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## PENSIONS COMMITTEE, 23.09.11

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**Present:** Councillor Keith Greenly-Jones (Chair)  
Councillor W. Tudor Owen (Vice-chair)

Councillors Stephen Churchman, Trevor Edwards, John G. Jones

**Co-opted Members:-** Councillor Margaret Lyon (Conwy County Borough Council) and Councillor Tom Jones (Isle of Anglesey County Council)

**Officers:-** Dilwyn Williams (Corporate Director), Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager) and Gwyn Parry Williams (Committee Officer)

**Apologies:** Councillors Simon Glyn and John W. Jones

### Welcome

The Chair welcomed Councillor Stephen Churchman to his first meeting of this committee.

#### 1. CHAIR

**RESOLVED to re-elect Councillor Keith Greenly-Jones as Chair of the Committee for 2011/12.**

#### 2. VICE-CHAIR

**RESOLVED to elect Councillor W. Tudor Owen as Vice-chair of the Committee for 2011/12.**

#### 3. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any member present.

#### 4. URGENT ITEMS

The following matters had not been included on the committee's agenda; however, the Chair agreed to their inclusion under Section 100B (4) (b), Local Government Act 1972, since the information had been received after the agenda has been distributed.

##### **a) No effect on the Gwynedd Fund Assets from Unauthorised Trading in the UBS Investment Bank**

The Head of Finance referred to the following statement, which he had received from the Asset Management Group in relation to the reports that had appeared in the press recently regarding unauthorised trading in the UBS Investment Bank, confirming that no client assets were impacted and that the matter was confined to the Investment Bank: "UBS has discovered a loss due to unauthorised trading by a trader in its Investment Bank. The matter is still being investigated, but UBS's current estimate of the loss on the trades is in the range of USD 2 billion. It is possible that this could lead UBS to report a

loss for the third quarter of 2011. No client positions were affected. This issue is confined to the Investment Bank. The management of Global Asset Management client assets are not impacted and no Global Asset Management Clients or positions are affected”.

**RESOLVED to accept the information.**

**b) Benchmark Valuation 2010**

The Corporate Director referred to a report which he had received from Hymans Robertson regarding the 2010 valuation that compared the valuation results of every fund in Wales on the same valuation basis, showing that the Gwynedd Fund was in a much stronger position than most other funds. He promised to send a copy to committee members and it was intended to discuss it at the Investment Panel meeting.

**RESOLVED to accept the information.**

**5. MINUTES**

The Chair signed the minutes of the previous meeting of this committee held on 22 March 2011 as a true record.

**6. INVESTMENT STRATEGY**

Submitted – the report of the Investment Manager that the quarterly meeting of the Pension Fund Investment Panel had been held on 27 July 2011 in Caernarfon when a number of changes to the investment strategy were discussed.

In relation to Listed Equities – Regional Allocations, the officer noted that a report by Hymans Robertson had been received which suggested changing the allocation, and that the Panel’s view was that a target allocation of 30/70 in favour of overseas equity should be adopted rather than the present allocation of 40/60.

Following consideration of the review of the investment strategy in May 2011 a paper on investment in infrastructure had been presented by Hymans Robertson. The view of the panel was that an allocation of 2.5% should be made to investment in infrastructure with the aim of increasing the allocation to 5% in the longer term. In order to achieve this it would be necessary to reduce the allocation to equity. The Panel had agreed that officers should investigate the best way to move ahead with an investment in infrastructure. A legal opinion had been received from Eversheds regarding the difference between investing directly and appointing investment managers who would influence the approach to investment in infrastructure.

**RESOLVED to change the equity allocation within the fund to 30 UK Equity 70 Overseas Equity and in light of the comparatively small size of the investment, ask Hymans Robertson to submit a list of funds in which the Council could invest directly, allowing the panel to select a suitable fund from the list of options.**

**7. EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED to exclude the press and public from the meeting during the discussion on the following items because of the likely disclosure of exempt information as defined in paragraph 14, Part 4, Schedule 12A of the Local Government Act 1972. This paragraph should apply because the first report contains financial and business information relating to another company and disclosing it at present**

**would be contrary to the Council's commercial interests. The second report contains financial information, relating to an outside company, which was transferred to the Council with the expectation that it would be kept confidential. The public interest in respecting that confidentiality outweighs the public interest in disclosing the information.**

#### **8. GLOBAL ACTIVE EQUITY MANDATE**

Submitted – the report of the Investment Manager that a quarterly meeting of the Pension Fund Investment Panel had been held at Caernarfon on 27 July 2011.

He noted that the performance of one of the Investment Consultants had been the subject of discussion for some time now, and the Panel noted that the performance had worsened in the last quarter and that it was unlikely that they would be able to recover and produce a positive performance this year.

He gave details of the panel's opinion on the matter, namely that an Active Global Equity Fund Manager post should be advertised in order to protect the fund's situation and ensure that all the possible options were open to the Council to deal with the situation.

**RESOLVED to accept the report and advertise for an Active Global Equity Fund Manager.**

#### **9. INFRASTRUCTURE INVESTMENT IN WALES**

Submitted – the report of the Investment Manager that the possibility of making Pension Fund investments in infrastructure had been discussed at previous meetings of the Investment Panel. During these discussions, it had been emphasised that any decision to make such an investment must be based primarily on the likely returns to the fund and a risk assessment, and in general that would lead to a Fund of Funds approach in order to spread the risk. Provided a proper business case was made it could be appropriate to make such a commitment.

He noted that an approach had been received from a London based company called Duet Asset Management which was sponsoring a large infrastructure project in Blaenau Gwent in partnership with the Local Authority and the Welsh Government. They specialised in the management of alternative assets on behalf of sophisticated investors. The project was described as a transformational development which would lead to significant economic benefits to the region and increase the international profile of Wales. Support from the Welsh Government and Westminster had already been pledged, with a funding support package, transfer of land and contribution towards development costs.

The aim was to offer investors a 15% total return from structured yield during construction, dividends and sale proceeds over ten years.

He gave details of the assessment of the scheme and advice that had been received from Hymans Robertson.

**RESOLVED on the basis of risk profile, not to give further consideration to this scheme.**

The meeting commenced at 2.00pm and concluded at 2.40pm.