
PENSION BOARD 13/02/17

Present: Anthony Deakin (Cartrefi Conwy), Osian Richards (Members' Representative), Huw Trainor (North Wales Police), Sharon Warnes (Members' Representative) and Councillor Stephen Churchman (Chair of the Pensions Committee).

Officers:- Dafydd Edwards (Head of Finance Department), Nicholas Hopkins (Pensions Manager), Meirion Jones (Communication Officer - Pensions) and Lowri Haf Evans (Member Support Officer).

1. APOLOGIES

Apologies were received from Cllr Aled Evans (Gwynedd Council) and Victoria Hallaron (Cartrefi Cymunedol Gwynedd)

2. DECLARATION OF PERSONAL INTEREST

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

3. URGENT ITEMS

It was highlighted that a rota needed to be established so that Board Members attended events / conferences and training.

4. MINUTES

The Chair signed the minutes of a meeting of this committee, held on 5 December 2016, as a true record.

The Chair suggested that a risk log needed to be created to record risk issues. It was accepted that the observation was also of assistance to the Pensions Committee and the Head of Finance Department agreed that he would consider the possibility of creating a risk log.

5. MINUTES OF PENSIONS COMMITTEE

The minutes of the Pensions Committee held on 10.11.16 were accepted for information. It was highlighted that the Pension Board was held within three weeks of the Pensions Committee and therefore, to ensure that the latest Committee minutes were distributed with the agenda, it was suggested that a four-week cycle between both meetings should be arranged.

6. INVESTMENT STRATEGY STATEMENT CONSULTATION

Submitted - a report prepared by the Investment Manager, with support from Hymans, that had already been agreed by the Pensions Committee and distributed to the employers and union representatives for consultation. The Pension Board was invited to scrutinise the document and details of the process, and decide whether or not it wished to make observations on the consultation.

The strategy was discussed and the Head of Finance Department drew attention to the most important issues.

In response to a target allocation of 10% in Property assets, it was asked whether or not the Fund intended to invest in social / residential housing considering that 10% was a target that was likely to attract good forecasts. The Head of Finance Department highlighted that some Funds were interested in investing in such property, but that Gwynedd's Fund did not intend to consider residential property and that such local opportunities were rare. As an individual Fund, it was noted that there were arrangements in place with the four property managers dealing with commercial and student accommodation property, but that the portfolio had not included residential property. It was suggested that the Government was likely to push funds towards infrastructure before residential housing.

It was noted that the Pensions Committee reviewed the nature of the Fund's investments on a regular basis, and monitored Investment Managers often to ensure that they adhered to the portfolio. Reference was made to the risks that needed to be taken to achieve the funding objectives and also to the methods of dealing with those risks. It was acknowledged that an element of risk had to be considered in order to secure returns and that the Investment Managers had to be trusted.

In discussing the assets already invested with the Wales Pooling Fund, the intention of using the Pool in the future was acknowledged. 22.5% of liquid assets had been transferred to the Pool, and as the Gwynedd Fund already had a Blackrock Manager, there had been no transfer fees; however Gwynedd continued to receive savings. In the context of Passive Equity, it was noted that there was a cost associated with a substantial number of transactions, but that this was a part of the risk management element.

In response to a question regarding the alleged discontent of the WLGA and the national Scheme's consultative Board, that the Wales Pool was under the influence of the Councils, it was highlighted that the joint committee would make the decisions on behalf of their funds. These would be public meetings and the idea was to keep to eight members (minimum). It was highlighted that representatives on the Board would report back comprehensively and effectively to the Pensions Committee and Pension Board. It was also noted that the constitution of the joint committee was about to be approved - subsequently, it would be possible to consider who else would need to be a part of the process, e.g. co-opted members on behalf of the scheme's membership.

It was accepted that the report had been drawn up jointly with input from Hymans and although it was a complex document, it was suggested that the strategy's contents were correct.

7. FUNDING STRATEGY STATEMENT 2017/18 - 2019/20

The Investment Manager submitted a draft Funding Strategy Statement (that had already been approved by the Pensions Committee to move to a consultation period on 19.1.17), requesting the Board to scrutinise the document and the process, and decide whether or not it wished to make observations on the consultation. It was explained that it was required for the Fund to publish a triennial Funding Strategy Statement by 31.3.17, and as part of the review that the administering authority needed to consult with the scheme's employers, the actuary, the fund's advisor and any other persons deemed appropriate.

In discussing the statement, the risk premium with equity was discussed and it was

explained that as the projected difference between the expected returns increased, the risk increased and the funding base became less prudent. In the 2013 valuation, the presumption for the expected additional returns from investing in equity was 1.7%, but with an expectation for it to reduce back to 1.4%. As bond rates, which were used to calculate future liabilities, remained on a historically low level, the projection had been kept at 1.7%. This would smooth the employer contributions over an exceptional period and it would be reviewed during the next valuation in the aim of reducing it to 1.4% when gilt returns would improve.

In response to a question regarding the life expectancy demographic projections and Hymans' use of the Continuous Mortality Investigation Model (2013) rather than the 2016 model, the Head of Finance Department noted that he would seek a response from Hymans regarding their reasoning behind using the 2013 model.

Attention was also drawn to the net discount rate and in response it was noted that Hymans' entire offer package had to be considered. As the valuation was acceptable, it was decided not to challenge.

The statement was accepted and it was noted that the valuation was positive. Gratitude was expressed for the information.

8. PENSION FUND INVESTMENTS

Submitted - the report of the Investment Manager providing a simple explanation of the type of investments that the Pension Fund has. It was noted in the report that the majority of the pension funds' investments were in equity as they were expected to provide better returns in the longer term. It was considered that this was appropriate for a fund that has a deficit according to the actuarial valuation. Equity was the most volatile type of investment used by the Gwynedd Fund.

The various investments were listed in the report along with a brief description of the logic.

It was highlighted that regular discussions had been held between the Investment Panel and the Pensions Committee.

In response to an observation regarding changing investment methods and that the Fund was now 90% funded, the need to consider the next investment 'options' was accepted.

9. WALES INVESTMENT POOL

Submitted – the report of the Head of Finance Department updating the Board on the latest progress made with the development in the Wales Investment Pool including the Inter-Authority Agreement to be recommended for approval to the Full Council in order to commit to establish the All Wales Pool and governance of the relevant Joint Committee.

An oral update was provided by the Chair of the Pensions Committee on the situation and the additional work undertaken by the Finance Department and Legal Department to contribute to the agreement. It was highlighted that Carmarthenshire Council would be the Host Authority and in accordance with the request of the Pensions Committee, bilingual needs had been acknowledged. It was reported that the agreement would be submitted to the Full Council on 3 March.

During the ensuing discussion, the following observations were made:-

- There were some weak elements in the agreement such as the monitoring and scrutiny process
- Attention needed to be given to the procedure for managing conflicts of interest
- Provisions needed to be made to resolve disputes - would a single Fund be entitled to withdraw?

In response to the observations regarding managing conflicts of interest, it was suggested that the monitoring arrangements of the Host Authority would interpret this in accordance with the observations of their Monitoring Officer and Committee arrangements.

It was noted that the agreement was detailed and the information was accepted.

10. RETIREMENT BENEFIT PROCESSING PROCESS

Submitted – for information, the report of the Pension Fund's Senior Communication Officer highlighting to Board members the process of terminating active membership of the Local Government Pension Fund. It was highlighted that the Employer was responsible for informing the Administrative Authority (Pensions Department) if a member of staff terminated pensionable employment. The Pensions Department was responsible for calculating the benefits correctly and within a reasonable time-scale. In order for the process to work smoothly, it was explained that it was essential for a good working relationship to exist between the Employer and the Administrative Authority.

The role of the Employer and the role of the Administrative Authority was listed in the report, along with the barriers that prevented them from ensuring that every retirement was paid within the target.

In response to a question regarding the lack of implementing the Police's overtime hours (that ran into an additional month), in order to present a notice of termination, it was noted that it was not practical to offer a draft / incomplete form, due to the number of requests received and the likelihood of creating unnecessary work. It was noted that every effort was being made to resolve each situation individually and that the same process had to be offered to everyone.

Reference was made to the satisfaction survey (implemented since 2013) and it was reported that between 1 September and 31 December 2016, 75% of the members who had responded strongly agreed that the process was positive.

It was suggested that a discussion needed to be held between the Administrator and the Police to resolve the overtime issue and it was highlighted that the Unit intended to visit the fund's largest employers on a more regular basis.

Gratitude was expressed for the information.

The meeting commenced at 2.00 pm and concluded at 4.00 pm

CHAIRMAN