
PENSIONS COMMITTEE 23/07/20

Present: Councillors: John Pughe Roberts (Chair), Stephen Churchman, Ioan Thomas, John Brynmor Hughes, Aled Wyn Jones, Dave Cowans (Conwy County Borough Council) and Robin Williams (Isle of Anglesey County Council)

Officers:- Dafydd Edwards (Head of Finance), Delyth Wyn Jones-Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democratic Services Officer)

Others invited:

Osian Richards (Chair of Pension Board – observing)

1. APOLOGIES

None to note

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

Following the issuing of a consultation by the Treasury, it was reported that the MHCLG had issued a consultation on the proposed amendments to the Local Government Pension Scheme in response to the judgement in the McCloud case. It was reported that the Head of Finance, the Pensions Manager and the Investment Manager would draw up a draft response in consultation with the Chairs of the Pensions Committee and Pension Board (closing date 11th October 2020). It was added that the Pensions Manager was working alongside Hymans to ascertain the number of records that would need to be amended. Although no timetable had been released, it was noted that this task involved significant additional administrative work and would be undertaken after the consultation had been completed and the order received.

4. MINUTES

The Chair accepted the minutes of the meeting held on 18th March 2020, as a true record.

5. GWYNEDD PENSION FUND'S DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020

Submitted – a report by the Head of Finance providing details of the Pension Fund's financial activities for the year ending 31st March 2020. It was highlighted that the (draft) accounts were currently subject to audit which was being undertaken by Deloitte. Following a decision by Audit Wales that accounts would remain open to public inspection until the beginning of September, the final accounts would be presented to the Audit and Governance Committee on 14th September 2020.

It was reported that the value of the Fund on 31st March was down £143m, this was due to the implications of the Covid-19 pandemic. It was noted that a significant fall in market value was reflected at the end of March, but the values had now risen and remained stable.

Reference was made to Notes 12, 13 and 14 where further information was included on investment costs in light of Gwynedd Fund's involvement with the Wales Pension Partnership's arrangement of pooling combined investments.

In response to questions regarding the costs of the Wales Pension Partnership (WPP) and Host Authority – note 13 (£70k), was there a saving in the fees reduction compared with the costs for the Gwynedd Council Fund, and how could we ensure value for money, it was noted that the situation was very difficult to test and that the important thing was the returns as opposed to the amount of fees. It was considered that our membership of the WPP provided economies of scale, which had resulted in reduced fees, and there was greater resilience in being part of a larger fund. It was noted that the sum for 2018/19 had been omitted in error.

In response to a comment regarding a significant fall in equity dividends (Note 15), it was reported that all dividends were automatically reinvested into their relevant funds and not distributed as investment income. The fund value and change in market value on these funds would reflect both capital appreciation / depreciation plus reinvested investment income.

RESOLVED to accept the information.

6. INVESTMENT STRATEGY STATEMENT

Submitted for information, a report by the Investment Manager. It was reported that the statement was reviewed every three years following valuation and that it had been discussed with the Investment Panel in May 2020.

Attention was drawn specifically to the allocation of the Fund which reflected the transfer of global equity to the Wales Pension Partnership (WPP) Multi Assets Credit fund - which now formed a significant part of the Gwynedd Fund investments.

Attention was drawn to a suggestion made by the Pension Board Members (20/07/20) that the statement did not highlight the risks / lessons learned of the impact of the Covid-19 pandemic and recent events in China. The members had suggested at that meeting that a sentence should be added to the Managers' paragraph (page 57) to illustrate that the response had been positive. A sentence constructed by Paul Potter (Hymans Robertson) was proposed, to illustrate that the Managers had been proactive and positive during the Covid-19 pandemic.

Although accepting of the logic, it was considered that this was the day-to-day work of any Manager and it was often too late to make changes after an unexpected shock - the skill was to predict any changes. In response, the Head of Finance noted that the statement did not attempt to describe what the Assets Managers were already doing, and that it was not intended to change their brief. He added that Managers in general had responded to the change and that the Pension Board faced challenges in promoting transparency.

RESOLVED to adopt the Investment Strategy Statement.

7. WALES PENSION PARTNERSHIP UPDATE

Submitted – a report by the Investment Manager stating that since its establishment in 2017, the Partnership had been going from strength to strength with officers meeting often. During the Covid-19 pandemic, it was noted that officers had been meeting every fortnight via Teams and that a full meeting had been scheduled for the 24th of July 2020.

Attention was drawn to the Fund's performance, and despite the pandemic it appeared that the market had recovered very well. Reference was made to Pzena's performance, who had contributed to the under-performance of the Global Growth Fund up to 31st March 2020, but who was now responsible for the increase in the fund due to their investment methods.

Reference was made to the fixed income transfer which had been due to take place at the end of April, however, it would now be transferred at the end of July 2020. With regard to Emerging Markets, it was noted that work on these had been quiet over the pandemic but it would be a priority area for the next six months, with an Investment Managers structure to be determined for this new fund. With regard to Private Markets, it was reported that a group had been established to look at potential options of pooling assets into this category. It was added that Russell Investments were leading on analysing the options available with the current portfolio, and the development and management of Wales Pension Partnership funds. It was noted that individual discussions were required with all Funds to seek a way forward with 'property'. Although satisfied with the current portfolio, the officer highlighted that there were opportunities for further investment with Global Equity property. With a possible allocation of 10% in property, it was noted that only 9% was being used at present, with the suggestion to increase to the full 10%.

During the ensuing discussion, the following observations were noted:

- Members anticipated that the situation with property would worsen globally as a side-effect of Covid-19, with reduced demand for business premises. Despite this, it was a good reason to move ahead using the remaining funding, provided we were cautious with 'selling'.
- The Fund must act carefully – the Covid-19 pandemic had impacted the whole World, therefore it was essential to consider carefully the types of investments before transferring.

In response to the members' observations, it was noted that the crisis had made it even more pressing to act. It was added that 80% of the Gwynedd Fund had already been transferred to the WPP Fund. There was no intention to rush to make further investments, but opportunities were presenting themselves where they could take advantage, for example, looking maybe at the possibility of further investment in Wales's infrastructure.

The information was accepted.

8. WALES PENSION PARTNERSHIP BUSINESS PLAN

Submitted – a report by the Investment Manager advising members of the Wales Pension Partnership's wish for each individual Committee within the Partnership to approve their Business Plan. It was reported that the Business Plan contained details about the Partnership's priorities and how it would deliver its objectives for 2020-2023. The Plan also contained governance arrangements, policies and plans as well as information about their marketing stance, financial budgets and a summary of the

Partnership's performance objectives and investments.

It was noted that meetings were being held every fortnight with Officers, Hymans and the Host Authority (Carmarthenshire) in order to share updates, information and have input into documents. It was added that a number of policies had been formalised during the lock-down, and these were available on the Partnership's website. The officer drew attention to the training plan which covered a number of topics with the aim for Members to have the appropriate knowledge and understanding - these would be beneficial sessions and would be flexible for the Members of the Committee and the Pension Board. They were likely to be delivered on-line.

In response to a previous comment regarding the Wales Pension Partnership's costs (£70k), it was highlighted that the Host Authority was dealing with considerable / additional work and that the budget seemed insufficient. The Investment Manager added that one extra officer had been appointed and that the Authority's existing officers were taking on additional responsibilities. The Head of Finance added that the sum was reasonable.

RESOLVED to approve the Business Plan

9. TREASURY MANAGEMENT 2019/20

Submitted – a report by the Investment Manager noting that an annual decision had been made to permit the surplus funds of the Pension Fund to be pooled and co-invested with the Council's overall cash-flow. The officer stated that the report compared actual performance against the strategy for the 2019/20 financial year, and fulfilled the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Welsh Government's Investment Guidance.

It was reported that during the 2019/20 financial year, the Council's borrowing activity had remained within the limits originally set, and it had received £546,000 of interest on investments which was above the budgeted level of £406,000. She added that there had been no defaults by any banks with which the Council had invested money, and all prudential indicators had been met.

Although the reduced value of investments by year end at 31/03/20 highlighted the negative impact of the Covid-19 pandemic, she stressed that medium-term investments were the focus, therefore there was an opportunity to recover / reclaim the loss.

RESOLVED to accept the information.

The meeting commenced at 10.30 am and concluded at 11.45 am

CHAIRMAN