

## **GWYNEDD PENSIONS FUND ANNUAL MEETING BETWEEN MEMBERS OF GWYNEDD COUNCIL'S PENSION COMMITTEE AND REPRESENTATIVES OF THE EMPLOYERS AND UNIONS 10/10/18**

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### **Present:**

#### **Members of the Pensions Committee**

Councillors Stephen Churchman, John Brynmor Hughes, Aled Wyn Jones, Peredur Jenkins, Robin Williams (Isle of Anglesey County Council Representative)

#### **Members of the Pension Board**

Tony Deakin (Cartrefi Conwy), Councillor Aled Lloyd Evans (Gwynedd Council), Sharon Warnes, and H Eifion Jones

#### **Employers' Representatives**

Alison Evans (Grŵp Llandrillo Menai), Lynn Patterson and Ieuan Williams (Cwmni Cynnal), Tony Walter (Conwy County Borough Council), Geraint Owen (Menter Môn), Eurig Williams (Gwynedd Council), Eleri Edwards (Cartrefi Cymunedol Gwynedd), Helen Williams (North Wales Police) and Jo Warrell (Snowdonia National Park)

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

Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Meirion Jones (Communication Officer - Pensions) Ffion Madog Evans (Finance Manager - Resources and Corporate), Richard Owen (Deputy Pensions Manager), Gwenan Medi Williams (Senior Pensions Officer), Marina Parry Owen (Pensions and Investments Officer), Delyth Jones-Thomas (Investment and Treasury Management Accountant), Gruffydd Thomas (Pensions Unit Systems Officer) and Lowri Haf Evans (Member Support Officer)

### **1. ELECT CHAIR**

**RESOLVED to elect Councillor Peredur Jenkins as Chair for the meeting.**

### **2. APOLOGIES**

Apologies were received by: Councillor Simon Glyn (Gwynedd Council), Councillor John P Roberts (Gwynedd Council), Councillor Peter Read (Gwynedd Council), Councillor David Cowans (Conwy County Borough Council Representative), Huw Trainor (North Wales Police), Osian Richards (Gwynedd Council), Arnold Milburn (Llangefni Town Council), Mandy Evans (Abergele Town Council), Linda Jones (Cwmni Frân Wen), Rhys Parry (Cartrefi Cymunedol Gwynedd), David O'Neill (CVSC), Wendy Jones (CVSC), Martin Morris (Gwynedd Council), Chalister Bash-Taqi (Caterlink), Joanne Barlow (Caterlink), Joanne Barlow (Kingdom), Gwyn Jones (Ysgol Eirias), Lynn Bennoch (CAIS), Morfudd Davies (Isle of Anglesey County Council), Gary Jaques-Williams (Isle of Anglesey County Council), Donna Jones (Isle of Anglesey County Council), Carys Edwards (Isle of Anglesey County Council), Sue Hill (ABM Catering), Tina Earley (Colwyn Bay Town Council), Nikki Lawrence (Careers Wales), Caren Byron (Careers Wales), Jo Cavill (Careers Wales), Adele Gatt (Careers Wales), Kathryn Coughlin (Grŵp

Llandrillo Menai), Phillip Davies (Conwy County Borough Council), Sally Williams (Conwy County Borough Council), Gareth Owen (Conwy County Borough Council), Huw Ifor Jones (Conwy County Borough Council), Isobel Mitchell (Conwy County Borough Council), Francesa Pridding (Tywyn Town Council), Delyth Williams (Cartrefi Cymunedol Gwynedd), Katherine Owen (Caernarfon Town Council), Beaumaris Town Council and Medrwn Môn.

### **3. DECLARATION OF PERSONAL INTEREST**

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

### **4. URGENT BUSINESS**

None to note

### **5. PENSION FUND ANNUAL REPORT 2017-18**

The Head of Finance presented the Annual Report of the Pension Scheme for 2017/18.

Although 2017/18 had been a challenging year, it was reported that the Fund had received positive returns and had built on the funding level. There had been a 10.8% increase in members contributing to the scheme, and a 4.3% increase in the number of pensioners in the scheme. The employers who had submitted accurate and speedy data were thanked, and it was explained that this was essential for the Pensions Unit to update employer records and produce timely annual benefits to satisfy the Pensions Regulator. It was noted that submitting accurate and timely data would be essential for 2019 as the three-year valuation date.

The Head of Finance Department added that he had asked the Fund's Actuary about what the 2019 three-year valuation result would be in the context of the Government Actuary's decision to increase the Teacher Pension Scheme contribution rate from 16% to 24% in September 2019. It was explained that this substantial leap was taking place as teacher rate levels were attempting to catch up with historic levels that were too low, and an adjustment to the SCAPE discount rate that was only reviewed every five years. It was expressed that these factors would not affect the Local Government Pension Scheme.

Reference was made to the commitments of the Pension scheme, and it was reported that the Fund had been operating prudentially, and the factor that would influence the valuation the most would be investment returns and the value of the assets. Since the stock market became challenging in 2017/18, it was reported that the Fund continued to build on the outstanding investment performance of 2016/17, and in 2017/18, the Fund assets received £56m (3%) in investment returns. This reflected weaker markets compared to the 22% returned the previous year, but the further progress seen during the first quarter of 2018/19 was enough to see the value of the Fund growing to more than two million pounds.

It was explained that an element of the significant growth in 2016/17 reflected the impact of the pound slump on worldwide investment values. A graph prepared by the Fund's Investment Advisor was distributed, that separated the growth elements in equity value from the local financial value and value in sterling. It was added that the growth in asset values was encouraging, with the Gwynedd Fund being 91% funded in the 2016 triennial valuation (that was within the top 10 in

England and Wales) when using prudential actuarial assumptions. For the 2019 valuation, the Fund's strength should allow for taking a flexible approach towards employer contribution rates effective from 2020.

It was noted that the investment procedure in future would change, and reference was made to the responsible investment principles and the development of the Wales Pension Partnership. With the Fund's investment strategy focusing on growth assets, more attractive returns were expected than the returns that could be gained from high risk investments. Building on that, it was reported that the Gwynedd Pensions Committee and the Fund's Pensions Committee had jointly developed responsible investment principles that considered environmental, social and governance factors.

The Chair of the Pensions Board added that transparent information was required in the context of money invested against the best returns for the Fund. He referred to the principles that the Committee and the Board had prepared, and he thanked the officers and Hymans for organising the workshop and coordinating the discussion. He added that it had been a busy year, but that strong foundations had been set.

It was reported that the Pensions Committee had a mandatory fiduciary duty to ensure that financial considerations carried more weight than non-financial considerations, but also recognise that they had a duty to be a responsible investor to engage with companies and change corporate behaviour to influence outputs. It was added that the Fund was vulnerable to risks such as climate change and the expectation of a transfer to a low carbon economy. The intention was to improve financial outcomes by managing how open to such risks the Fund was.

The Chair of the meeting reported that work was ongoing to pool investments with seven other Local Government Pension Schemes in Wales, and the Partnership had been set up formally in March 2017. It was added that Link Asset Services had been appointed as an investment platform operator in partnership with Russell Investments as the investment manager and pool advisor. Despite the pooling, the eight funds would continue to operate their individual investment strategies. In August 2018, the Wales Partnership ACP was authorised by the Financial Conduct Authority to offer two worldwide equity sub-funds to replace the separate mandates of individual funds with investment managers. It was reported that Gwynedd would transfer assets to the sub-funds.

The Chair of the meeting noted that changes to pension fund management was changing significantly, and many were concerned about the role of the Committee within the new system. Following presentations by 10 Asset Managers, it was noted that more opportunities were available by collaborating. Reference was made to the new Asset Managers, and a few of their various expertise were highlighted. It was noted that the wide range of expertise would be of advantage to Gwynedd. It was intended to transfer £600m in worldwide equity assets equally between two sub-funds of the Partnership. It would be expected to realise further fee savings by pooling, along with benefiting from advantages that were not possible as an individual fund, still keeping ownership and responsibility for the Fund's investments.

Councillor Stephen Churchman had been elected as the first Chair of the Partner's joint committee. He expressed that it had been an exciting time, and substantial progress had been made in the work of the Partnership. The officers were thanked for their work, along with their fellow members on the Committee

and the Pension Board for their support.

Everyone was thanked for their support during 2017/18.

In response to a question regarding others who will use the asset managers selected by Russell Investments, it was noted that every fund (including Gwynedd) of the eight funds in Wales would use either of the two sub-funds. It was added that it would only be Gwynedd and Neath investing in both sub-funds, with Russell Investments taking a managerial overview of the second sub-fund. It was noted that the seven companies in the second sub-group were new to each of the eight Welsh funds. It was explained that there were restrictions in the past in terms of the ability of LGPS funds to procure foreign asset managers, but opportunities would arise soon.

**RESOLVED TO ACCEPT THE ANNUAL REPORT OF THE PENSION FUND FOR 2017/18.**

The meeting commenced at 2pm and concluded at 3pm

**CHAIRMAN**