
PENSION BOARD 17/12/15

PRESENT: Mrs Sharon Warnes (Chair)
Mr Huw Trainor (Vice-Chair)

Mr Anthony William Deakin, Aled Ll. Evans, Ms Victoria Louise Hallaron and Mr Osian Richards

OFFICERS: Dafydd L. Edwards (Head of Finance), Caroline Lesley Roberts (Investment Manager), Nicholas Edward Hopkins (Deputy Pensions Manager), Meirion Jones (Communications Officer (Pensions) and Lowri Haf Evans (Members and Scrutiny Support Officer),

1. APOLOGIES

None to note

2. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present

3. URGENT ITEMS

None to note

4. MINUTES

The Chairman signed the minutes of the previous meeting of this committee, held on 13 July 2015, as a true record.

5. SUMMARY OF AUDIT COMMITTEE RECOMMENDATIONS.

A report was presented, informing the Members that two internal audit reports had been considered by the Audit Committee in the past two years. It was explained that the Pension Fund was subject to audits in the same manner as Gwynedd Council. It was noted that the Pension Fund was included in the Audit Committee's work programme. The Pension Fund's systems and compliance with relevant legislation was subject to audits by internal and external auditors. The external auditors audited the Pension Fund's accounts at the same time as the audit of Gwynedd Council's Statement of Accounts.

It was noted that both Internal Audit reports had scored "opinion A" - the highest score, with the minimum risk. In response to the question regarding the scoring system, it was reported that each "opinion C" or less was called in to be reviewed by a working group of Audit Committee members.

In response to the propriety of the matters which were audited, it was noted that the number of internal auditors had reduced over the years, and that any risks were highlighted and referred to the Head of the Finance Department or the Investment Manager. The auditors would conduct a "follow-up" to consider whether the appropriate steps had been implemented.

In relation to external auditors, it was noted that there had been no request this year for a specific external audit, apart from reviewing the statutory financial statements.

THE INFORMATION WAS ACCEPTED

6. INVESTMENT PORTFOLIO

In response to a request from members, the Investment Manager submitted a report containing information on the Pension Fund's Investments. It was noted that the Annual Report published in September 2015 had already noted relevant information, and it was restated that the report summarised the main messages, and referred specifically to Gwynedd's choices.

It was explained that there were a number of restrictions within the regulations that could be increased by the fund, and a list of Gwynedd's current restrictions were listed in the report. However, it was emphasised that the regulations allowed administering authorities to increase the restrictions if they required. It was noted that there was an ongoing national consultation to change these regulations by abolishing restrictions in order to facilitate pooling and collaborative investment, although the existing arrangements would remain in force until March 2016.

In the context of the Local Government Pension Scheme regulations, the Pension Fund had to take specialist advice on investment. Hymans Robertson (independent advisor) was the advisor for Gwynedd's Pension Fund.

An advisor from Hymans would join the Pensions Committee's investment panel to monitor the investment managers, and would be present at each of the quarterly meetings with the investment managers. The Pensions Committee would agree upon an investment strategy, aiming to maximise the returns to the fund at present and in future - by considering (very) long term investments. Reference was made to the strategic distribution of the assets, noting that the majority was in equity, bonds and property.

Matters arising from the discussion:

- In referring to targets for the investment managers - it was suggested that a discussion and more detailed information was required.
- A wider picture of the performance was needed in order for the Pension Board to be able to add value - but to avoid duplicating the work of the Pensions Committee.
- There was a need to analyse investment trends over the medium-term.
- Performance monitoring? Were there formal guidelines or processes to do this?
- Were the fees of the investment managers and Hymans commensurate with the work?
- Was there a need to consider a specific period for contracts with investment managers / consultants? It was proposed that guidance or a process should be established to manage the situation.
- It was agreed that there was a need to ensure flexibility to allow the continuation of the investment managers and consultants' contracts, but that a specific review period should be set.

In response to the above observations, it was noted that a summary of performance for each quarter could be presented, followed by a briefing session for discussion. It was emphasised that an overview of 3 - 5 year performance could be provided, starting with an overall overview before deciding whether there was a need to scrutinise in more detail.

In relation to setting a specific period for the contracts of consultants and investment managers, it was noted that Hymans had provided good advice over the years. A suggestion had been made recently to review the relationship, but it was decided to continue until 2017 (in the context of the current national consultation on pooling funds).

In response to a question, in the context of pooling in future either with Welsh and/or English funds, it was noted that good collaboration and research had been undertaken with Welsh funds, and that details of this proposal would be submitted as a response to the consultation in February 2016.

RESOLVED

- A) SHARE THE QUARTERLY PERFORMANCE SUMMARY WITH PENSION BOARD MEMBERS.**
- B) PROVIDE AN OVERVIEW REPORT OF PERFORMANCE TO MONITOR TRENDS (3 – 5 YEAR PERIOD)**
- C) RECOMMEND THAT THE PENSIONS COMMITTEE AMENDS THE POLICY TO SET A SPECIFIC TIME PERIOD FOR REVIEWING THE PERFORMANCE OF INVESTMENT MANAGERS AND THE INDEPENDENT CONSULTANTS**

7. ANY OTHER BUSINESS

In response to question regarding the fund's financial deficit, it was noted that there was a notional 20-year plan in place to close the deficit. In order to close the deficit, there would be a need to be more offensive with risks.

The meeting commenced at 2:00 pm and concluded at 3:15pm

CHAIRMAN