valuation	% of Total Portfolio
BlackRock UK Equity	UK Equities	£562,034,000	18.0%
BlackRock Global Equity (Regional Funds and Global Low Carbon Fund)	Global Equities	£799,740,000	25.6%
WPP Global Equity	Global Equities	£978,714,000	31.3%
BlackRock Index Linked Gilts	Index Linked Gilts	£10,781,000	0.3%
WPP Global Credit	Global Corporate Bonds	£226,700,000	7.2%
BlackRock SAIF	Multi Asset	£121,102,000	3.9%
Schroders	Real Estate	£361,168,000	11.5%
Partners Group	Real Estate	£49,539,000	1.6%
Cash	Cash	£20,111,000	0.6%
<b>Total</b>		<b>£3,129,889,000</b>	

Source: Dyfed Pension Fund, Apex

Note: Figures may not add to 100% due to rounding

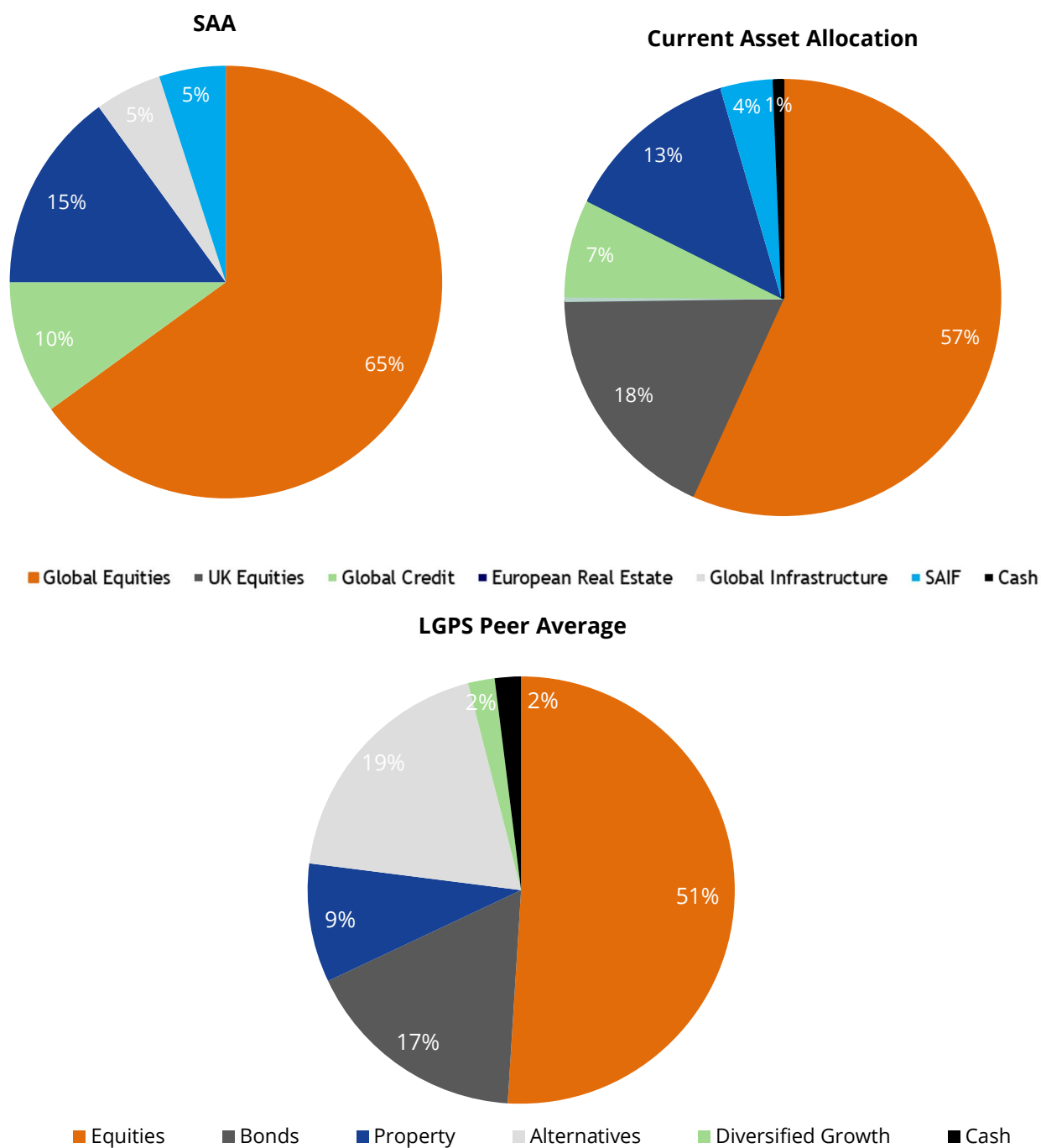
**Figure 4: Dyfed Equities Weight by Region vs MSCI ACWI**



Source: Apex, MSCI

## Asset Allocation

**Figure 5: SAA, Current Asset Allocation and LGPS Peer Group Average (as at 31 March 2023)**



Source: Dyfed Pension Fund, PIRC Local Authority Fund Statistics, Apex

Note: Figures may not sum to 100% due to rounding.

### **SAA vs Current Asset Allocation**

When comparing the SAA to the current asset allocation (as at 31 March 2023) in Figure 5 the Fund is:

- 9.8% overweight to Global Equities (5% of which is to fund the Global Infrastructure commitment).
- 5.0% underweight to Global Infrastructure (as the fund has not yet invested capital).
- Broadly in line with the SAA for the other asset classes. The Committee has agreed a £50m (c. 1.6%) rebalance out of UK Equities into Global Credit, which occurred after 31 March, which will bring the SAA closer in line again.

### **SAA vs LGPS Peer Average**

We have also provided the average SAA of LGPS funds, as at 31 March 2023, to provide a comparison of the relative SAA positioning of the Fund compared to the peer group. However, it is important to bear in mind that each Fund should consider its own objectives, constraints, funding ratio and discount rates for setting an SAA. Notwithstanding this, the key differences are as follows:

- The Fund holds notably more Equities than peers (65% vs 51%), though it should be noted that some other LGPS funds also hold equity exposure through their diversified growth allocations or within their alternative allocations (e.g. hedge funds).
- The Fund holds fewer bonds than peers (10% vs 17%).
- The Fund holds a relatively similar weight in the diverse 'alternatives' category, which includes Real Estate (25% vs 28%).

The heavy weighting in equities has aided the Funds' performance over the longer term but introduces greater volatility.

## Appendix 3 – Key Assumptions

### Risk and Return Assumptions

**Table 7: Forward-Looking Annual Risk/Return Assumptions (Over 10 to 15 Years)**

Asset Class	Sub-Asset Class	Exp. Annual Return	Exp. Annual Volatility
Equities	All Country World Equity	7.3%	13.9%
	UK All Cap	7.6%	13.2%
Fixed Income	UK Inflation Linked Bonds	3.8%	10.7%
	Global Credit Hedged	5.1%	5.4%
	World Government Bonds Hedged	3.5%	3.7%
Cash	UK Cash	2.2%	0.7%
Real Estate	UK Core Real Estate	5.5%	13.0%
Alternatives	Global Core Infrastructure	5.4%	10.8%
	Private Equity	8.1%	17.5%
	Private Credit	6.9%	15.8%
	BlackRock SAIF	6.2%	8.6%

Source: JPM LTCMA 2023, Apex

### SAIF Allocation

The SAIF BlackRock portfolio invests in 5 asset classes in varying proportions, with a breakdown as at March 2023 shown in Table 8. We have elected to model the investment as a single asset class, and have created a single return and risk and set of correlations assumptions, based on the underlying asset classes.

**Table 8: SAIF Fund Breakdown as at March 2023**

Asset Class	SAIF Allocation %
Infrastructure Equity	18%
Infrastructure Debt	22%
Real Estate Equity	31%
Real Estate Debt	13%
Private Credit	16%

Source: BlackRock, Apex

Note: Figures may not add to 100% due to rounding

## Cash Yield Assumptions

The table below highlights the expected distribution yield for distributing investments. Illiquid asset classes have been forecast year by year, based on expected time frames to deploy capital and expected distributions, with the initial annual distribution highlighted in the table below.

**Table 9: Current Expected Yields**

Asset Class	Currently Income Producing	Valuation at March 2023 (£'000)	Expected Cash Yield	Estimated Income Amount (£'000)	Source
Global and UK Equities	No	£2,340,000	2.75%	n/a	Bloomberg Estimated Yield for Benchmark Index (Global and UK Equities blend), 30 June 2023.
Index Linked Gilts	Yes	£10,781	1.0%	£100	Bloomberg, Apex Assumptions.
Global Credit	No	£226,700	3.50%	n/a	Bloomberg Current Yield for Benchmark Index, 30 June 2023.
Schroders Real Estate	Yes	£361,168	3.5%	£12,500	Based on April 2023 distribution, annualised.
Partners Group Real Estate	Yes	£49,539	4.0%	£2,000	Forecast net cashflow per year provided by Manager.
SAIF	Yes	£121,102	5.0%	£6,055	Based on latest Manager update.
Global Infrastructure	No	£0	4.0%	n/a	Manager Forecast, Apex Assumptions.
World Gov Bonds	n/a	n/a	2.2%	n/a	Bloomberg Current Yield for Benchmark Index, 30 June 2023.
Private Credit	n/a	n/a	6.0%*	n/a	Apex Assumptions

Source: BlackRock, Partners Group, Bloomberg, MSCI, Apex

\*See comments in text following Table 10

**Private Credit** refers to a closed-ended strategy, which invests in untraded private market debt instruments (loans or bonds), typically direct with the underlying borrower (rather than via a bank), and typically with smaller/mid-cap companies (too small to issue bonds themselves). These instruments are typically floating rate and may be senior or subordinated (i.e. ranking behind secured debt). For this higher level of credit and liquidity risk, investors demand materially higher returns than investment-grade corporate credit, as above.



## Fund Net Cashflow Forecast

The table below illustrates our year by year forecast for cashflow required of, and produced by, the Fund. Our assumptions of the cashflows required of the fund, i.e. net pension expenses, are based on assumptions provided by Dyfed for the years 2023/24 to 2025/26, and for subsequent years is based on consistent growth rate assumptions of 3.5% across pensions paid, transfers, and contributions.

**Table 10: Detailed Cashflow Forecast by Year for Current SAA (£m)**

Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Pensions Assumptions	Dyfed	Dyfed	Dyfed	Apex	Apex	Apex	Apex
Pensions Paid	-79.0	-85.3	-90.4	-95.8	-99.2	-102.7	-106.3
Net Pension Transfers	-26.5	-28.5	-28.5	-29.5	-30.5	-31.6	-32.7
Contributions	95.1	98.4	101.9	105.4	109.1	112.9	116.9
CHAPS	-10.5	-11.4	-12.0	-12.5	-12.9	-13.3	-13.8
<b>Net Cashflow Requirement</b>	<b>20.9</b>	<b>26.7</b>	<b>29.1</b>	<b>32.4</b>	<b>33.5</b>	<b>34.7</b>	<b>35.9</b>
Real Estate: Schroders	12.5	14.8	14.8	15.2	15.7	16.2	16.7
Real Estate: Partners Group	1.0	1.0	1.0	1.0	1.0	1.0	1.0
SAIF	6.1	7.7	7.9	8.1	8.3	8.6	8.8
Infrastructure	-	2.4	4.0	4.1	4.2	4.3	4.4
<b>Portfolio Income (SAA)</b>	<b>19.6</b>	<b>25.9</b>	<b>27.7</b>	<b>28.5</b>	<b>29.2</b>	<b>30.0</b>	<b>30.8</b>
<b>Balance</b>	<b>-1.3</b>	<b>-0.8</b>	<b>-1.3</b>	<b>-3.9</b>	<b>-4.3</b>	<b>-4.6</b>	<b>-5.0</b>

Source: BlackRock, Partners Group, Schroders, Dyfed Pension Fund, Apex.  
Figures may not sum due to rounding.

Our assumptions of cashflow produced by asset class is:

*Real Estate:* based on a forecast from Partners Group, and for Schroders based on the latest distributions data. These figures have then been sense checked by Apex for reasonableness.

*SAIF:* based on the distributions received by the Fund, and from the latest available update from the Manager. We have assumed a 5% distribution yield, with the Fund at SAA weight after 1 year, and with a 2.5% annual growth in the income received thereafter.

*Infrastructure:* assumptions provided by Dyfed, with £2.4m received in 2023/24 and £4m in the following year; however we have assumed no income received in year 1. In the subsequent years we have then assumed 2.5% annual growth in the income received. We assume a long run/ stable cash yield of 4%.

*Private Credit:* we assume no distributions received in the first year, then half the rate of (i.e. 3%) in year 2, and then the full income (i.e. 6%) received from year 2 to year 6, then declining in year 7 to 70%, and in year 8 to 50%. We assume a conservative long run/ stable cash yield of 6%, which we view as achievable for commitments made over the forecast horizon and noting that current yields achievable may be considerably higher than this although the long term cash forecast is subject to the course of interest rates and credit losses, and fees charged by managers.

*Global Credit:* we assume income is reinvested by the Fund, but for the purposes of 'usable income' forecasts we assume cash income of 3.5%. This is based on an index current price and coupon as of 30 June 2023, providing a current yield of 3.5% and a yield to maturity of 5.1%. We note the total return forecast is 5.1% per annum. In reality income may be slightly higher than 3.5% depending on the course of interest rates over the forecast horizon. We assume a long run/ stable cash yield of 5%.

*World Government Bonds:* we assume income is reinvested by the Fund, but for the purposes of 'usable income' forecasts we assume cash income of 2.2%. This is based on an index current price and coupon as of 30 June 2023, providing a current yield of 2.2% and a yield to maturity of 3.2%. We note the total return forecast is 3.5% per annum, reflecting a small degree of interest rates falling (i.e. capital gains). In reality income may be higher than 2.2% depending on the course of interest rates over the forecast horizon. We assume a long run/ stable cash yield of 3%.

## Correlation Assumptions

**Table 11 : Expected Correlation Coefficient Matrix**

Asset Class		A	B	C	D	E	F	G	H	I	J	K
AC World Equity	A	1.00	0.85	0.31	0.45	0.05	0.23	0.12	0.18	0.18	-0.06	0.74
UK Large Cap Equity	B	0.85	1.00	0.15	0.32	-0.14	0.33	0.06	0.12	0.02	-0.12	0.68
UK Inflation Linked Bonds	C	0.31	0.15	1.00	0.58	0.61	-0.10	0.41	0.19	0.29	0.09	0.18
Global Credit Hedged	D	0.45	0.32	0.58	1.00	0.65	0.01	0.13	0.02	-0.02	0.14	0.26
World Government Bonds hedged	E	0.05	-0.14	0.61	0.65	1.00	-0.43	0.06	-0.03	0.18	0.32	-0.26
UK Core Real Estate	F	0.23	0.33	-0.10	0.01	-0.43	1.00	-0.02	0.17	-0.26	-0.35	0.29
Global Core Infrastructure	G	0.12	0.06	0.41	0.13	0.06	-0.02	1.00	0.27	0.20	-0.09	0.24
SAIF	H	0.18	0.12	0.19	0.02	-0.03	0.17	0.27	1.00	0.46	-0.11	0.24
Private Credit	I	0.18	0.02	0.29	-0.02	0.18	-0.26	0.20	0.46	1.00	0.02	0.21
UK Cash	J	-0.06	-0.12	0.09	0.14	0.32	-0.35	-0.09	-0.11	0.02	1.00	-0.12
Private Equity	K	0.74	0.68	0.18	0.26	-0.26	0.29	0.24	0.24	0.21	-0.12	1.00

Source: Apex, JPM LTCMA 2023

## Appendix 4 – Defined Terms and Methodologies

Portfolio optimisations have been conducted using LTCMA for each asset class. Constraints on asset class weights, sub-asset class weights and minimum required return were used for mean variance optimisation.

### Mean Variance Optimisation

Mean variance optimisation (MVO) seeks to obtain the optimal asset allocation that provides the minimum expected risk (volatility) for each given expected level of return based on the assumptions and constraints.

MVO is the most widely used approach to optimise portfolio allocations (following the work of Markowitz on modern portfolio theory). The inputs required, referred to as our LTCMA, are expected returns for the assets under consideration and the covariance matrix of those assets. The covariance matrix itself can also be estimated separately as correlations and variance of the assets, which help in formulating forward-looking views.

Key Benefits:

- This optimisation considers both risk and returns and from a pragmatic perspective, gives a good general framework for an SAA;
- The technique is comparatively fast-to-run, computationally, which is important when exploring different asset allocation scenarios;
- The output provides a range of optimised portfolios by expected returns and volatility, and the results are often intuitive.

Key Considerations:

- The model is very sensitive to the initial inputs/assumptions made for each asset. Differences in expected returns or volatilities can make a meaningful difference in the optimal portfolio generated. As such, it is important to choose assumptions on a reasonable basis and refine them when appropriate.
- The MVO technique only takes mean and variance into account and does not (by default) take into account other properties of the distribution of returns (such as skewness or kurtosis). These factors can be important for those strategies which exhibit elements of tail risk.
- MVO identifies whether a portfolio allocation is diversified across asset classes, but not necessarily diversified across the sources of risk/risk factors.

There are several ways to refine the approach. For instance, a stressed correlation matrix can be used, consisting of estimates of correlations during stressed environments, calculating Modified VaR to address the skew and kurtosis of the likely return distributions and other techniques and risk measure or scenario analysis can supplement the approach, such as expected shortfall (an average of losses in the extreme part of the distribution).

The portfolio optimisation methodology was an MVO, using long-term forward-looking assumptions across asset classes (assumptions are provided in the appendices in this report). The modelling was carried out using internal models built in Microsoft Excel.

### **Value at Risk (VaR) 95%**

The minimum expected loss of the portfolio with 95% level of confidence. The calculation method we used is the variance-covariance method, which is a parametric calculation that assumes normal return distribution.

$$VaR_p = \mu + z_p \sigma$$

Where:  $\mu$  is the expected asset return,  $z_p$  is the distance between  $\mu$  and the  $VaR_p$  in number of standard deviations. In other terms, number of standard deviations at  $(1-z_p)$  or  $-1.96$  with  $p = 95\%$  probability.  $\sigma$  is the standard deviation.

### **Sharpe Ratio**

Risk-adjusted returns, where the portfolio returns over the risk-free rate (taken as the yield on cash) are risk-adjusted.

$$\text{Sharpe Ratio} = \frac{\text{Portfolio Return} - \text{Risk Free Rate}}{\text{Volatility of Portfolio}}$$

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Mae'r dudalen hon yn wag yn fwriadol

## PWYLLGOR CRONFA BENSIWN DYFED

**DYDD IAU, 28 MEDI 2023**

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

**Cynghorwyr (Yn y Siambr):**

N. Lewis

D. Thomas

**Sylwedydd (Yn rhithwir):**

Mr. J. Jones, Cadeirydd Bwrdd Pensiwn Cronfa Bensiwn Dyfed

**Hefyd yn bresennol (Yn y Siambr):**

C. Moore, Cyfarwyddwr Gwasanaethau Corfforaethol

R. Hemingway, Pennaeth Gwasanaethau Ariannol

A. Parnell, Rheolwr Pensiwn a Buddsodiadau Gyllidol

M. Owens, Cyfrifydd Cynorthwywr

E. Evans, Prif Swyddog Gwasanaethau Democraataidd

J. Owens, Swyddog Gwasanaethau Democraataidd R. Morris, Swyddog Cefnogi Aelodau

**Hefyd yn bresennol (Yn rhithwyr):**

A. Brown, Ymgynghorydd Buddsoddi Annibynnol

R. Morris, Swyddog Cefnogi Aelodau

**Siambr - Neuadd y Sir, Caerfyrddin. SA31 1JP ac o bell - 3.00 yp – 5.11**

**1. YMDDIHEURIADAU AM ABSENOLDEB**

Cafwyd ymddiheuriad am absenoldeb gan y Cynghorydd R. James yn ystod y cyfarfod.

**2. DATGAN BUDDIANNAU PERSONOL**

Ni chafwyd datganiadau o fuddiant personol.

**3. COFNODION CYFARFOD Y PWYLLGOR A GYNHALIWDYD AR 26 MEHEFIN 2023**

**PENDERFYNWYD YN UNFRYDOL** lofnodi bod cofnodion cyfarfod y Pwyllgor ar 26 Mehefin 2023 yn gofnod cywir.

**4. COFNODION BWRDD PENSIWN CRONFA BENSIWN DYFED 18 EBRILL 2023**

**PENDERFYNWYD YN UNFRYDOL** fod cofnodion cyfarfod Bwrdd Pensiwn Cronfa Bensiwn Dyfed ar 18 Ebrill 2023 yn cael eu derbyn.

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

## 5. RHAGARCHWILIAD O DDATGANIAD CYFRIFON 2022-23

Cafodd y Pwyllgor Datganiad o Gyfrifon Cyn-archwilio Cronfa Bensiwn Dyfed ar gyfer 2022-23 a oedd yn darparu gwybodaeth am y sefyllfa ariannol, perfformiad a hyblygrwydd ariannol y Gronfa am y cyfnod adrodd.

Rhoddwyd trosolwg i'r Pwyllgor ar y pwyntiau amlycaf yn yr adroddiad, a oedd yn ystyried a oedd y datganiad ariannol yn rhoi darlun cywir a theg o sefyllfa ariannol Cronfa Bensiwn Dyfed ar 31 Mawrth 2023 a'r incwm a'r gwariant yn ystod y flwyddyn honno.

Dywedodd Cyfarwyddwr y Gwasanaethau Corfforaethol wrth y Pwyllgor fod disgwyl i Archwilio Cymru orffen ei archwiliad erbyn diwedd Hydref 2023, ac yn dilyn hynny byddai'r Pwyllgor Llywodraethu ac Archwilio yn ystyried Datganiad Cyfrifon Cronfa Bensiwn Dyfed.

Mewn ymateb i ymholiad ynghylch cyfraniadau gwirfoddol ychwanegol, eglurwyd i'r Aelodau fod y ffigwr yn cynrychioli'r swm arian a dalwyd i mewn i'r Gronfa lle mae'r aelodau wedi defnyddio elfen o'u cyfraniadau gwirfoddol ychwanegol i brynu buddion pensiwn ychwanegol.

### **PENDERFYNWYD YN UNFRYDOL dderbyn Datganiad Cyfrifon Cyn-archwilio Cronfa Bensiwn Dyfed 2022/23.**

## 6. MONITRO CYLLIDEB 1 EBRILL 2023 - 30 MEHEFIN 2023

Derbyniodd y Pwyllgor Adroddiad Monitro Cronfa Bensiwn Dyfed a oedd yn rhoi'r wybodaeth ddiweddaraf am y sefyllfa gyllidebol o ran blwyddyn ariannol 2023/24. Nodwyd bod y sefyllfa bresennol, fel yr oedd ar 30 Mehefin 2023, yn danwariant o gymharu â'r gyllideb o £0.9m.

O ran gwariant, rhagwelid tanwariant o £1.3m ar Bensiynau Taladwy o achos yr amrywiant rhwng y cynnydd a amcangyfrifwyd a'r cynnydd gwirioneddol mewn aelodaeth pensiynwyr hyd yn hyn. Fodd bynnag, pwysleisiwyd y gallai'r ffigwr hwn amrywio yn ystod y flwyddyn.

Roedd effaith net y cyfraniadau a'r incwm buddsoddi £0.4m islaw'r gyllideb. I'r perwyl hwn, eglurwyd roeddid yn rhagweld byddai cyfraniadau £1.9m dros y gyllideb o ganlyniad i aelodau pensiynadwy ar y gyflogres, a gan fod yr incwm buddsoddi £2.3m islaw'r gyllideb roedd hynny'n gwneud iawn amdano.

Amcangyfrifwyd mai cyfanswm y gwariant cyffredinol oedd £121.5m ac mai cyfanswm yr incwm oedd £122.4m, gan arwain i sefyllfa llif arian gadarnhaol o £0.9m.

### **PENDERFYNWYD YN UNFRYDOL dderbyn Adroddiad Monitro Cyllideb Cronfa Bensiwn Dyfed ar gyfer y cyfnod 1 Ebrill 2023 hyd at 30 Mehefin 2023.**

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf



## 7. CYSONI ARIAN PAROD FEL YR OEDD AR 30 MEHEFIN 2023

Bu'r Pwyllgor yn ystyried yr adroddiad Cysoni Arian Parod a roddai'r wybodaeth ddiweddaraf am sefyllfa ariannol Cronfa Bensiwn Dyfed. Nodwyd ar 30 Mehefin, 2023 fod Cyngor Sir Caerfyrddin yn cadw £7.8m o arian parod ar ran y Gronfa ar gyfer gofynion llif arian uniongyrchol i dalu pensiynau, cyfandaliadau a chostau rheoli buddsoddiadau.

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

## 8. ADRODDIAD GWEINYDDU PENSIYNAU

Derbyniodd y Pwyllgor adroddiad a roddai ddiweddariad ar Weinyddu Pensiynau. Roedd yr adroddiad yn cynnwys diweddariadau ar y gweithgareddau yn y gwasanaeth Gweinyddu Pensiynau ac roedd yn cynnwys materion rheoleiddiol, y gofrestr torri amodau, i-Connect, cysoniad GMP a llif gwaith.

Cyfeiriwyd at ddiweddariad McCloud/Sargeant lle nodwyd bod cynnydd da'n cael ei wneud o ran cysoni a dilysu data a bod datrys ymholiadau hefyd wedi cychwyn. Mewn ymateb i'r Pwyllgor, cadarnhawyd bod y rheoliadau wedi cael eu cyflwyno ers cyhoeddi'r adroddiad, a bod cyflenwr y meddalwedd yn dal i wneud gwaith i adlewyrchu'r newidiadau yn y system pensiynau, ac a fyddai'n nodi'r gofynion ymyrraeth.

**PENDERFYNWYD YN UNFRYDOL fod yr Adroddiad Gweinyddu Pensiynau mewn perthynas â Chronfa Bensiwn Dyfed yn cael ei nodi.**

## 9. ADRODDIAD TORRI AMODAU

Cafodd y Pwyllgor yr Adroddiad Torri Amodau i'w ystyried mewn perthynas â Chronfa Bensiwn Dyfed a baratwyd yn unol ag Adran 70 Deddf Pensiwn 2004, Côd Ymarfer rhif 14 a Pholisi Torri Amodau Cronfa Bensiwn Dyfed.

Tynnwyd sylw'r Pwyllgor at y rhestr o achosion o dorri rheolau a oedd ynghlwm wrth yr adroddiad a oedd yn manylu ar yr achosion lle nad oedd cyfraniadau gweithwyr/cyflogwyr wedi dod i law mewn pryd. I'r perwyl hwn, cyfeiriodd Rheolwr y Trysorlys a Phensiynau at achos o dorri amodau a adroddwyd mewn perthynas â Chyflogwr a oedd wedi methu'n rheolaidd dalu'r cyfraniadau gofynnol i'r Gronfa. Mewn diweddariad i'r Pwyllgor, cadarnhaodd yr adroddiad fod y Rheoleiddiwr Pensiynau hefyd wedi cael gwybod fod y Cyflogwr wedi mynd i ddwylo'r gweinyddwyr ac amcangyfrifwyd mai'r cyfraniadau oedd yn ddyledus i'r Gronfa hyd yn hyn oedd 7,230.56. Rhoddwyd sicrwydd i'r Pwyllgor fod trafodaethau'n parhau rhwng y Gronfa a'r gweinyddwyr ynghylch y cyfraniadau oedd yn ddyledus.

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

## 10. COFRESTRE RISG

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

Cafodd y Pwyllgor y Gofrestr Risg, a oedd yn manylu ar yr holl risgiau gweithredol a strategol a nodwyd mewn perthynas â swyddogaethau Cronfa Bensiwn Dyfed, i'w hystyried.

Dywedwyd wrth y Pwyllgor fod y gofrestr risg wedi'i hadolygu ac nad oedd unrhyw newidiadau i risgiau unigol wedi'u nodi ers cyfarfod diwethaf y Pwyllgor.

**PENDERFYNWYD YN UNFYRDOL i nodi adroddiad y gofrestr risg.**

## **11. PARTNERIAETH PENSIWN CYMRU:**

Bod y Pwyllgor yn cael i'w hystyried y wybodaeth ddiweddaraf am weithgareddau a chynnydd Partneriaeth Pensiwn Cymru fel a ganlyn:

### **11.1. Y WYBODAETH DDIWEDDARAF GAN Y CYD-BWYLLGOR LLYWODRAETHU**

Rhoddodd adroddiad Cyd-bwyllgor Llywodraethu Partneriaeth Pensiwn Cymru grynodedb o'r eitemau a ystyriwyd yn y cyfarfod a gynhaliwyd ar 19 Gorffennaf 2023. Mewn ymateb i ymholiad ynghylch buddsoddi cyfrifol yng nghyd-destun risgiau newid hinsawdd, cadarnhaodd Rheolwr y Trysorlys a Buddsoddiadau Pensiwn fod hwn wedi bod yn faes blaenoriaeth i Gronfa Bensiwn Dyfed ers blynnyddoedd lawer a bod momentwm wedi cyflymu ar draws Awdurdodau Cyfansawdd yng Nghymru yn y blynnyddoedd diwethaf. Canmolwyd yr Awdurdod gan y Pwyllgor am ei ymagwedd ragweithiol at fuddsoddi cyfrifol a monitro risgiau cysylltiedig â'r hinsawdd. Awgrymwyd bod swyddogion yn edrych ar gyfleoedd i godi ymwybyddiaeth y cyhoedd a hyrwyddo ymhellach ymdrechion yr Awdurdod yn hyn o beth.

**PENDERFYNWYD YN UNFRYDOL dderbyn diweddariad Partneriaeth Pensiwn Cymru ar y Cyd-bwyllgor Llywodraethu.**

### **11.2. Y WYBODAETH DDIWEDDARAF GAN Y GWEITHREDWR**

Adolygodd y Pwyllgor adroddiad y gweithredwr a oedd yn rhoi'r wybodaeth ddiweddaraf am gerrig milltir a chynnydd Partneriaeth Pensiwn Cymru mewn perthynas â'r Is-gronfeydd ynghyd â Diweddariad Corfforaethol ac Ymgysylltu, gan gynnwys y protocol ymgysylltu.

Wrth ystyried yr is-gronfa ecwiti, dywedwyd wrth y Pwyllgor, mewn ymateb i ymholiad, fod Cronfa Bensiwn Dyfed wedi dewis peidio â buddsoddi yn *UK Opportunities* ar sail y wybodaeth oedd ar gael adeg lansio'r is-gronfa ecwiti yn 2018-19, ac yn unol â dyhead risg Cronfa Bensiwn Dyfed. Yn ogystal, cadarnhaodd yr Ymgynghorydd Buddsoddi Annibynnol fod digon o sylw'n cael ei roi i Gronfa Bensiwn Dyfed drwy'r portffolio *Passive*.

**PENDERFYNWYD YN UNFRYDOL dderbyn y diweddariad gan Weithredwr Partneriaeth Pensiwn Cymru.**

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

## 12. CYNLLUN HYFFORDDI 2023-2024

Cafodd y Pwyllgor ddiweddariad i'w ystyried ynghylch y Cynllun Hyfforddi ar gyfer y cyfnod 2023-2024 a oedd yn manylu ar amserlen cyfarfodydd y pwyllgor, a digwyddiadau hyfforddi ar gyfer aelodau a swyddogion Cronfa Bensiwn Dyfed.

Cyfeiriwyd at Gynhadledd Flynyddol LAPFF a oedd i'w chynnal yn Bournemouth 6 – 8 Rhagfyr 2023. Yn dilyn trafodaeth, cytunwyd, pe bai llefydd ar gael, fyddai'r Pennaeth Gwasanaethau Ariannol yn mynychu gyda'r Cyng. N. Lewis i gynrychioli Pwyllgor Cronfa Bensiwn Dyfed.

**PENDERFYNWYD YN UNFRYDOL nodi'r Cynllun Hyfforddi ar gyfer 2023-24.**

## 13. ADOLYGIAD O'R DYRANIAD ASED AU STRATEGOL 2023

Yn dilyn cyfarfod y Pwyllgor ar 26 Mehefin 2023 (gweler cofnod rhif 13), rhoddodd y Pwyllgor ystyriaeth i adroddiad a gyflwynai ganfyddiadau dyrannu asedau strategol portffolio buddsoddi Cronfa Bensiwn Dyfed. Tynnwyd sylw'r Pwyllgor at Dabl 1 yr adroddiad a oedd yn cynnig pum portffolio amgen i'r Pwyllgor Pensiwnau i optimeiddio risg ac elw yn unol ag amcanion a gofynion y Gronfa. Yn dilyn rhoi ystyriaeth fanwl i Ddadansoddiad Optimeiddio Portffolio yr adolygiad, ynghyd ag opsiynau ac ystyriaethau'r Portffolio, **PENDERFYNWYD YN UNFRYDOL FOD:**

**Opsiwn 1A (newid dyraniad 5% o Ecwiti i Gredyd Preifat) yn cael ei fabwysiadu am y rhesymau a nodwyd yn yr adroddiad.**

## 14. GORCHYMYN I'R CYHOEDD ADAEL Y CYFARFOD

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

## 15. MEINI PRAWF GWERTHUSO - PARTNERIAETH PENSIWN CYMRU CAFFAEL GWEITHREDWR

**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 ac o niweidio trafodaethau parhaus a thrafodaethau'r dyfodol.**

Adolygodd y Pwyllgor y meini prawf gwerthuso a'r pwysoliadau o ran proses gaffael gweithredwr Partneriaeth Pensiwn Cymru a oedd ar waith eisoes. Nodwyd bod y Gwahoddiad i Dendro i fod i gael ei roi ganol mis Hydref 2023.

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

**PENDERFYNWYD YN UNFRYDOL gymeradwyo'r meini prawf gwerthuso a nodwyd yn yr adroddiad ar gyfer caffael Gweithredwr Partneriaeth Pensiwn Cymru.**

**16. ADOLYGIAD O BERFFORMIAD BENTHYCA GWARANNAU NORTHERN TRUST 2022-23**

**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 ac o niweidio trafodaethau parhaus a thrafodaethau'r dyfodol.**

Cafodd y Pwyllgor i'w ystyried adolygiad Perfformiad Benthycia Gwarannau Northern Trust ar gyfer 2022-23, a nodai wybodaeth oedd yn ymwneud â throsolwg o'r rhaglen, tueddiadau'r farchnad ac arsylwadau, dadansoddi perfformiad a dadansoddi cyfochrog.

**PENDERFYNWYD YN UNFRYDOL dderbyn adolygiad Perfformiad Benthycia Gwarannau Northern Trust 2022-23.**

**17. ADRODDIAD YMGYSYLLTU ROBECO 1 IONAWR 2023 - 31 MAWRTH 2023**

**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 ac o niweidio trafodaethau parhaus a thrafodaethau'r dyfodol.**

Derbyniodd y Pwyllgor adroddiad ymgysylltu Robeco ynghylch y cyfnod 1 Ionawr 2023 – 31 Mawrth 2023 i'w ystyried. Roedd yr adroddiad yn rhoi ystadegau manwl mewn perthynas â gweithgareddau ymgysylltu a gynhaliwyd ar bortffolio'r Bartneriaeth yn ystod y chwarter, a detholiad o astudiaethau achos o'r gweithgareddau ymgysylltu wnaed.

**PENDERFYNWYD YN UNFRYDOL dderbyn Adroddiad Ymgysylltu Robeco am y cyfnod 1 Ionawr 2023 - 31 Mawrth 2023.**

**18. ADRODDIAD PERFFORMIAD A RISG YMGYNGHORYDD BUDDSODDI ANNIBYNNOL 30 MEHEFIN 2023**

**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 ac o niweidio trafodaethau parhaus a thrafodaethau'r dyfodol.**

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

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 30 Mehefin 2023. Roedd yr adroddiad hefyd yn cynnwys cefndir y farchnad fyd-eang a materion a ystyriwyd gan y Pwyllgor.

## **PENDERFYNWYD YN UNFRYDOL**

- 18.1** nodi Adroddiad yr Ymgynghorydd Buddsoddi Annibynnol fel yr oedd ar 30 Mehefin;
- 18.2** bod £30m pellach (1.0%) o ail-gydbwysedd yn cael ei ymrwymo i'r Gronfa Credyd Byd-eang, i'w gyllido gan bortffolio marchnadoedd newydd goddefol, a hynny oherwydd y rhesymau a nodwyd yn yr adroddiad.

## **19. ADRODDIAD PERFFORMIAD NORTHERN TRUST 30 MEHEFIN 2023**

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 ac o niweidio trafodaethau parhaus a thrafodaethau'r dyfodol.

Ystyriodd y Pwyllgor adroddiad Perfformiad Northern Trust ar gyfer Cronfa Bensiwn Dyfed fel yr oedd ar 30 Mehefin 2023, a oedd yn nodi dadansoddiad o berfformiad o ran lefel y gronfa gyfan a chan y rheolwr buddsoddi am y cyfnodau cyn i'r gronfa gychwyn.

**PENDERFYNWYD YN UNFRYDOL dderbyn adroddiad Perfformiad Northern Trust ar gyfer Cronfa Bensiwn Dyfed fel yr oedd ar 30 Mehefin 2023.**

## **20. ADRODDIADAU'R RHEOLWR BUDDSODDI AR 30 MEHEFIN 2023**

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 ac o niweidio trafodaethau parhaus a thrafodaethau'r dyfodol.

Rhoddodd y Pwyllgor ystyriaeth i adroddiadau'r rheolwr buddsoddi a oedd yn nodi perfformiad pob rheolwr fel yr oeddent ar 30 2023.

- BlackRock - Adroddiad Chwarterol 30 Mehefin 2023;
- Schroders - Adroddiad Buddsoddi Ch2 2023;
- Partners Group - Adroddiad Chwarterol Ch2 2023;
- Cronfa Tyfu Byd-eang Partneriaeth Pensiwn Cymru - 30 Mehefin 2023;
- Cronfa Credyd Byd-eang Partneriaeth Pensiwn Cymru - 30 Mehefin 2023.

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

**PENDERFYNWYD YN UNFRYDOL dderbyn adroddiadau'r rheolwr buddsoddi ar gyfer Cronfa Bensiwn Dyfed.**

\_\_\_\_\_  
**CHAIR**

\_\_\_\_\_  
**DATE**

Sylwer: Mae'r cofnodion hyn yn amodol ar gael eu cadarnhau yn y cyfarfod nesaf

## BWRDD PENSIYNAU CRONFA BENSIWN DYFED 25 HYDREF 2023

### MONITRO CYLLIDEB Y BWRDD PENSIWN 1 EBRILL 2023 – 30 MEDI 2023

#### **Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**

Y Bwrdd i dderbyn yr adroddiad Monitro Cyllideb y Bwrdd Pensiwn ar gyfer y cyfnod 1 Ebrill 2023 – 30 Medi 2023.

#### **Y Rhesymau:**

Rhoi'r sefyllfa gyllidebol i'r Bwrdd fel yr oedd hi ar 30 Medi 2023.

Angen i'r Cabinet wneud penderfyniad Amherthnasol

Angen i'r Cyngor wneud penderfyniad Amherthnasol

YR AELOD O'R CABINET SY'N GYFRIFOL AM Y PORTFFOLIO:- Amherthnasol

#### **Y Gyfarwyddiaeth:**

Gwasanaethau Corfforaethol

#### **Enw'r Gyfarwyddwr:**

Chris Moore

#### **Awdur yr Adroddiad:**

Chris Moore

#### **Swyddi:**

Cyfarwyddwr Gwasanaethau  
Corfforaethol,  
Cyngor Sir Gâr

#### **Rhifau ffôn:**

01267 224120

#### **Cyfeiriadau E-bost:**

CMoore@sirgar.gov.uk

# EXECUTIVE SUMMARY

## DYFED PENSION FUND PENSION BOARD

25<sup>TH</sup> OCTOBER 2023

### PENSION BOARD BUDGET MONITORING 1 APRIL 2023 – 30 SEPTEMBER 2023

The position as at 30 September 2023 was a total actual expenditure incurred of £9.6k. Expenditure for the year is forecast to be in line with budget.

**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
<b>NONE</b>	<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

### Finance

The report provides the Pension Board budget position as at 30 September 2023. Expenditure for the year is forecast to be in line with budget.

## 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

<b>1. Scrutiny Committee request for pre-determination</b>	N/A
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**2. Local Member(s)** N/A

**3. Community / Town Council** N/A

**4. Relevant Partners** N/A

**5. Staff Side Representatives and other Organisations** N/A

**CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED**

N/A

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

**THERE ARE NONE**

Mae'r dudalen hon yn wag yn fwriadol

## Dyfed Pension Board

### Budget Monitoring Report

1 April 2023 - 30 September 2023

	Budget 2023-2024	Actual expenditure	Forecast Commitments	Actual 2023-2024	End of year variance		Assumptions/Comments
	£	£	£	£	£	%	
Chair Annual Fee	12,000	3,000	9,000	12,000	0	0.0	September quarter paid on 5th October 23
Training costs	4,000	0	4,000	4,000	0	0.0	Fundamentals training paid on 10th October 23 (£1440)
Travel, Subsistence & Miscellaneous Expenses	2,000	415	1,585	2,000	-0	-0.0	
Liability Insurance	6,160	6,160	0	6,160	0	0.0	
<b>Expenditure</b>	<b>24,160</b>	<b>9,575</b>	<b>14,585</b>	<b>24,160</b>	<b>-0</b>	<b>0%</b>	

Mae'r dudalen hon yn wag yn fwriadol

**BWRDD PENSIYNAU CRONFA BENSIWN DYFED  
25 HYDREF 2023**

**Cynllun Gwaith y Bwrdd Pensiwn 2023**

**Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**  
Bod y Bwrdd yn nodi Cynllun Gwaith y Bwrdd Pensiwn ar gyfer 2023.

**Y Rhesymau:**  
Darparu'r Cynllun Gwaith i'r Bwrdd ar gyfer 2023.

Angen i'r Cabinet wneud penderfyniad Amherthnasol

Angen i'r Cyngor wneud penderfyniad Amherthnasol

YR AELOD O'R CABINET SY'N GYFRIFOL AM Y PORTFFOLIO:- Amherthnasol

**Y Gyfarwyddiaeth:**

Gwasanaethau Corfforaethol

**Enw'r Cyfarwyddwr:**

Chris Moore

**Awdur yr Adroddiad:**

Chris Moore

**Swyddi:**

Cyfarwyddwr Gwasanaethau  
Corfforaethol,  
Cyngor Sir Gâr

**Rhifau ffôn:**

01267 224120

**Cyfeiriadau E-bost:**

CMoore@sirgar.gov.uk

**EXECUTIVE SUMMARY  
DYFED PENSION FUND PENSION BOARD  
25<sup>TH</sup> OCTOBER 2023**

**PENSION BOARD WORK PLAN 2023**

The attached report outlines the work of the Pension Board throughout 2023 and the items to be presented at each meeting. The Work Plan is reviewed at each Board meeting and is revised as necessary.

**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
<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

## 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

<b>1. Scrutiny Committee request for pre-determination</b>	N/A
--	-----

**2. Local Member(s)** N/A

**3. Community / Town Council** N/A

**4. Relevant Partners** N/A

**5. Staff Side Representatives and other Organisations** N/A

**CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED**

N/A

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

**THERE ARE NONE**

Mae'r dudalen hon yn wag yn fwriadol



**Dyfed Pension Fund Pension Board 2023 Work Plan**

	18 April 2023	19 July 2023	25 October 2023	22 January 2024
Pension Fund Committee meetings	28 March 2023	26 June 2023	22 September 2023	15 November 2023
Investments	> Independent Investment Advisor report > Performance Report - 31/12/22	> Independent Investment Advisor Report >NT Performance Report - 31/03/23	> Independent Investment Advisor Report > NT Performance Report - 30/06/23 > NT Securities Lending Performance Review > Robeco Engagement Report 1/1/23-31/3/23	> Independent Investment Advisor report >NT Performance Report - 30/09/23 > NT Securities Lending Performance Report > Robeco Engagement Report 1/4/23-30/6/23
Administration	> Administration update	> Administration update	> Administration update	> Administration update
Governance	> Scheme Advisory Board/LGA updates > Committee minutes > Wales Pension Partnership update > Wales Pension Partnership Business Plan > Breaches Log > Declaration of Interest > DPF Business Plan 2023/24	> Declaration of Interest > Scheme Advisory Board/LGA updates > Committee minutes > Wales Pension Partnership update > Breaches Log	> Declaration of Interest > Scheme Advisory Board/LGA updates > Committee minutes > Wales Pension Partnership update > Breaches Log > 2024 Work Plan > Evaluation Criteria -WPP Operator	> Declaration of Interest > Scheme Advisory Board/LGA updates > Committee minutes > Wales Pension Partnership update > Breaches Log
Audit & Risk Management	> Risk Register > Internal Audit reports > Outline Audit Plan 2023	> Risk Register > Internal Audit reports	> Risk Register > Internal Audit reports	> Risk Register > Internal Audit reports
Accounts & Budget	> DPF Budget Monitoring > Pension Board Budget Monitoring > DPF Budget 2023/24	> DPF Budget Monitoring > Pension Board Budget Monitoring	> DPF Budget Monitoring > Pension Board Budget Monitoring	> DPF Budget Monitoring > Pension Board Budget Monitoring > Pension Board Budget 2024/25 > DPF Annual Report 2022/23 > Audit of Accounts Report (ISA 260)
Training	> Training programme > Training Needs Analysis 2023/24	> Training programme	> Training programme	> Training programme

Timings may change, depending on timing of items going to the Pension Committee meetings

Mae'r dudalen hon yn wag yn fwiadol

## BWRDD PENSIYNAU CRONFA BENSIWN DYFED 25 HYDREF 2023

### CYNLLUN GWAITH Y BWRDD PENSIWN 2024

#### Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Bod y Bwrdd yn Gymeradwyo Cynllun Gwaith y Bwrdd Pensiwn ar gyfer 2024.

#### Y Rhesymau:

Darparu'r Cynllun Gwaith i'r Bwrdd ar gyfer 2024.

Angen i'r Cabinet wneud penderfyniad Amherthnasol

Angen i'r Cyngor wneud penderfyniad Amherthnasol

YR AELOD O'R CABINET SY'N GYFRIFOL AM Y PORTFFOLIO:- Amherthnasol

#### Y Gyfarwyddiaeth:

Gwasanaethau Corfforaethol

#### Enw'r Gyfarwyddwr:

Chris Moore

#### Awdur yr Adroddiad:

Chris Moore

#### Swyddi:

Cyfarwyddwr Gwasanaethau  
Corfforaethol,  
Cyngor Sir Gâr

#### Rhifau ffôn:

01267 224120

#### Cyfeiriadau E-bost:

CMoore@sirgar.gov.uk

**EXECUTIVE SUMMARY**  
**DYFED PENSION FUND PENSION BOARD**  
**25<sup>TH</sup> OCTOBER 2023**

**PENSION BOARD WORK PLAN 2024**

The attached report outlines the work of the Pension Board throughout 2024 and the items to be presented at each meeting. The Work Plan is reviewed at each Board meeting and is revised as necessary.

**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
<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>	<b>NONE</b>

## 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**

<b>1. Scrutiny Committee request for pre-determination</b>	N/A
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**2. Local Member(s)** N/A

**3. Community / Town Council** N/A

**4. Relevant Partners** N/A

**5. Staff Side Representatives and other Organisations** N/A

**CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED**

N/A

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

**THERE ARE NONE**

Mae'r dudalen hon yn wag yn fwriadol

**Dyfed Pension Fund Pension Board 2024 Work Plan**

	April 2024	July 2024	October 2024	TBC
Pension Fund Committee meetings	27 March 2024	19 June 2024	26 September 2024	TBC
Investments	<ul style="list-style-type: none"> <li>&gt; Independent Investment Advisor Report</li> <li>&gt; NT Performance Report - 31/12/23</li> <li>&gt; NT Securities Lending Performance Report</li> <li>&gt; Robeco Engagement Report 1/7/23-30/9/23</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Independent Investment Advisor Report</li> <li>&gt; NT Performance Report - 31/03/24</li> <li>&gt; NT Securities Lending Performance Report</li> <li>&gt; Robeco Engagement Report 1/10/23-31/12/23</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Independent Investment Advisor Report</li> <li>&gt; NT Performance Report - 30/06/24</li> <li>&gt; NT Securities Lending Performance Review</li> <li>&gt; Robeco Engagement Report 1/1/24-31/3/24</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Independent Investment Advisor report</li> <li>&gt; NT Performance Report - 30/09/24</li> <li>&gt; NT Securities Lending Performance Report</li> <li>&gt; Robeco Engagement Report 1/4/24-30/6/24</li> </ul>
Administration	<ul style="list-style-type: none"> <li>&gt; Administration update</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Administration update</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Administration update</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Administration update</li> </ul>
Governance	<ul style="list-style-type: none"> <li>&gt; Declaration of Interest</li> <li>&gt; Scheme Advisory Board/LGA updates</li> <li>&gt; Committee minutes</li> <li>&gt; Wales Pension Partnership update</li> <li>&gt; Wales Pension Partnership Business Plan</li> <li>&gt; Breaches Log</li> <li>&gt; DPF Business Plan 2024/25</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Declaration of Interest</li> <li>&gt; Scheme Advisory Board/LGA updates</li> <li>&gt; Committee minutes</li> <li>&gt; Wales Pension Partnership update</li> <li>&gt; Breaches Log</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Declaration of Interest</li> <li>&gt; Scheme Advisory Board/LGA updates</li> <li>&gt; Committee minutes</li> <li>&gt; Wales Pension Partnership update</li> <li>&gt; Breaches Log</li> <li>&gt; 2025 Work Plan</li> <li>&gt; Evaluation Criteria -WPP Operator</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Declaration of Interest</li> <li>&gt; Scheme Advisory Board/LGA updates</li> <li>&gt; Committee minutes</li> <li>&gt; Wales Pension Partnership update</li> <li>&gt; Breaches Log</li> </ul>
Audit & Risk Management	<ul style="list-style-type: none"> <li>&gt; Risk Register</li> <li>&gt; Internal Audit reports</li> <li>&gt; Outline Audit Plan 2024</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Risk Register</li> <li>&gt; Internal Audit reports</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Risk Register</li> <li>&gt; Internal Audit reports</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Risk Register</li> <li>&gt; Internal Audit reports</li> </ul>
Accounts & Budget	<ul style="list-style-type: none"> <li>&gt; DPF Budget Monitoring</li> <li>&gt; Pension Board Budget Monitoring</li> <li>&gt; DPF Budget 2024/25</li> </ul>	<ul style="list-style-type: none"> <li>&gt; DPF Budget Monitoring</li> <li>&gt; Pension Board Budget Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>&gt; DPF Budget Monitoring</li> <li>&gt; Pension Board Budget Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>&gt; DPF Budget Monitoring</li> <li>&gt; Pension Board Budget Monitoring</li> <li>&gt; Pension Board Budget 2025/26</li> <li>&gt; DPF Annual Report 2023/24</li> <li>&gt; Audit of Accounts Report (ISA 260)</li> </ul>
Training	<ul style="list-style-type: none"> <li>&gt; Training programme</li> <li>&gt; Training Needs Analysis 2024/25</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Training programme</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Training programme</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Training programme</li> </ul>

Timings may change, depending on timing of items going to the Pension Committee meetings

Mae'r dudalen hon yn wag yn fwiadol



# Eitem Rhif 9

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

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