

**Pension Board Submission to the Dyfed Pension Fund Committee**

To: Dyfed Pension Fund Committee

From: John Jones Independent Chair Dyfed Pension Board

Date: 15<sup>th</sup> November 2023

1. This is the first report submitted to the Pension Committee following a meeting of the Pension Board. Its purpose is to highlight issues arising in the Board and then draw these to the attention of the Committee. Councillor Elwyn Williams as Chair of the Pension Committee already attends Board meetings as an observer, and this report will help strengthen and develop the governance arrangements of the Dyfed Pension Fund. Any comments or feedback from the Committee can be discussed at the next Board meeting.
2. The Board held a hybrid meeting on Wednesday 25<sup>th</sup> October 2023. The main items on the agenda were consideration of the pre audit statement of accounts for 2022/23; an update on the current position in Pensions administration; consideration of the risk register; a presentation and discussion on the Strategic Asset Allocation review 2023 and consideration of the Robeco engagement report. The meeting was well attended with 6 members present in the room or online.
3. The pre audit statement of accounts for 2022/23 was discussed and noted. A number of questions and points were raised by the Board covering the change in value of the Fund compared to the previous year; the level of management expenses and the increase in debtors and creditors compared to the previous year. The Board recognised all the work done to produce these accounts to timetable and recorded their thanks to all members of the Finance team.
4. The budget monitoring statement for the first quarter of 2023/24 was discussed and the variances explained to the Board. We noted that it is still early in the financial year and will continue to review the financial position of the Fund at future Board meetings.

5. The Board considered and reviewed the latest Risk register noting that there had been no changes in individual risk levels since the last meeting. The risk register is an important document in the overall governance of the Fund, and should be reviewed at each Board and Committee meeting so that risks can be identified and managed. There were a number of questions on the potential impact on asset values arising from the current geopolitical issues and the implications for ESG strategy. The point was made in the meeting that as well as adding risks to the register, it is important to review and remove any risks that are no longer valid.
6. We were updated on a number of projects currently underway in the pension administration service. It is pleasing to note the progress in the implementation of the I connect system to upload data directly rather than it having to be input manually as was the case in the past. Although further work still needs to be done only a few external bodies now remain outside this system and these are expected to be fully online soon. We were updated on progress with the McCloud decision and the implications for staff workload, the resources needed together with the implementation timetable. It was noted that further staffing resources may be required by the team in order to address this workload, but the Board were reassured that plans had been made and some additional resources were already in place.
7. The Board received a presentation from the Independent Adviser to the Fund on the outcome of the Strategic Asset Allocation Review and the decision to invest in an allocation to private credit. This prompted a number of questions from the Board around the markets to be accessed; the risks of this asset class and the basis of valuing future investments. It was noted that this is a major change in asset allocation and that the investments will be made via the Wales Pension Partnership (WPP). The Board supported the approach being taken. We were also updated later in the meeting on the Fund's performance in the first quarter 2023/24.
8. There was a full discussion on the Robeco Engagement report, noting that this is the first report received by the Board on this subject. This initiative was welcomed and there were a number of questions and points raised. Engagement on ESG issues has become increasingly important across the LGPS in general and for the Fund in delivering on its ESG strategy. The Board's view was

that it would be helpful if in future an executive summary could be provided to enable easier access to the key issues and highlights raised by Robeco.

9. The Board also considered a progress report from Northern Trust on securities lending. Further thought should be given to the approach being taken by the WPP given the potential loss of voting rights arising from securities lending considered against the income received. The Board were also updated on progress with the WPP and the operator procurement process.
10. Continuing training and development on pensions matters is important for both Committee and Board members in delivering strong governance of the Fund. It is also a requirement for Board members to undertake knowledge and skills training in order to discharge their role, with progress discussed and monitored at each Board meeting. The current LGA training modules have been well received by new Board members and I would encourage Committee members to also take advantage of the training courses and sessions made available.

John Jones  
1<sup>st</sup> November 2023