
PENSIONS COMMITTEE 21/01/21

Attendance: Councillor Peredur Jenkins – Chair
Councillor Stephen Churchman – Vice-chair

Councillors: Goronwy Edwards (Conwy County Borough Council), Simon Glyn, John Brynmor Hughes, Aled Wyn Jones, John Pughe Roberts, Ioan Thomas, and Robin Williams (Isle of Anglesey Council)

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

Others invited: Sharon Warnes (observing – Pensions Board Member)

1. APOLOGIES

None to note

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

None to note

4. MINUTES

The Chair accepted the minutes of the meeting held on 14 October 2020 as a true record.

5. BUDGET APPROVAL FOR 2021/22

Submitted - a report by the Investment Manager relating to a request for the Committee to approve the budget for the 2021-2022 financial year, for the Pension Administration and Investment Sections.

It was noted that 2019/2020 was the first time for the budget for the Units to be submitted to the Pensions Committee for approval, and it was now intended to submit the information annually. The 2019/20 budget was amended according to changes to the staffing structure of the Pensions Administration and Investment Sections - there were only minor adjustments to the 2021/22 budget, with the basic budgets remaining the same.

RESOLVED to approve the 2021/22 financial year budget for the Pensions Administration and Investment sections.

6. TREASURY MANAGEMENT 2020/21 - MID YEAR REVIEW

Submitted, for information – a report highlighting the Council's actual Treasury Management activity during the current financial year. It was highlighted that, during the six months between 1 April and 30 September 2020, the Council's borrowing activity had remained within the limits originally set. There were no defaults by banks in which the Council deposited money. It was added that it was estimated that the Council's investment income was lower than the expected income in the 2020/21 budget.

In the light of the pandemic crisis and the likelihood of unexpected demands on cash flow, the Council had kept more cash available at very short notice than was normal. Liquid cash had been diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks.

It was explained that £10m of the Council's investments were held in externally managed strategic pooled property and equity funds where short-term security and liquidity were lesser considerations. Consequently, the objectives were realised through regular revenue income and long-term price stability.

It was reported that the Council measured the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates. It was noted that the Bank rate, which was 0.75% in February, now stood at 0.1%, but interest earned from short dated money markets would be significantly lower. Attention was drawn to the interest rate indicators, and it was noted that the risk indicator '*upper limit on one-year revenue impact of a 1% rise in interest rates*' complied due to the impact of poor interest rates.

With the weak and unstable outlook, it was reported that the Council was investing as much as possible in a challenging period; was continuing to do its best to make gains by spreading risk, but was also operating carefully in line with Arlingclose's advice.

Members expressed their thanks for the report.

In response to a question about the outlook, it was noted that the report had been written in September 2020

RESOLVED to accept the report for information.

7. BAILLIE GIFFORD GLOBAL ALPHA PARIS ALIGNED FUND

Submitted - the report of the Investment Manager requesting the Committee's approval to agree to the movement of its current Baillie Gifford core fund to the Baillie Gifford Global Alpha Paris Aligned fund. Members were reminded that Baillie Gifford had submitted information on the Alpha Paris Aligned fund in a meeting of the Investment Panel on 14 October 2020. It was explained that the Global Alpha Paris Aligned Fund was a lower carbon variant of the core model and was aligned to the objectives of the Paris Agreement and the investment principles of the Gwynedd Pension Fund.

It was reiterated that all the constituent pension funds that were part of the Global Growth Fund must agree to the transfer. Once the funds had made their decision

locally, an official decision would be made by the Joint Committee. It was reported that this was a positive step forward, and that more information would follow about further improvements.

Members expressed their thanks for the report.

RESOLVED to approve the movement of the current holdings in the Baillie Gifford Core Fund to the Baillie Gifford Global Alpha Paris Aligned fund which forms part of the WPP Global Growth fund in accordance with the discussion at the most recent Investment Panel.

8. SETTING OBJECTIVES FOR INVESTMENT CONSULTANTS

Submitted - the report of the Investment Manager, reporting on progress against current objectives and requesting that the Committee reviewed and approved the objectives for 2020/21. It was reported, following a review of the of the investment consulting and fiduciary management markets, that the Competition and Markets Authority had noted that Pension Scheme Trustees should set objectives for their investment consultants, and clearly stipulate the expectations upon them.

Reference was made to the current objectives and the progress made against those objectives during 2019/20. It was noted that the objectives had been operational since December 2019, but had not been formally accepted by the Committee despite the compliance statement having been signed by the Committee Chair by the required deadline (7 January 2021).

It was reported that Hymans was delivering good work, providing comprehensive reports for the investment panel, offering practical and prompt advice, responses and correspondence, and performing in accordance with the objectives.

Members expressed their thanks for the report, and an observation was made that it was expected that the objectives were submitted annually to the Pension Committee in accordance with the Act's requirements.

Mr Paul Potter from Hymans was thanked for his advice and support to the Pension Fund over the past 12 years. He was wished a happy retirement.

RESOLVED to accept the report and to formally approve the objectives that had already been set for the Fund's investment consultants

9. PUBLIC SECTOR EXIT PAYMENT REGULATIONS 2020

Submitted for information – the report of the Pensions Manager providing an update on the Restriction of Public Sector Exit Payments Regulations that came into force on 4 November 2020. Attention was drawn in the report to the impact of the recent reforms on public sector workers, and to further (draft) amendments that had been proposed by the Ministry of Housing, Communities and Local Government which were expected to come into force during spring 2021.

It was highlighted that the reforms were creating confusion and additional work pressures, and in response to these national factors, the Fund's administrative software provider had to update the system to calculate the new options.

During the ensuing discussion, the following observations were noted:

- Exit payment regulations were an extremely complex and technical area
- The decision was out of the Authority's hands, and there was therefore no choice in the matter

In response to an observation that the exit payments cap would not be index linked, and whether the cap was likely to be reviewed, it was noted that there would be no further amendment or review of this.

In response to a question on whether a lump sum could be used to avoid the cap threshold, it was noted that if there were further changes to the regulations, a lump sum could be used to receive reduced benefits

RESOLVED to accept the report for information

10. NEW COMMUNICATION POLICY STATEMENT

Submitted - the report of the Pensions Manager, requesting that the Committee adopted the new Communication Policy Statement. It was explained that the Fund must provide, maintain and publish a Communication Policy Statement in accordance with Regulation 67 of the Local Government Pension Scheme (LGPS) Administration Regulations. It was added that the communication policy must be revised and republished following any change in policy. Following various changes to communication methods recently, the statement had to be amended to include current communication methods and add the use of Microsoft Teams, I-Connect and the Self-service resource. It was noted that Gwynedd's policy had not been updated since 2010. The policy statement had been submitted to the Pension Board on 23.11.20 and the policy had been revised in accordance with their comments.

In response to an observation regarding communication with prospective Members, it was noted that it was a matter for each employer to note that membership of the scheme was one of the benefits of the post.

In response to a question, it was confirmed that the communication policy statement was consistent with Gwynedd Council's Language Policy.

During the ensuing discussion, the following observation was noted:

- There was a need to consider communication methods with prospective employers

RESOLVED to approve the adoption of the new Communication Policy Statement

The meeting commenced at 2.00 pm and concluded at 3.05 pm

CHAIRMAN