

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

15/09/16

Present:

Members of the Pensions Committee

Councillors W Tudor Owen, Stephen Churchman, Trevor Edwards, Peredur Jenkins, John P. Roberts, Glyn Thomas (Gwynedd Council), Councillor Margaret Lyon (Conwy County Borough Council)

Pension Board Members

Councillor Aled Lloyd Evans (Gwynedd Council), Huw Trainor (North Wales Police), Osian Richards (Gwynedd Council) and Tony Deakin (Cartrefi Conwy)

Employers' Representatives

Alison Evans (Grŵp Llandrillo Menai), Kate Jones (CAIS), Marc Jones (Isle of Anglesey County Council), Martin Morris (Gwynedd Council), Katherine Owen (Caernarfon Town Council), Lynn Patterson (Cynnal), Eurig Williams (Gwynedd Council), Tony Walter (Conwy Council)

Members of Staff who Serve the Fund (Gwynedd Council);

Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Nicholas Hopkins (Pensions Manager), Marina Parry Owen (Pensions and Investments Officer), Meirion Jones (Communications Officer (Pensions)), Sharon Evans (Senior Accountant), Ffion Madog Evans (Finance Manager - Resources and Corporate), Richard Owen (Deputy Pensions Manager), Glesni Gwilym Jones (Communications Officer (Pensions)) and Lowri Haf Evans (Member Support Officer)

1. CHAIRMAN

RESOLVED to elect Councillor Stephen Churchman as chair for the meeting.

2. VICE-CHAIRMAN

RESOLVED to elect Councillor Peredur Jenkins as Vice-chair for the meeting.

3. APOLOGIES

Councillor Seimon Glyn (Gwynedd Council), Councillor H. Eifion Jones (Isle of Anglesey Council), Sharon Warnes (Chair of the Pension Board), Victoria Hallaron (Cartrefi Cymunedol Gwynedd / Pension Board), Caroline Owen (Ysgol Bryn Eilian), Kate Jackson (Police Commissioner), Jackie Waddicor (Beaumaris Town Council), Fiona Jones (Isle of Anglesey County Council), Ann Coxtan (Blaenau Ffestiniog Town Council), Kathryn Coughlin (Grŵp Llandrillo Menai), Gwyn Jones (Ysgol Eirias), Angela

Middleton-Jones (Grŵp Llandrillo Menai), Emyr Roberts (Snowdonia National Park), David O'Neill (CVSC), Paul McGrady (Cartrefi Cymunedol Gwynedd), Jo Cavill (Careers Wales), Geraint Owen (Gwynedd Council), Helen Barritt (Conwy Town Council), Tina Earley (Colwyn Bay Town Council), Caren Bryon (Careers Wales), June Jeremy (WEA Cymru), Einir Wyn Griffith (Gwynedd Council), Huw Ifor Jones (Conwy), Clifford Everett (Holyhead Town Council), Delyth Gwyn Williams (Cartrefi Cymunedol Gwynedd), Medrwn Môn and Llandudno Town Council.

4. DECLARATION OF PERSONAL INTEREST

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

5. URGENT BUSINESS

None to note

6. PENSION FUND

The Head of Finance Department submitted the Pension Fund Annual Report for 2015/16. Particular attention was given to the main matters of the report, namely:

- **Investment Performance**

Asset value:

It was reported that an increase had been seen in the value of the Fund's assets from £1,497m (31/03/2015) to £1,525m (31/03/2016) - an annual increase of £28m. The standard performance benchmark was -0.3% for the 2015/16 year, therefore there was room to be grateful to the Fund's managers for managing to obtain +1.3% during the year.

Between 1 April 2016 and 30 June 2016, it was noted that the market value of the Fund had risen by a further £58m to £1,583m; however, following the UK's referendum on EU Membership and the result of the vote to leave, a direct impact had been seen in the value of the pound and UK interest rates. The global markets had improved following the original reduction following the results of the referendum; however, it was difficult to anticipate the long-term impact of 'Brexit' on the Gwynedd Pension Fund.

The excellent performance of Veritas (the Fund's equity investors) was highlighted, along with the very good performance of Threadneedle and UBS (property investors), and exceptionally good returns from Partners Group in 2015/16 as Private Equity investments came into fruition, following a long-term investment by the Fund in this category.

- **Joint-investment**

It was reported that the Westminster Government had decided to pool the LGPS investments rather than merge funds. This meant that the Gwynedd Pension Fund would continue separate to funds such as Clwyd, Powys, etc; however, the investments would be made through a cooperative structure. It was reiterated that the eight Welsh Funds had already started to joint-invest.

A consultation had been held by the Department for Communities and Local Government ("DCLG"), demanding presentations from all funds in England and Wales, explaining their collaboration plans and the savings expected to achieve. It was explained that the All Wales collaboration project (worth £12 billion) did not meet the Treasury's standard requirements in terms of size (£25 billion); however, the Government had agreed that the collaboration work should continue. It was noted that the pool's governance structure was being designed and that responsibilities were being agreed upon, before the new structure would be operational in 2017. The hope would be for a governance joint-committee to be established with each of the eight Funds having one vote on it.

The pooling system would shift the decisions regarding the appointment, monitoring and termination of individual investment managers away from each Fund. However, the Gwynedd Pensions Committee would continue to be responsible for the investment strategy, and the asset allocation between the categories of equity, property, etc., namely the most significant driver on investment returns.

It was announced that further information about the joint-investment plans were available on the Fund's website.

The Chair gave assurance that the accountability would remain local which enabled the Fund to respond to the needs of members. He noted that the next step would be to create a Shadow Joint-committee. Thus far, he reiterated that the signs were positive with beneficial collaboration between the Chairs of the eight Funds, and substantial savings had already been achieved on the fees for passive equity investments.

- **Pension Board**

It was reported that the constitution of the Gwynedd Pension Fund Board had been established in March 2015 and the first meeting had been held in July 2015 (reference was made to the Pension Board's annual report that had been included in the Fund's report). It was explained that the Board had an observer present at the Pensions Committee's meetings, whilst the Chair of the Committee attended the Board's meetings, in order to be accountable for decisions and performance, alongside the Fund's officers.

The Chair reiterated that he welcomed another level of governance that would ensure the best for the Fund. He confirmed that the Pension Board was challenging and scrutinising the decisions of the Pensions Committee and that it already observed meetings.

- **Results of the Valuation**

It was noted that the results of the triennial actuarial valuation of 31 March 2016 were to be published during a meeting of all employers on 10 November 2016 where the Fund Actuary would present the results. Each employer was encouraged to attend that meeting in order to understand the process and assumptions used to reach the contribution rates of individual employers.

It was reiterated that the Administration Unit had been dealing with membership data for the valuation over a period of months with the Fund's staff resources having been prioritised to ensure that the data was accurate. Employers were asked to continue to send data about their employees regularly in the future, so that the reports were more accurate.

As the situation of each individual employer within the Fund was different, in general, the strength of the Fund should allow for a flexible approach towards setting the employer pension contribution rate level. It was reported that the officers and actuary were fully aware that minimising any increase in contribution rates was important considering the continuous squeeze on public spending.

The primary objective was to ensure that employers would have affordable, fair and sustainable contribution strategies for 2017/18 - 2019/20; however, this needed to reflect their own individual circumstances.

It was reported that there were two elements within employer pension contributions (not employee contributions).

- The rate of the main contribution, namely the primary contribution rate or the future service rate.
- The additional contribution rate, namely the secondary contribution rate or deficit recovery element

It was expected for the main rate for the future's liabilities to increase, due to a reduction in the discount rate. It was explained that the actuary discounted the value of the pensions that would have to pay out in the future in order to identify the net present value (NPV) of those liabilities. It was reiterated that the discount rate was linked to the Government's bond returns. It was noted that the Government had reduced interest rates to an incredibly low level in order to boost the economy. One impact of that was that the present value of pension liabilities was higher, due to a reduced discount impact.

Nevertheless, it was noted that a reduction was expected in the contribution rate for recovering historic deficits, due to a performance that was better than expected when investing on the stock market since 2013, and it was expected for the historic "deficit" to reduce again. In the 2013 valuation, the Fund's funding level was 85% for the entire fund. It was expected for the funding level for 2016 to improve to approximately 91%, with individual employer percentages varying around this average. Unfortunately, it was expected for the increase in the principal rate (future pressures) to be slightly more than the reduction in the rate that recovered the historic deficit.

It was not possible to predict the deficit level of individual employers, or the contribution level. Nevertheless, it was expected that the majority of the Fund's employers would be able to cope with the upward pressure on their pension contributions. It was highlighted that the Fund's staff and employers had worked on this in order to ensure that the information for the actuarial valuation was as accurate and timely as possible.

Everyone was thanked for their support during 2015/16, along with their positive and conscientious contributions during the year.

RESOLVED TO ACCEPT THE ANNUAL REPORT OF THE PENSION FUND FOR 2015/16.

The meeting commenced at Time Not Specified and concluded at Time Not Specified

CHAIRMAN