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## **PENSIONS COMMITTEE, 20.01.14**

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**Present:** Councillor Peter Read (Chairman)

Councillors Trevor Edwards, Margaret Lyon (representative of Conwy County Borough Council), Dafydd Meurig, W. Tudor Owen and John P. Roberts.

**Officers:-** Dilwyn Williams (Corporate Director), Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Gareth Jones (Pensions Manager) and Lowri Haf Evans (Member Support and Scrutiny Officer).

**Apologies:** Councillor Hywel E. Jones (Representative of Isle of Anglesey County Council), Peredur Jenkins.

### **1. WELCOME AND APOLOGIES**

Everyone was welcomed to the meeting by the Chairman, Councillor Peter Read. The above-mentioned apologies were noted. Condolences were expressed to Councillor Margaret Lyon following the recent death of her husband.

### **2. DECLARATION OF PERSONAL INTEREST**

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

### **3. URGENT ITEMS**

A request was noted by the Corporate Director to discuss 'Fundamental Indexing'. It was agreed to discuss this after the items on the agenda.

### **4. MINUTES**

The Chairman signed the minutes of the previous meeting of this committee, held on 7 October 2014, as a true record.

### **5. FUNDING STRATEGY STATEMENT 2014/15 – 2016/17**

Submitted – a report by the Investment Manager outlining the need for the Committee to confirm the assumptions and proposed policies outlined in the draft Funding Strategy Statement (FSS) that would be the subject of consultation with all employers of the Fund. It was a requirement to review and publish a FSS every three years. Gwynedd's current FSS had been approved by the Pensions Committee on 22 March, 2011, therefore it needed to be reviewed by the end of March 2014.

The administering Authority would be required to consult with the employers who are part of the scheme, the fund actuary and adviser, and any other persons who were considered appropriate.

Reference was made to the main matters and details of the main changes were provided.

- **The Equity Risk Premium**  
The anticipated excess return from investing in equity rather than bonds. This referred to the difference between the gains expected from equity and the gains expected from bonds. As the presumption of the difference between the expected gains increased, the risk increased and the funding base became less prudent. In the 2010 valuation, the presumption for the expected additional gains from investing in equity was 1.4%. Bond rates would be used on 31 March 2013 to calculate future liabilities. At the time, they had been at a historically low level, but they had improved during 2013/14 and a further increase was expected in the longer term. In order to compensate for this, the anticipated excess return from investing in equity had been set at 1.7% in the FSS / current valuation. This would smooth the employer contributions over an exceptional period between 2014/15 – 2016/17, before the arrangement would be reviewed at the next valuation, in anticipation that the premium would fall back to 1.4% if the return from gilts would improve.
- **Deficit Recovery Period**  
It was highlighted that the deficit recovery periods continued for the 2013 valuation, i.e. Statutory Bodies – 20 year period: Grŵp Llandrillo Menai – 15 year period; All other employers – future working lifetime.
- **Major Bodies with Tax Raising Powers (Gwynedd, Anglesey, Conwy, the Police and the National Park).**  
It was highlighted that the major bodies with tax raising powers would continue to pay the same contribution rate as the 2013/14 rate over the next three years.
- **Phasing in of Contribution Increases**  
As a result of the decision to dissolve two pools, it appeared that some employers could receive increases in contributions and other reductions. For the 2013 valuation, it would be spread over six years. Reductions in the rate for employers who were previously in a pool would be spread over three years. Other employers who had a reduction in their contribution rate would move immediately to the new rate on 1.4.2014. This change would retain balance and reduce risk for the fund.
- **Collection of Historical Deficits**  
It was explained that employers who were in deficit paid additional employer contributions in order to gradually recover the deficit over time. In the past, the amount had been expressed as a percentage of the payroll which had been added to the future service rate. Due to the financial situation, and in order to protect the pension fund when the total number of staff would decrease, the deficit payments would be expressed as an annual lump sum to be paid in 12 monthly instalments as part of their employer contributions.

The next step in the process would be to consult with the employers on the Funding Strategy Statement. Following the consultation process, the Committee would receive the final version with the aim for it to be adopted by 31 March 2014.

## **RESOLVED**

**To accept the assumptions and policies outlined in the draft Funding Strategy Statement (FSS).**

## 6. PENSIONS UNIT STAFFING

Submitted – a report by the Head of Finance Department outlining the need to create a Pensions Assistant post to join the unit's team. In order for Gwynedd Pension Fund's Administration Unit to be able to maintain, improve and develop an appropriate level of service for all its members, (employers, employees and pensioners), which conformed to all relevant statutory obligations and regulations, it was essential that sufficient staffing resources were provided.

The recent changes to implement Local Government Pension Schemes were mentioned that would, as a result, lead to substantial increase in the unit's administration workload -

- Details of pension accrual would have to be provided on an annual basis to members, and included in the annual benefit statement for the member to measure against the annual allowance.
- The unit's staff would have to deal with, and have thorough knowledge, of three pension schemes - the pre-2008 scheme, the 2008-2014 scheme, and the 2014 scheme. On the basis that interpretation of pensionable salary in the 2014 scheme would be different to what is currently in the first two existing schemes it would mean a considerable increase in administration work for producing benefit values for annual statements and all other instances / aspects of leaving the scheme with benefits.
- Automatic enrolment meant the creation and processing of members' records that would immediately show as 'leavers' in the scheme.

The intention, as an unit, was to continue to hold pension clinics and seminars but due to all the complexities, this in itself would generate more enquiries and requests for explanation and estimates.

In the current financial climate and its effect on public expenditure there had been a large increase in the number of employer requests for early retirement estimates etc. Also, they were looking more at outsourcing services which in itself would put additional pressure on the unit to provide workforce pension details and costings for the services in question.

### **RESOLVED:**

**To create a new Pensions Assistant post, on grade GS5 (salary points 14 (£15,882) – 17 (£16,998)), subject to review and confirmation by the Human Resources Department, to join the unit and assist the front line administration team in accordance with the unit's generic job description.**

## 7. ANNUAL LAPFF CONFERENCE 'LICENCE TO OPERATE – HOLDING COMPANIES TO ACCOUNT'

Submitted - a report by the Investment Manager outlining the highlights of the Annual LAPFF Conference held in December 2013. Councillor John Pughe Roberts and Caroline Roberts, Investment Manager had attended the event.

It was noted that the conference had been a good opportunity to obtain information from external bodies and individuals who were involved in trying to improve governance, sustainability and accountability for the benefit of businesses and their shareholders.

Reference was made to presentations which had involved:

- Investors Panel
- Procurement Framework
- Influential Directors
- A presentation by Martin Hickman (co-author of 'Dial M For Murdoch' on the phone-hacking saga at the News of The World) on the media standards debate. He stressed the need for improvement in media standards and reform of governance needed, including an independent Chairman of the Board.

It had been a good opportunity to witness the good work that LAPFF did in the interests of all its shareholders. A number of representatives of LGPS funds in England and Wales committed time and substantial resources to this process on behalf of all LAPFF members.

#### **8. LGC INVESTMENT SUMMIT – 27/28 FEBRUARY 2014**

It was explained that there was an opportunity for one member to attend the above conference in De Vere Carden Park, Chester. The main aim of the conference was to discuss the future of pension budgets in Local Government.

The Committee was requested to elect one Member to attend the seminar with the Head of Finance Department.

Councillor W. Tudor Owen was proposed. Accepted.

#### **RESOLVED**

**Councillor W. Tudor Owen to attend the seminar with the Head of Finance Department.**

#### **9. URGENT ITEM - 'FUNDAMENTAL INDEXING'**

The Committee was requested by the Corporate Director to consider delegating the right for him to make decisions on investment levels / percentages.

It was explained that when the Investment Panel would convene in London, it was highlighted that the panel would not have the right to make a decision as it did not meet as a Committee.

In discussing the 'fundamental indexing' it would be required to make a decision on the investment levels in order to proceed without delay.

#### **DECISION**

**The request to Delegate the Right to the Corporate Director to make a decision on their behalf on investment levels / percentages in fundamental indexing was approved.**

The meeting commenced at 2:00pm and concluded at 2:35pm.