Gwasanaeth Democrataidd
Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Cyfarfod / Meeting

PWYLLGOR PENSIYNAU

PENSIONS COMMITTEE

Dyddiad ac Amser / Date and Time

2:00pm, DYDD LLUN, 7 HYDREF, 2013

2:00pm, MONDAY, 7 OCTOBER, 2013

Lleoliad / Location

YSTAFELL GWYRFAI,
SWYDDFEYDD Y CYNGOR / COUNCIL OFFICES,
CAERNARFON

Pwynt Cyswllt / Contact Point

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PWYLLGOR PENSIYNAU
PENSIONS COMMITTEE

AELODAETH/MEMBERSHIP

Plaid Cymru (3)
Y Cynghorwyr / Councillors
Peredur Jenkins
Dafydd Meurig
W. Tudor Owen

Annibynnol/Independent (2)
Y Cynghorwyr/Councillors
Trevor Edwards
John Pughe Roberts

Rhyddfrydwyr Democrataidd/Liberal Democrats (1)
Y Cynghorydd/Councillor Stephen Churchman

Llais Gwynedd (1)
Y Cynghorydd/Councillor Peter Read

Aelodau Cyfetholedig/Co-opted Members

Y Cynghorydd/Councillor Margaret Lyon, Cynrychiolydd Cyngor Bwrdeistref Sirol Conwy /Conwy County Borough Council Representative

Y Cynghorydd/Councillor Hywel E. Jones, Cynrychiolydd Cyngor Sir Ynys Môn/Isle of Anglesey County Council Representative

Aelodau Ex-officio/Ex-officio Members

Cadeirydd ac Is-gadeirydd y Cyngor/Chairman and Vice-chairman of the Council

AGENDA

1. WELCOME AND APOLOGIES

To receive any apologies for absence

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

3. URGENT BUSINESS

To note any items which are urgent business in the opinion of the Chairman so that they may be considered

4. MINUTES

The Chairman shall propose that the minutes of the meeting of this committee held on 22 March 2013 be signed as a true record.

(copy herewith – ***white*** paper)

5. MONITORING PROPERTY INVESTMENTS

To submit a report by the Corporate Director (copy herewith – ***blue*** paper)

6. ACTUARIAL VALUATION 2013: TREATMENT OF SMALLER EMPLOYER POOLS

To submit a report by the Corporate Director (copy herewith – ***pink*** paper)

7. TREASURY MANAGEMENT 2012/13

To submit a report by the Head of Finance (copy herewith – ***green*** paper)

8. CONFERENCE ATTENDANCE AT THE LOCAL AUTHORITY The University of FUND FORUM (LAPFF) ON 4-6 DECEMBER 2013.
PLEASE NOTE THAT THE FULL COUNCIL MEETING IS ON 5 12.2013.

9. LGC INVESTMENT SUMMIT 4 – 6 SEPTEMBER 2013

To submit a report by the Investment Manager (copy herewith – ***lilac*** paper)

10. EXCLUSION OF PRESS AND PUBLIC

The Chairman shall propose that the press and public be excluded from the meeting during the discussion on the following item due to the likely disclosure of exempt information as defined in paragraph 14, Part 4, Schedule 12A of the Local Government Act 1972. The report deals with matters which are commercially sensitive namely the price of supplying software and related licences. Disclosure of this information could affect the commercial position of the Council by undermining market confidence that the Council deals appropriately with it and therefore dissuade them from bidding in future. Disclosure of this information could also give an advantage to competitors by revealing details of prices and offers by the company. Although there is a public interest in understanding the Councils expenditure on contracts this has to be balanced against the interest in ensuring that commercially sensitive information is respected in order to protect the Council’s ability to treat with the market appropriately in order to ensure value for money.

11. PENSIONS ADMINISTRATION SOFTWARE UPGRADE TO ACCOMMODATE LGPS 2014

Submit a report by the Head of Finance

(separate copy for committee members only)

PENSIONS COMMITTEE, 22.03.13

Present: Councillor Peter Read (Chairman)

Councillors Stephen Churchman, Trevor Edwards, Dafydd Meurig and Councillor Tom Jones (representative of Anglesey County Council)

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

Apologies: Councillors Peredur Jenkins, W. Tudor Owen, John P. Roberts and Councillor Margaret Lyon (representative of Conwy County Borough Council)

1. DECLARATION OF PERSONAL INTEREST

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

2. URGENT BUSINESS

(The following matter had not been included on the committee's agenda; however, the Chairman agreed to its inclusion under Section 100B (4)(b), Local Government Act 1972, since the information had been received after the agenda had been distributed to the members)

Coleg Harlech Situation

The Head of Finance Department reported on the fragile financial situation of the college. It was understood that the Welsh Government was not willing to provide them with financial support. He noted that 38 members of staff were employed at the college who paid into the Gwynedd Pension Fund and if the college as a body were to be abolished, then its pension commitments would fall on the remainder of the employers of the pension fund and that risk had been briefly estimated to be approximately £2.3m. It was intended to discuss the situation in due course with the Head of the College.

RESOLVED to note the information.

3. MINUTES

The Chairman signed the minutes of the previous meeting of this committee held on 28 September 2012 as a true record.

4. SOCIAL, ENVIRONMENTAL AND ETHICAL INVESTIMENT

Submitted – the report of the Investment Manager that had been considered in this committee on 28 September 2012, namely a report on investment policy, specifically in relation to the tobacco industry, when it was requested that research be undertaken in order to ascertain how other pension funds dealt with ethical investment and to report back to this committee. It was noted that each Local Government Pension Fund was required to produce a Statement of Investment Principles in accordance with the "Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009" which had to include the extent to which, social, environmental or ethical considerations were taken into account in the selection, retention and realisation of investments.

Information had been obtained from the websites of the large funds in England and a request was made for information from the seven other pension funds in Wales on their principles regarding social, environmental and ethical considerations when investing. In addition, LAPFF had decided that it would be useful to have a Statement of Investment Principles (SIP) template on corporate governance for member funds to use. A survey of LAPFF member SIPs and global pension funds that were active in considering Environmental, Social and Governance (ESG) issues had been undertaken to identify best practice.

The officer noted that the emphasis on ESG issues varied between funds with some having a broader approach and others having more detailed considerations. No evidence had been found to suggest that any fund would rule out a specific type of investment on ESG grounds.

The Fund's Statement of Investment Principles would be reviewed in 2014 following completion of the actuarial valuation on 31 March 2013. This review would consider ESG principles and appropriate use of the LAPFF template for social, environmental and ethical considerations.

RESOLVED that the current Social, Environmental and Ethical considerations be retained until the full review of the Statement on Investment Principles in 2014.

5. THE PENSIONS FUND STEWARDSHIP

Submitted – the report of the Investment Manager which had been considered by this committee on 25 November 2011, namely the introduction of the Stewardship Code when the principle of publishing a statement of compliance with the Code had been agreed. The committee also agreed that the Pension Fund should become a member of the Local Authority Pension Fund Forum (LAPFF) in order to strengthen stewardship arrangements and to participate in actions taken by LAPFF on behalf of its members thus having greater influence as a group than when working as individual funds. The committee agreed to membership on a trial basis with a report back by April 2013.

The officer noted that LAPFF existed to promote the investment interests of local authority pension funds and to maximise their influence as shareholders when promoting social responsibility and corporate governance at the companies in which they invested. The LAPFF brought together a number of local authority pension funds which provided an opportunity for a discussion on investment issues and shareholder action. Membership was available for all local authority pension funds and at present there were 55 local authority pension fund members, including some of the largest funds in the UK. The subscription for 2012/13 was £8,460.

She gave details of the benefits of membership as well as the Statement of Compliance with the Stewardship Code. She noted that the annual membership payment to LAPFF of £8,460 provided value for money for the fund.

RESOLVED
a) That the Pension Fund continues with its membership of LAPFF.
b) To approve and publish the Statement of Compliance with the Stewardship Code.

6. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2013/14

Submitted – the report of the Head of Finance Department, noting that as part of its treasury management function, the Council was required to prepare an Annual Investment Strategy – in accordance with the Welsh Government's Statutory Guidance on Local Government Investments. It was considered good practice for the Gwynedd Pensions Fund to adopt the Council's Treasury Management Strategy Statement for 2013/14, as revised for the purpose of the Pensions Fund. The Council had approved its Treasury Management Strategy Statement for 2013/14 on 28 February 2013.

He noted that the fund had also given regard to the 2009 revised "CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes".

In relation to the pension fund's cash flow, the officer noted that the fund had net inflows from its members, therefore in any given month, the income from contributions and transfers-in significantly exceeded the pensions, transfers-out and costs paid out. Once there was sufficient surplus cash, money would be transferred to one or more of the Fund's investment managers. Normally, up to around £5m would be held back for cash flow purposes, such as pension payments and funding calls from the private equity funds. However, in the past, due to known commitments, there were times when the surplus cash held in the fund's bank accounts with Gwynedd Council had exceeded £20m.

Currently, all the Fund's surplus cash was pooled with the cash balances of the Council and invested with counterparties in accordance with Gwynedd Council's Treasury Management Strategy Statement. At the end of the financial year, Gwynedd Council paid interest to the Pension Fund based on the fund's daily balances over the year. This could continue if the Pensions Committee requested that the Pension Fund's surplus cash balances be pooled with the Council's cash balances. It was evident that pooling the fund could take advantage of economies of scale, and as a result, could attract better interest rates, reduce bank costs and avoid the duplication of work within the Council.

The counterparty list had been updated in order to reflect the latest recommendations. The maximum loan period for UK institutions had been raised from one year to two years to reflect those recommendations. The amount, along with the maximum length of investments was noted, although they were currently restricted to one year or less, depending on the status of each institution.

The proposed strategy would not deal with the cash held by the fund's investment managers for settlements.

RESOLVED
a) To approve the Treasury Management Strategy Statement and the Annual Investment Strategy for 2013/14, as amended for Pension Fund purposes (Appendix A to the report), and the current list of counterparties (Appendix C to the report).
b) To request that the Council allows the surplus cash balances of the Pension Fund to continue to be pooled with the Council's general cash flow from 1 April 2013 onwards.

7. WELSH LOCAL GOVERNMENT PENSION FUNDS – WORKING TOGETHER

Submitted - the report of the Corporate Director referring to the possibility of having fewer pension funds in Wales. Every Pension Fund in Wales had recently been requested to contribute £5,000 towards the cost of preparing a report as part of a project undertaken by the Pensions Sub-group of the Society of Welsh Treasurers. The draft report had been prepared and had been sent out to consultation with the interested parties, including all the employers, requesting observations by the end of March 2013.

He noted that the sub-group was of the opinion that reducing the number of pension funds would create a saving and that having a larger fund would result in better returns. The main recommendations of the reports were:
a) It was considered that greater collaboration was an area where savings could be made in the long term.
b) To create an appropriate full business case for a common interest approach.
c) To create an appropriate and responsive governance structure to drive future collaboration.
ch) To build on current collaboration to achieve improvements, consistency and efficiency in administration.

There was a need for the committee to respond to the report. A response could be prepared at present, or wait until the results of the consultation with employers were available. The Director referred to clause 11 – Recommendation 5 of the consultation questions which stated that "*The prospect of merger to regional funds or a single Welsh Fund is both complex and the transition would be costly with a long lead in time and a loss of local autonomy. Changing funding strategies could also have a destabilizing effect with a loss of local accountability. Whilst this may merit additional investigation in the future, it is not recommended for further work at this time, especially where it is believed that the most significant gains can be realised through greater collaboration and, specifically a common investment approach.*"

RESOLVED
a) To wait until the results of the consultation are available before responding in full to the draft report.
b) To respond to the consultation in order to agree with recommendation 5 of the consultation questions as noted above.

8. CAREERS WALES

Submitted – the report of the Corporate Director on the offer of membership of the Gwynedd Pension Fund to Careers Wales.

The Director informed the committee that the Careers Service in Wales was structured on a regional basis and each area was a member of the Local Government Pension Fund that was relevant to its area. Careers North West Wales was a member of the Gwynedd Pension Fund. The Welsh Government had decided to form Careers Wales from the former regional bodies and this had become operational on 1 April 2012. At present the membership of the Pension Fund continued on the basis of the old structure.

He noted that the new company wished to be a member of one of the existing Local Government Pension Funds in Wales. The issue of which fund would accept Careers Wales as an employer had not yet been resolved. The main reason for the lack of agreement had been the deficits in each fund in respect of the previous regional organisation and a reluctance to take on the deficit going forward. In recognition of this, the Welsh Government had agreed to take ownership of the new body if the pension position could be agreed.

The Pension Fund which would admit Careers Wales as an employer would face a number of risks such as -

- The certainty of funding for Careers Wales in the future. The funding was currently being provided by the Welsh Government and although they would take responsibility for the company this did not guarantee funding for the future.

- The Welsh Government could decide to discontinue Careers Wales in the future, leaving a significant deficit to be funded by the Pension Fund and the other employers.
- The deficits of the previous regions would be transferred from the current pension funds to the new fund and although a payment had been received by each fund in partial settlement of these deficits, the amounts were still significant. In assessing these deficits different actuaries used different assumptions. In using the current assumptions from the Gwynedd Pension Fund to value the deficits, the amounts would increase as Gwynedd used a more prudent method than most of the other funds in Wales.
- The transfer was expected to take place by 1 April 2013, which was a very short timescale during a period when significant additional work was being undertaken by the administration section in relation to the implementation of the new computer system and preparation of information fro the 2013 actuarial valuation.
- The company headquarters was far from Gwynedd which could affect the ability to attend employer meetings and presentations in Caernarfon.

It was further noted that in order to mitigate financial risks a bond would be required by the new company. The calculation of the bond would be agreed with the pension fund that would be taking over the liabilities and would be reviewed regularly to ensure it was sufficient to cover the liabilities. The cost of the bond would be paid by the company and there was a need to include this in the company's financial plan.

As a result of the risks noted above, the officers were of the opinion that membership of the Gwynedd Pension Fund should not be offered to Careers Wales.

RESOLVED to accept the report and that membership of the Gwynedd Pension Fund should not be offered to Careers Wales.

9. EXCLUSION OF PRESS AND PUBLIC

RESOLVED to exclude the press and public from the meeting during the discussion on the following item 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 applies because the report contains financial information regarding a company and they have the right for the information to be kept confidential. The timing is important and there is no public requirement in disclosing the information at present. The public interest therefore is to keep the information confidential for now.

10. PROPERTY INVESTMENT

Submitted – the report of the Investment Manager further to a quarterly meeting of the Pension Fund's Investment Panel which had been held in London on 15 February 2013 regarding the latest position of the investment in a UBS's Triton Fund.

RESOLVED
a) To authorise the Corporate Director to make any further decision required before the next meeting of the Investment Panel in order to protect the Pension Fund's investment.
b) To discuss the matter with Hymans Robertson in the next Investment Panel in May 2013.

The meeting commenced at 2.00pm and concluded at 3.20pm.

MEETING	PENSIONS COMMITTEE
DATE	7 October 2013
TITLE	Monitoring Property Investments
AUTHOR	DILWYN WILLIAMS CORPORATE DIRECTOR

1 In July we had a draft paper from Hymans Robertson suggesting that we monitor our property investments from now onwards remembering that we have chosen to invest in 4 property funds to reduce the risk.

2 Hymans Robertson suggested that we should have a full day to monitor the investments we have in property as this would allow us to compare what we hear from the different managers.

3 However, as developments in this area move very slowly and as the area is so difficult to move into and out of, it was suggested that it was only necessary to see the those who manage the funds face to face once a year, leaving Hymans to draw our attention to anything that causes anxiety in the interim in their regular reports.

4 This idea needs to be combined with the current programme of monitoring for all the other managers.

5 At present we monitor managers on the following basis –

Company	**Contract**	**Frequency**
Fidelity	World wide equity	twice a year
Veritas	World wide equity	twice a year
Blackrock	Passive equity	once a year
Insight	Absolute return bonds	twice a year
UBS	Property	twice a year
Partners Group	Private Equity and Infrastructure	once a year

6 On top of this we therefore need to monitor the property funds (3 of them) at least once a year but accepting that UBS will also only be seen once a year rather than twice. This is equivalent to having an additional "two monitoring sessions" each year.

7 Accepting that it would be a good idea to listen to the property fund managers together the following arrangement maintains the frequency noted in paragraph 5 above and keeps the meetings with the property funds together.

February Meeting	Fidelity
	Veritas
	Blackrock
May Meeting	UBS
	Lothbury
	Blackrock
	Threadneedle
	Insight
July Meeting	Fidelity
	Veritas
November Meeting	Insight
	Partners Group

7 The February and May meetings would be in London and the July and November meetings would be in Caernarfon.

8 Comments on these suggestions are invited with the intention of starting the new arrangements from February 2014 onwards.

MEETING	**PENSIONS COMMITTEE**
DATE	**7 OCTOBER 2013**
TITLE	**ACTUARIAL VALUATION 2013 – TREATMENT OF SMALLER EMPLOYER POOLS**
PURPOSE	**To decide how to treat smaller employer pools in the 2013 actuarial valuation**
AUTHOR	**DILWYN WILLIAMS, CORPORATE DIRECTOR**

1. INTRODUCTION

The Pension Fund's actuary is currently working on the actuarial valuation as at 31 March 2013. Decisions need to be made regarding the pooling arrangements for smaller employers used in previous valuations.

2. CURRENT POSITION

Smaller employers have been grouped into two pools for the purpose of the triennial actuarial valuation. The main reason for the pooling arrangements is to protect individual employers from the full effect of ill-health retirements which could be unaffordable for those with few employees. The risk of ill health retirements is therefore shared across the pool and every employer in the pool pays the same rate of employer contribution.

It is recognised that some employers will therefore be paying an employer contribution rate which could be higher or lower than the rate they would pay if they were not in the pool. Therefore there is some cross subsidy between the employers in the pool. Whilst this is not ideal, all the employers benefitted from the protection against the costs of any ill-health retirements and this was the only available way of mitigating against such an event.

3. ILL-HEALTH INSURANCE

Insurance against ill-health retirements has now become available and is an alternative way of covering the risk to smaller employers. The insurance premium is a percentage of the employers payroll in the same way as employers contributions are calculated. An indicative figure for the cost of this insurance is 1.1% for small employers and the employers contribution rate as calculated by the actuary would be reduced by the percentage paid for insurance. Therefore this is not an extra cost to the employer. The availability of the insurance enables disbanding of the pools and allows each employer to pay their own individual contributions based on their employees.

It is recognised that some employers will face higher increases in their contributions than others as a result of this change and this needs to be carefully managed.

Ill-health insurance will be compulsory for all the smaller employers once the pools are disbanded to ensure that they are not facing the risk of high costs of an ill-health retirement.

3. RECOMMENDATION

Now that ill-health insurance is available it is recommended that the two pools for smaller employers be disbanded and that ill-health insurance be compulsory for the employers concerned.

MEETING:	**PENSIONS COMMITTEE**
DATE:	**7 OCTOBER 2013**
TITLE:	**TREASURY MANAGEMENT 2012/13**
PURPOSE:	**CIPFA's Code of Practice requires that a report be produced on the results of the Council's actual Treasury Management on behalf of the Pension Fund.**
RECOMMENDATION:	**RECEIVE THE REPORT FOR INFORMATION**
AUTHOR:	**DAFYDD L EDWARDS, HEAD OF FINANCE**

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1. Introduction and Background

CIPFA's revised Code of Practice on Treasury Management was adopted by the Council on 1st March 2011 and the Council fully complies with its requirements. The Code requires that I report on the results of the Council's actual treasury management in the previous financial year against expectations.

In accordance with the Welsh Assembly Government's Statutory Guidance on Local Government Investments, which requires an authority to produce an Annual Investment Strategy, it was considered best practice for the Gwynedd Pension Fund (the "Fund") to adopt Gwynedd Council's Treasury Management Strategy Statement (TMSS) for 2012/13, as amended for the purpose of the Pension Fund. The Pensions Committee approved the TMSS at its meeting on 23 March 2012. As a result, I am required to report on the results of the actual treasury management in 2012/13 against expectations.

2. Investment Activity

The Welsh Assembly Government's (WAG's) revised Investment Guidance came into effect on 1st April 2010 and reiterated the need to focus on security and liquidity, rather than yield. It also recommended that strategies include details of assessing credit risk, reasons for borrowing in advance of need and the use of treasury advisers.

Pension Fund Balances	Balance on 31/03/2012 £m	Balance on 31/03/2013 £m
Balances	3.4	7.4

As requested by the Pensions Committee on 23 March 2012, the pension fund's money was pooled with the Council's general cashflow. As agreed at the Pensions Committee on 22 March 2013 this arrangement continues in 2013/14. Currently interest rates are very low but there is no reason to change this decision.

The table below shows a summary of where this pooled money was invested during 2012/13.

Investments	Balance on 01/04/2012 £'000	Investments Made £'000	Maturities/ Investments Sold £'000	Balance on 31/03/2013 £'000	Avg Rate %
Short Term Investments	35,883	203,821	(204,075)	35,629	1.05
Investments in Pooled Funds	0	0	0	0	0
TOTAL INVESTMENTS	**35,883**	**203,821**	**(204,075)**	**35,629**	1.05
Increase/ (Decrease) in Investments £m				(254)	

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2012/13. Investments during the year included:

- Deposits with other Local Authorities;
- Investments in AAA-rated Constant & Variable Net Asset Value Money Market Funds;
- Call accounts and deposits with Banks and Building Societies systemically important to each country's banking system (UK, Australia, Canada, Finland, France, Germany, Netherlands, Spain, Switzerland and the US).

Credit Risk

Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for the 2012/13 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

In June Moody's downgraded a swathe of banks with global capital market operations, including the UK banks on the Council's lending list - Barclays, HSBC, Royal Bank of Scotland/Natwest, Lloyds TSB Bank/Bank of Scotland, Santander UK plc - as well as several non UK banks, but none of the ratings fell below the Council's minimum A-/A3 credit rating threshold.

Counterparty credit quality has been maintained as demonstrated by the Credit Score Analysis summarised below. The table in Appendix 2 explains the credit score.

Credit Score Analysis 2012/13

Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating	Average Life (days)
31/03/2012	4.98	A+	4.93	A+	27
30/06/2012	5.19	A+	3.00	AA	36
30/09/2012	3.74	AA-	3.48	AA	68
31/12/2012	5.54	A	5.31	A+	146
31/03/2013	5.17	A+	4.97	A+	81

Liquidity
In keeping with the WG Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds, overnight deposits and call accounts.

Yield
The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year.

The Council considered an appropriate risk management response to uncertain and deteriorating credit conditions in Europe was to shorten maturities for new investments. Short term money market rates also remained at very low levels which had a significant impact on investment income.

Update on the Council's Investment with Heritable Bank
The accounts for 2012/13 were closed using the expectation that 88p/£ would be recovered overall. At that point 77.25% had been recovered to date, and a further 10.8% was expected in 2013/14. CIPFA issued further updated guidance on the accounting treatment surrounding these transactions in May 2013 and this was used for the 2012/13 accounts.

The latest distribution from the administrators was 16.73% which brings the total received to date to 94%. It is possible that further distributions will be received in the future.

4. Recommendation

The Pensions Committee is asked to receive the report for information on investment of the Fund's cash, pooled with the Council's cash, in 2012/13.

APPENDIX

Credit Score Analysis

Scoring:

Long-Term Credit Rating	Score
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10
Not rated	11
BB	12
CCC	13
C	14
D	15

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit

The Council aimed to achieve a score of 7 or lower, to reflect the Council’s overriding priority of security of monies invested and the minimum credit rating of threshold of A- for investment counterparties.

MEETING	**PENSIONS COMMITTEE**
DATE	**7 OCTOBER 2013**
TITLE	**LGC INVESTMENT SUMMIT, 4 – 6 SEPTEMBER 2013** **“25 Years at the Heart of the Local Government Pensions Debate”**
PURPOSE	**To inform the members of the Pensions Committee of the benefits gained from attending the conference**
AUTHOR	**CAROLINE ROBERTS, INVESTMENT MANAGER**

1. INTRODUCTION

This year’s ‘LGC Investment Summit’ was held at the Celtic Manor Resort, Newport and was attended by Councillor Hywel Eifion Jones, Councillor Dafydd Meurig and Caroline Roberts, Investment Manager.

2. LOCAL ECONOMIC INFLUENCES

The opening session was a detailed presentation by Paul Johnson, Director of the Institute for Fiscal Studies. He explained how UK public finances and economic outlook are changing and how they can impact on pension funds.

3. PENSION FUND PERSPECTIVE ON LGPS 2014

Jonathan Bunt, Chief Finance Officer at the London Borough of Barking and Dagenham and Geik Drever, Director of Pensions at West Midland Pension Fund explained how the new scheme will impact on funding and investment strategies.

Jonathan emphasised the importance of cash flow and how some of the collaborative work to share Chief Officers impacts on this as the number of higher contributing members to the pension fund reduces.

Geik explained the impact on the West Midland fund of ensuring that the large number of employers in the fund are ready to implement the new scheme.

4. SMARTER EXPOSURE TO GLOBAL EQUITIES

The presentation by Ben Kottler, Institutional Portfolio Manager at MFS Investment Management considered the investment exposure to global markets based on revenue analysis rather than the domicile of the companies in which funds are invested. For example many European companies sell to America and Emerging markets and that exposure is not considered when assessing the risk of investments.

5. **THE NEXT GENERATION OF EMERGING MARKET OPPORTUNITIES**

Nicholas Davidson, Senior Portfolio Manager at Alliance Bernstein gave his views on what the next 50 emerging markets will be and why they are attractive for investment with strong growth forecast and risk similar to historical emerging markets.

6. **MAKING THE BEST INVESTMENT CHOICES AT THE RIGHT TIME**

An interactive session chaired by Nicola Mark, Head of Norfolk Pension Fund discussed the current thinking about where to invest, what to avoid and how to achieve funding targets. Many views were expressed but the majority appeared to agree that collaboration is the way forward.

7. **OPPORTUNITIES IN UK PROPERTY – RESPONDING TO CARBON REDUCTION TARGETS / LEGISLATION**

Don Jordison, Managing Director of Threadneedle Property Investments Ltd considered the impact of carbon reduction targets on the property portfolios currently held and gave examples of the ways that Threadneedle is 'future-proofing' its property portfolios by making them more energy efficient**.** This is a question we should be asking our property managers – including Threadneedle!

8. **BUT HOW WILL IT HELP THE VALUATION OUTCOMES?**

The closing session entitled 'Fairy tales and LGPS deficits' was from Ronnie Bowie, Senior Partner at Hymans Robertson and was, as usual, both informative and entertaining.

He focused on the coming valuation and the comparatives that Hymans Robertson make across the LGPS funds on consistent assumptions. His opinion is that percentage funding levels in 2013 will decrease slightly but that the deficits will be larger. There should be correlation between funding level and contribution rates but when the funds are compared using consistent assumptions this is not always the case. He emphasised that each fund should have a credible plan for funding the deficit. He also stated that there is no correlation between fund size and investment returns.

9. **CONCLUSION**

There were plenty of opportunities for networking with the investment managers and representatives from other funds and discuss their current issues.

The Celtic Manor is an excellent venue and the weather was also excellent this year allowing a lunch barbecue outside and sending people home with an ideal experience of the venue and their visit to Wales. The conference will return to the same venue in 2014.