ANNUAL MEETING OF THE GWYNEDD PENSIONS FUND BETWEEN MEMBERS OF GWYNEDD COUNCIL'S PENSIONS COMMITTEE AND REPRESENTATIVES OF THE EMPLOYERS AND UNIONS, 26.07.12

Present: Councillor W. Tudor Owen (Chairman)
Councillor Stephen Churchman (Vice-chairman)

Councillor Trevor Edwards (Gwynedd Council) and Councillor Margaret Lyon (Conwy County Borough Council).

Also present – Dilwyn Williams (Corporate Director), Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Gareth Jones (Pensions Operations Manager), Nicholas Hopkins (Pensions Senior Officer) and Gwyn Parry Williams (Members' Support and Scrutiny Officer) (Gwynedd Council); Einir W. Thomas and Donna Jones (Isle of Anglesey County Council); Katherine Coughlan (Coleg Llandrillo-Menai), Huw Trainer (North Wales Police), Emyr Roberts (Snowdonia National Park Authority), David O'Neill (Conwy Voluntary Services), Barry Bracegirdle (GMB), Lynn Patterson (Cynnal), Robin Owen (Unison), Katherine Owen (Caernarfon Town Council) and Paul Potter (Hymans Robertson)

Apologies – Councillors Peredur Jenkins, Dafydd Meurig, Peter Read, John P. Roberts (Gwynedd Council) and Councillor Tom Jones (Isle of Anglesey County Council)

1. CHAIRMAN

RESOLVED to elect Councillor W. Tudor Owen as chairman of the meeting.

2. VICE-CHAIRMAN

RESOLVED to elect Councillor Stephen Churchman as vice-chairman of the meeting.

3. DECLARATION OF PERSONAL INTEREST

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

4. THE PENSIONS FUND

The Corporate Director submitted the annual report of the Pension Scheme for 2011/12 which included:

- a review of the year
- recent trends
- a management report summarising the main features of the administration of the scheme
- the actuarial position of the fund
- administrative and custodial arrangements
- an outline of investment powers and investment management methods

- a summary of investment performance
- a statement of investment principles and the funding strategy
- details of the management structure
- membership statistics
- statement of accounts for 2011/12 and notes to the accounts
- appendices including statements of the communication and governance policies, the governance compliance statement, statement of investment principles and the funding strategy statement.

He addressed the main issues of the report, namely:

- The Fund's Investment Performance for 2011/12. He noted that the performance was slightly below the benchmark for the year, with the Fund returning 0.5% on investment compared with the 0.7% benchmark for that period. Therefore, it had been a disappointing year due to consistently poor returns from Capital International, and in light of that a decision was made to terminate their mandate and appoint a new manager in their place, namely Veritas. He drew attention to the annual performance of the Fund in comparison with other funds over the past 10 years. Last year it was seen that the Fund had increased 0.5% and that average returns had increased by 3%.
- He noted that bonds had performed well with Insight Investment returning 3.2% (the benchmark was 0.8%). With regard to the Council's bonds portfolio, it had been decided that rather than follow a traditional bonds benchmark, a more conservative approach should be taken so that when the bonds decreased and became negative, the returns would remain positive. He noted that the returns during 10 years of the Fund were around 5.4% a year, whilst the average was around 5.6%. It was expected that as equity performed much better during the coming years, and bonds suffered more, this would yield benefits for the Fund.
- He referred to investment in the infrastructure field in order to try and disperse risk and have different returns to equity and bonds.
- He noted that the administration unit continued to perform effectively.
- He drew attention to the change in the present pension scheme in 2014, where pensions would be calculated based on career average earnings rather than final pay, and retirement age linked to state pension age. In terms of the distribution of the increase in employee contribution rates, this it seemed would ensure that members were not driven to leave the Pension Fund. He referred to automatic enrolment in a pension scheme for employees which would ensure that more people had a pension provision, and referred to the risk that this could impact on employers' budgets and that they should think about this now.
- He referred to the 2013 valuation with changes to employer contributions in 2014. He noted that the government hoped that the new scheme would reduce costs on the employers – the scheme had been produced to try and secure that. Returns on bonds had decreased substantially during the last year, which would worsen the financial position of the funds. Based on the 2010 valuation, the Fund had assets to pay 83% of its liabilities which was quite encouraging. By 2011 the situation had improved and had risen to 87%. He noted that a report had been commissioned to see what the Fund's position would be if it were valued on 1 April 2012. Due to the fact that bond returns had decreased substantially during the year, the value of the Fund would decrease 70% if it were valued on 1 April 2012. He noted in the last valuation, that employers' future service contribution rate had been 17.8%, but if a valuation had been made on 1 April 2012, employers' contribution would be 24.9%. If the current economic situation continued, then at the time of the next valuation considerable pressure was anticipated on the employers' contributions, with a possible

increase. However, the Fund would take steps to try and ensure that the leap was not significant. Nevertheless, the fact that a slight increase was a strong possibility should be kept in mind.

The Head of Finance Department referred to the fact that some members of the Pension Fund were deciding to opt out of the Fund, which created problems within the Fund.

In response, the Corporate Director notified those present that if a person joined the Fund at 20 years old, then contributions by the Fund would be invested over a period of 40 years. However, if a person joined the Fund at 50 years old, the investments would increase over time, but only for a very short period of time until retirement. He noted that it was therefore beneficial for young people to join the Fund and that they should be encouraged to do so.

The Chairman thanked the Director and his staff for a clear and comprehensive report.

No questions were received from the floor.

RESOLVED to accept and note the report.

The meeting commenced at 2.00pm and concluded at 2.30pm.