



# Complete Agenda

**Democratic Service**  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH

Meeting

**PENSIONS COMMITTEE**

Date and Time

**2.00 pm, MONDAY, 12TH JUNE, 2017**

Location

**Ystafell Gwyrfai, Council Offices, Caernarfon, Gwynedd. LL55 1SH**

Contact Point

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(DISTRIBUTED 06/06/17)

## **PENSIONS COMMITTEE**

### **MEMBERSHIP (7)**

#### **Plaid Cymru (4)**

Councillors

Aled Ll. Evans  
Peter Read

Simon Glyn

Peredur Jenkins

#### **Independent (2)**

Councillors

John Brynmor Hughes

John Pughe Roberts

#### **Lib / Lab (1)**

Councillor  
Stephen W. Churchman

#### **Co-opted Members**

Councillor John Griffith      Anglesey County Council

(Conwy County Borough Council to be confirmed)

#### **Ex-officio Members**

Chair and Vice-Chair of the Council

# **A G E N D A**

**1. ELECT CHAIRMAN**

To elect a Chairman for 2017/18

**2. ELECT VICE CHAIR**

To elect a Vice-chairman for 2017/18

**3. APOLOGIES**

To receive any apologies for absence

**4. DECLARATION OF PERSONAL INTEREST**

To receive any declaration of personal interest

**5. URGENT ITEMS**

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

**6. MINUTES**

4 - 6

The Chairman shall propose that the minutes of the meeting of this committee held on 16 March 2017 to be signed as a true record

**7. WALES INVESTMENT POOL**

7 - 10

To consider a progress report from the Head of Finance

**8. PENSION CONFERENCES**

11

To consider the report of the Head of Finance

**9. PENSION MEETINGS**

12 - 14

To consider the report of the Head of Finance

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## PENSIONS COMMITTEE 16.03.2017

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**Present:** Councillors: Stephen Churchman (Chairman), Simon Glyn, Margaret Lyon (Conwy County Borough Council Representative), Tudor Owen and John P. Roberts

Officers: Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Nicholas Hopkins (Pensions Manager), Iwan Evans (Head of Legal Service) and Lowri Haf Evans (Member Support Officer)

Others invited: Councillor Aled Evans (Pensions Board Manager - observing)

### 1. APOLOGIES

Apologies were received from Councillors Trevor Edwards, Peredur Jenkins, H. Eifion Jones (Isle of Anglesey County Council) and Glyn Thomas

### 2. DECLARATION OF PERSONAL INTEREST

None to note

### 3. URGENT ITEMS

None to note

### 4. MINUTES

The Chair signed the minutes of the meeting of this committee, held on 19 January, as a true record.

### 5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2017/2018

In accordance with Welsh Government's Statutory Guidance on Local Government Investments, the Council was required to prepare an Annual Investment Strategy as part of its treasury management role. As good practice, it was considered that the Gwynedd Pension Fund (the "Fund"), should adopt Gwynedd Council's Treasury Management Strategy Statement (TMSS) for 2017/18, as revised for the purpose of the Pensions Fund. Gwynedd Council's TMSS for 2017/18 was approved by the full Council on 2 March 2017.

In addition, the Pensions Committee was asked to request that the Council allow the surplus cash balances of the Pensions Fund to be pooled with the Authority's general cash flow from 1 April onwards. It was explained that pooling the cash flow achieved better rates of interest and reduced banking costs.

It was highlighted that these funds were being invested with counterparties in accordance with the TMSS in order to maximise returns. It was noted that interest rates were currently very low; thus, other creative methods of investment were being considered. It was also confirmed that the priority was to safeguard the Fund and protect the money, rather than take risks.

It was proposed and seconded to accept the recommendations.

**RESOLVED**

- **To approve the Treasury Management Strategy Statement and the Annual Investment Strategy for 2017/18, as adapted for the purpose of the Pensions Fund.**
- **To ask that the Pensions Committee request that the Council (although not a separate body) allow the surplus cash balances of the Pension Fund to continue to be pooled with the Council's general cash flow from 1 April 2017 onwards.**

It was noted, for information, that the largest members of the fund (Anglesey, Conwy and Gwynedd Councils, the National Park and North Wales Police) had been requested to pay the lump sum element of their contributions (to fund the historical deficit) fully at the beginning of the three year period. This would ensure better a return for those employers than would be achieved from deposit accounts in banks, and would also create a more positive cash flow for the Pensions Fund.

## **6. FUNDING STRATEGY STATEMENT 2017/18 – 2019/20**

On 19 January 2017, the Committee was told that it was a statutory requirement to review and publish a Funding Strategy Statement by 31.3.2017. As part of this review, the administering authority had to consult with all employers partaking in the scheme, with the actuary and fund consultant, and any other persons deemed relevant.

On 20 January 2017, a letter was sent to all employers taking part in the scheme, the fund actuary and adviser, and to representatives of Unison, TGWU (Transport and General Workers Union) and the GMB, to consult on the agreed policies. The consultation period ended on 28.2.2017.

It was reported that one response had been received agreeing with the proposed rate of employer contributions for the next three years. It was noted that the Funding Strategy Statement remained unchanged from the version submitted to the Committee on 19.1.2017. Attention was drawn to the appendix which contained details of employer contributions and which stated that the actuarial predictions had been explained and discussed with employers in the Fund's Valuation meeting on 10/11/2016.

**RESOLVED to adopt the proposed Funding Strategy Statement (FSS).**

## **7. INVESTMENT STRATEGY STATEMENT 2017/18 – 2019/20**

Submitted - a report by the Investment Manager, asking the Committee to approve the Investment Strategy Statement (which would replace, in name only, the Statement of Investment Principles - in accordance with the requirements of the new legislation). Interested Parties were consulted but no responses were received within the consultation period.

It was highlighted that there were no restrictions to specific investments in the new legislation and, as such, there was no need to officially lift restrictions. Following a meeting with the Investment Panel, it was decided that asset moving costs would be avoided by running the risk of not de-risking for the year in light of setting up the Wales Pool. It was noted that the discussion with the Investment Panel had been detailed, technical and, if a situation of non-risk arose within the next three years, it would be possible to resubmit the matter to the Committee.

In response to a comment regarding the possibility of reduced staffing levels in future and the consequent reduction in contributions to the Fund, it was suggested that it would be useful to generate a simple forecast of the situation by including statistics in the Annual Report.

**RESOLVED to approve the proposed Investment Strategy Statement.**

The Chairman thanked the Members and officers for the information and their support over the period and wished Councillor Margaret Lyon well as she would be standing down from Conwy Borough Council.

The meeting commenced at 2pm and concluded at 2.30pm

COMMITTEE: **Pensions Committee**

DATE: **12 June 2017**

TITLE: **Wales Investment Pool**

PURPOSE: **Progress Report**

AUTHOR: **Dafydd L Edwards, Head of Finance**

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## Introduction

1. This report has been prepared to inform Committee Members of progress with the development of a Wales Investment Pool to manage on a collaborative basis the investment assets of the eight Local Government Pension Scheme (LGPS) funds in Wales. Of course, members serving on the Committee during 2016/17 will be aware of the background.

## Background

2. The eight LGPS funds in Wales have been working together for several years to identify areas of potential collaboration. A report was submitted to the 20 October 2016 Pensions Committee on progress to establish a Common Investment Vehicle on a voluntary basis.
3. The UK Government has issued a number of consultations on the management of LGPS investments and in 2015 announced that all LGPS funds in England and Wales must join together to form investment pools, rather than the current arrangement whereby individual funds appoint investment managers themselves. The Welsh funds submitted an outline proposal for a Wales Investment Pool in February 2016 and detailed proposals were submitted, as required, on 15 July 2016. The proposals included letters of support from the Chairs of Pension Committees of the eight funds.
4. Subsequently, a delegation from the Wales LGPS funds met the Minister on 16 November 2016 where the proposal and progress of the pool to date was discussed. The Minister formally approved the All Wales Investment Pool on 23 November 2016. Marcus Jones MP wrote:

*"the Welsh funds have a long history of cooperation, and are working together successfully to develop the all Wales pool. I congratulate you on the exceptionally low fee for the passive equities portfolio of all Welsh funds which you have already secured. I was also glad to note your ambition to increase infrastructure investment. Given your strong partnership, and the special position of Wales ..... I am therefore pleased to confirm that I am content for you to proceed as set out in your final proposal."*

Welsh pension fund officers and chairs are continuing to work together in order to establish a Collective Investment Vehicle by 1 April 2018.

5. The Pool will not be a merger of the eight funds. Each fund will retain its distinct identity and the administering authorities will remain responsible for complying with the LGPS regulations and pensions' legislation in respect of their members. Annual statements of accounts and triennial actuarial valuations will still be prepared for each individual pension fund, and each fund will determine its own funding strategy (distribution of the portfolio between asset categories such as equities, property, etc.).
6. The pool will have a limited remit and its objectives, as set out in the submission document, will be:
  - To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
  - To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
  - To put in place robust governance arrangements to oversee the Pool's activities.
  - To work closely with other pools, in order to research the benefits that all stakeholders in Wales might obtain from wider pooling solutions, or potential direct investments.

## **Governance Issues**

7. The Wales Investment Pool proposal includes the establishment of a Joint Governance Committee comprising elected members from each administering authority, supported by an Officer Working Group. It is also proposed to appoint a Financial Conduct Authority (FCA) regulated Operator to supply the necessary infrastructure for establishing a pooling vehicle and to manage the Pool on behalf of the eight funds.
8. Work is ongoing to establish the governance arrangements for the Pool, including preparation of a legally binding Inter-Authority Agreement (incorporating the Terms of Reference for the Joint Committee), the specification of the services to be provided by the Operator, and the role of the Officer Working Group. Consideration is also being given to the needs of the Pool for specialist legal and investment advice.
9. The Joint Committee met in a shadow form (i.e. without decision making powers) as a Joint Chairs' Group during 2016 and on 11 January and 20 March 2017. The eight funds have formally adopted the Inter-Authority Agreement to establish the Joint Committee. The Inter-Authority Agreement is available at <https://democracy.cyngor.gwynedd.gov.uk/documents/s10612/Wales%20Investment%20Pool%20-%20Appendix%20A.pdf>



10. The Joint Committee will receive reports on the procurement process for the Operator, and will make the final recommendation to appoint the bidder who best meets the specification criteria.
11. The Inter Authority Agreement, and establishment of the Joint Governance Committee has created a legal commitment for each authority, further to the full Council's approval on 2 March 2017.

### **Legal Implications**

12. The current legislative framework for the pension fund investments carried out by Administering Authorities is set by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended). The law governing pensions is a complex and specialist area. The National Government's guidance indicates that the pooling of LGPS assets is permissible under current law (and of course the DCLG's guidelines insist that funds pool).

### **Financial Implications**

13. The 'administrative' costs under the new arrangements, including governance costs of the Joint Committee, will be divided equally between the eight Welsh funds, but that subsequent 'investment' costs will be allocated to specific investments, proportional to those investments.

### **Procurement**

14. The eight Welsh funds started the procurement process for an Operator for the Collective Investment Vehicle through the European Procurement process in March 2017. Eight responses to the Selection Questionnaire (SQ) were received, assessed and scored in May 2017. The Invitation to Tender (ITT) will be sent to 6 potential Operators in June.

### **Recommendation**

**The Committee is asked to note progress in development of the Wales Investment Pool, and to plan appropriate representation on the Joint Committee.**



COMMITTEE: **Pensions Committee**  
DATE: **12 June 2017**  
TITLE: **Pensions Meeting Dates**  
PURPOSE: **To allow Members to plan accordingly**  
AUTHOR: **Dafydd L Edwards, Head of Finance**

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## **Introduction**

1. Several Pensions meeting dates have already been set for the year to April 2018. The dates are set out below for convenience.

## **Committee Dates**

2. The Pensions Committee is the decision making body for the Pension Fund. The meeting dates following for the rest of the civic year are as follows:

### **14 September 2017      Annual Meeting of the Pension Fund**

This meeting is at 2:00pm in the Council Chamber. Employers in the fund are invited to send representatives to this meeting. The Pension Fund Annual Report is presented to those attending and is an opportunity for them to make comments and ask questions.

All members of the Pensions Committee and Pension Board are invited to the Annual Meeting.

If the Pensions Committee needs to make any urgent decisions in September, an extra Committee meeting will be organised either before or after the Annual General Meeting.

Regular Pensions Committee meetings, to deal with decisions required during the year, have been arranged as follows:

**9 November 2017**

**18 January 2018**

**15 March 2018**

A member of the Pension Board usually attends Pensions Committee meetings, as an observer.

### **Board Dates**

3. The Gwynedd Fund's Pension Board was established in 2015, complying with Government requirements. The Board is responsible for **oversight** of the management and operation of the Pension Fund. It does not make decisions, but can make recommendations for improvements. The Board has six members, three representing employers and another three representing scheme members. They were appointed by interview in accordance with the procedure established by the full Council.

Pension Board meetings take place four weeks after the Pensions Committee meetings. The dates for meetings during the year have been arranged as follows:

**11 July 2017**

**12 October 2017**

**11 December 2017**

**15 February 2018**

**12 April 2018**

The Chairman of the Pensions Committee usually attends each Pensions Board meeting, and is accountable there for the decisions of the Committee.

### **Investment Panel Dates**

4. The members of the Pensions Committee are also members of the Investment Panel. The Panel meets quarterly to scrutinise the performance of the Pension Fund investments. This includes receiving specialist reports from the Pension Fund's Investment Managers and Investment Advisor. Any recommendations from the Panel are reported to the Pensions Committee for formal decisions.

The dates for Investment Panel meetings during the year are as follows:

**27 July 2017**                   **(London, travelling down 26 July)**

**23 November 2017**   **(London, travelling down 22 November)**

**22 February 2018**   **(Caernarfon)**

## **All-Wales Pool Joint Committee Dates**

5. The Joint Committee set up to govern investment pooling across the eight Welsh local government pension funds consists of the Chair of the Pensions Committee (or another member of the Committee) from each of the funds.

The dates agreed for Joint Committee meetings have been arranged as follows:

<b>29 June 2017</b>	<b>Cardiff</b>
<b>18 September 2017</b>	<b>Carmarthen</b>
<b>20 December 2017</b>	<b>Powys (Llandrindod Wells)</b>
<b>28 March 2018</b>	<b>Flintshire (Mold)</b>
<b>18 June 2018</b>	<b>Cardiff</b>
<b>25 September 2018</b>	<b>Gwynedd (Caernarfon)</b>

Meetings will normally be 10:00am to 1:00pm, and webcasting facilities are available at all the above venues.

Each cycle of 4 meetings includes one meeting in Cardiff, one meeting in Powys, and the other 2 meetings will be held in the other 6 locations on a rotational basis. This system has been agreed in order to maximise stakeholders' access to these public meetings.

Carmarthenshire County Council has been chosen to act as host authority, and will be arranging these Joint Governance Committee meetings with full translation facilities.

## **Recommendation**

6. Members are asked to note the relevant dates for meetings and to plan accordingly.