



Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSIONS COMMITTEE

Date and Time

1.00 pm, THURSDAY, 21ST OCTOBER, 2021

Location

Virtual Meeting

Contact Point

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(DISTRIBUTED 13/10/21)

PENSIONS COMMITTEE

MEMBERSHIP (7)

Plaid Cymru (4)

Councillors

Aled Wyn Jones
Simon Glyn

Peredur Jenkins

Ioan Thomas

Independent (2)

Councillors

John Brynmor Hughes

John Pughe Roberts

Individual Member (1)

Councillor Stephen Churchman

Co-opted Members

Councillor Robin Wyn Williams Isle of Anglesey County Council
Councillor Goronwy Owen Edwards Conwy County Borough Council

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

1. APOLOGIES

To receive any apologies for absence

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

3. URGENT ITEMS

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

4. MINUTES

4 - 12

The Chairman shall propose that the minutes of the meeting of this committee held on 24 June 2021 to be signed as a true record

5. GOVERNANCE POLICY STATEMENT

13 - 29

To consider the report and adopt the new policies.

6. VALUATION TIMETABLE 2022

30 - 32

To consider the report

7. WALES PENSION PARTNERSHIP UPDATE

33 - 36

To consider the report

Agenda Item 4

PENSIONS COMMITTEE 24-06-21

Attendance:

Councillors:, Stephen Churchman, Goronwy Edwards (Conwy Borough County Council) Simon Glyn, John Brynmor Hughes, Peredur Jenkins, John Pughe Roberts, Ioan Thomas and Robin Williams (Isle of Anglesey County 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)
Yvonne Thomas (Audit Manager, Audit Wales)
Garmon Williams (Senior Auditor, Audit Wales)

1. ELECTION OF CHAIR

Resolved to re-elect Councillor Peredur Jenkins as Chair of the Committee for 2021/22.

2. ELECTION OF VICE-CHAIR

Resolved to re-elect Councillor Stephen Churchman as Vice-chair of the Committee for 2021/22.

3. APOLOGIES

Apologies were received from Councillor Aled Wyn Jones.

4. DECLARATION OF PERSONAL INTEREST

None to note

5. URGENT ITEMS

None to note

6. MINUTES

The Chair accepted the minutes of the meeting held on 25 March 2021 as a true record.

7. THE FUNCTION OF THE PENSIONS COMMITTEE IN APPROVING THE FUND'S STATEMENT OF ACCOUNTS AND ACCEPTING THE RELEVANT REPORT FROM AUDIT WALES

It was explained, as a matter of course, that the Audit and Governance Committee was responsible for considering and adopting the Operational Arrangements to reflect the statutory requirements on local authorities, at its first meeting of the new council after an election. (The current version was adopted by the Audit and Governance Committee on 06/06/2017).

Following a period of reviewing the financial governance arrangements of the Pension Fund, modifications were introduced to the Arrangements which are necessary for dealing with the 2020/21 accounts of the Gwynedd Pension Fund. It was highlighted that the Audit and Governance Committee had been receiving and approving the accounts of Gwynedd Council and the Gwynedd Pension Fund, as part of its role as "those charged with governance".

Having considered the latest guidance and regulations, and reviewing the governance arrangements, it appeared to be increasingly clear that the Pensions Committee, and not the Audit and Governance Committee, was the appropriate body to receive and approve the Gwynedd Pension Fund statements of accounts. Not only was the legal requirement for them to be included with the Council's accounts abolished, but also the national board which advised Local Government Pension Schemes also recommended that the Pensions Committee should consider the accounts.

Attention was drawn to the relevant regulations and the new draft operational arrangements which remain consistent with the requirements of the Local Government Measure and the Statutory Guidelines. It was reported that there was no inconsistency with Section 81 of the 2011 Measure, as the financial matters of the Pension Fund were not a part of Gwynedd Council's financial matters - the money of both entities were completely separate.

It was highlighted that an equivalent report had been submitted to the Audit and Governance Committee on 27 May 2021, where modifications to the operational arrangements were approved, in order to allow for the Pensions Committee to accept and approve the pension fund's statements of accounts, as well as the relevant report of the external auditor. It was reiterated at the Committee that arrangements and decisions relating to pensions were managed by the Pensions Committee, which in turn were scrutinised in detail by the Pension Board. As a result, it was considered that the modification was sensible.

Gratitude was expressed for the report.

In response to a question regarding the decision of the Audit and Governance Committee, it was confirmed that a decision had already been made (27/5/21).

RESOLVED: To accept,

- **The external auditor's work plan on the Gwynedd Pension Fund Accounts.**
- **The Gwynedd Pension Fund's Statement of Accounts, after they are certified by the Head of Finance, but subject to audit, and an opportunity to challenge their content**
- **The annual report of the financial auditor on the Gwynedd Pension Fund's Statement of Accounts**

- **The final post-audit version of the Gwynedd Pension Fund Statements of Accounts (by the end of November 2021), and an opportunity to challenge the contents of the relevant report of the external auditor, namely Audit Wales**

8. THE GWYNEDD PENSION FUND AUDIT PLAN FOR 2021

Yvonne Thomas and Garmon Williams were welcomed to the meeting. The Audit Wales plan for 2021 was submitted, noting the work intended to be completed during the year, in line with the statutory responsibility they held as external auditors. Reference was made to the need to audit the pension fund's accounts, with the aim of identifying relevant misstatements, as well as the risks associated with the financial audit, such as the impact of Covid-19. Reference was made to the content of the performance auditing programme, offering an overview of the work to be done, the fees and the proposed timetable.

Gratitude was expressed for the report and a willingness to collaborate was expressed. Appreciation was expressed that the Audit Wales Team were all fluent Welsh speakers and this was to be welcomed.

In response to a question regarding whether Audit Wales had considered cyber security protocols, suggesting that security issues could arise for staff who worked from home as the information was 'possibly available', it was noted that further enquiries needed to be made to identify a thorough response and Audit Wales would respond directly to Councillor Churchman.

RESOLVED:

To accept the plan

9. DRAFT ACCOUNTS OF THE GWYNEDD PENSION FUND FOR THE YEAR ENDING 31 MARCH 2021

Submitted, for information, the report of the Investment Manager to provide details of the financial activities of the Pension Fund during the year ending on 31 March 2021. It was highlighted that the accounts (draft) were subject to audit and the audit would be undertaken by Audit Wales.

It was reported that the accounts were following the statutory CIPFA format, with the guidance interpreting what was submitted in the accounts. Members were reminded that last year's accounts, had been signed with an emphasis of matter paragraph because of the uncertainty with property prices. It was highlighted that the 4 Property Managers had stated that there was no uncertainty this year. Attention was drawn to the Fund's Account, which noted a normal year for contributions and benefits, without any substantial change. Nevertheless, a substantial change was reported in management costs and reference was made to note 12a, which explained that an increase in Private Equity (Partners) performance fees was responsible for the change, with strong performance in three funds specifically. (A full explanation was received from the Managers when their fees were challenged).

Reference was made to the increase in the Investment Income (note 13) as a result of income from Equity investments as the Wales Pension Partnership started to pay income gained since establishing all of the Partnership's sub-funds that the fund had invested in them. Reference was also made to the figure of £565.5 million, namely the increase in the value of the assets on the market following a very prosperous year (note 14a).

In the context of the net asset statement, attention was drawn to the change in the investment assets (Note 14a), which had now reached £2.5 billion, with a substantial increase in the Wales Pension Partnership after a proportion of Fidelity and Insight transferred to fixed income funds during the year.

The Head of Finance Department took the opportunity to thank the Investment Team for their commitment to ensure that the Statement of Accounts (draft) was completed within the timetable. He noted that he had already certified the draft accounts and that it would be good practice to share the accounts with Members to give them an opportunity to question / make observations.

Gratitude was expressed for the report.

In response to a question as to whether financial outgoings will appear consistent within two years (i.e. fees reflecting the number of outgoings), it was noted that as there were a number of buying and selling combinations, it would be difficult to compare year v year, but consistency was expected in the long-term.

In response to a substantial net increase of 0.6 billion, it was asked whether the strategy could be reviewed to consider attractive packages / benefits for staff, e.g. early retirement. The Head of Finance noted that the Fund or Employer were not entitled to amend the benefits as they were set in line with salaries and the number of working years. It was reiterated, in April 2022, that work would commence on reviewing the next triennial valuation where possible, subject to the outcome, to amend the employers' contributions.

In response to a comment that the government was amending retirement age, with people paying in longer, was affecting the money being paid into the Fund, the Head of Finance noted that the fact was being considered when discussing the triennial valuation, but that the market was the most influential factor.

RESOLVED to accept and note the Pension Fund's Statement of Accounts (subject to audit) for 2020/21.

10. TREASURY MANAGEMENT

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. It was highlighted that the report compared actual performance against the strategy for the 2020/21 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 2020/21 financial year, the Council's borrowing activity had remained within the limits originally set, and it had received £442,000 of interest on investments, which was above the budgeted level of £400,000. It was reiterated that no organisation that the Council had invested money with them had defaulted.

In the context of the compliance report and indicators, it was reported that full compliance had taken place separately to the interest rate disclosure. It was highlighted that this disclosure showed a one-year revenue impact of a 1% increase in interest rates, highlighting the serious impact the pandemic has had on investment returns compared to what had been projected at the beginning of March 2020 when the restricted level was set - pre-Covid-19. It was reiterated that returns on pooled funds had recovered the interest decline.

Gratitude was expressed for the report.

RESOLVED to accept the report for information.

11. RESPONSIBLE INVESTMENT

The Head of Finance Department highlighted that electors in Anglesey, Conwy and Gwynedd had submitted questions to the Committee relating to responsible investment. Appreciation was expressed for receiving the questions beforehand, and the presence of the electors at the meeting was appreciated. Resolved to respond to the questions before discussing the report.

1. What evidence does the Gwynedd Pension Fund have that its engagement policy has genuinely changed the behaviour of the companies in which they are shareholders?

It was explained that, as a Fund, regular meetings were held with fund managers and progress reports were received on their engagement activities. It was noted that the fund's managers were very active and that the recent progress had been very satisfactory, with open discussions being held regarding the climate strategy of some funds. It was highlighted that the Wales Pension Partnership (WPP) had a Voting and Engagement Provider who assisted with the engagement process.

Reference was made to the following examples of considerate adaptations by companies within the Partnership's portfolios.

- a) Archer Daniels Midland (ADM). Shortcomings had been seen in ADM's policies, which contributed to continuous deforestation and a failure to protect native vegetation. It was noted that Robeco (Voting and Engagement Provider) had held discussions with ADM since 2020 and had introduced a proposal on behalf of the shareholders regarding their contribution towards deforestation and the clearing of native vegetation in South America. In March 2021, the proposal was withdrawn as the company had committed to:
 - set obligations and a deadline for the abolishment of deforestation by 2030
 - trace the soy supply chain in full by 2022
 - include native vegetation in their No Deforestation Policy
 - publish a protocol for engaging with suppliers
- b) Enel Spa. It was reported that Enel Spa (an international energy company from Italy), was active in the electricity production and distribution sectors. By leading on cooperative engagement under the Climate Action 100+ initiative, it was noted that Robeco had engaged on a number of occasions with the company's executive and non-executive managers, who had led on developing an ambitious strategy to develop renewable energy and digitalise distribution networks. As part of the efforts to strengthen the governance of companies on climate matters, Robeco succeeded to nominate the former Chief Executive Officer of Wind Power at DONG Energy to the Enel Board, along with a group of institutional investors. The next steps in their engagement discussions will seek to address the company's intention to achieve the target of net-zero by 2050, and set a long-term target for the Emissions of Scope 3
- c) It was reported that ING Bank (financial services provider in the Netherlands), placed a strong focus on digital services for standard banking services. It was noted, in 2018, that ING had announced a fine settlement of 775 million Euros due to their failure to discover money laundering matters between 2012 and 2016, and earlier in the year, the oversight board abolished its proposal to increase their executive pay levels following social pressures. It was highlighted that Robeco had held meetings with the Board's Chair to

assess the strengths and weaknesses of ING and had contacted the Investors in an attempt to review the risk management framework. It was suggested to appoint an independent director to the Board in 2019, and to continue to focus on further independent supervision.

In addition, it was noted that the Gwynedd Pension Fund was working with other Local Government Pension Funds via LAPFF, which promoted the highest standards of corporate governance to protect the long-term value of local government pension funds. It was reported that the Forum was engaging directly with hundreds of companies by building a healthy relationship and holding an open dialogue about corporate responsibility in the fields of stewardship, climate risk, social risk and governance risk. It was reiterated that LAPFF acknowledged that the 'change in the climate was a substantial and urgent investment risk', and LAPFF was considered to be a very useful forum to ensure an effective impact - recent examples of engaging with Shell, Mitsubishi UFJ Financial Group and Sainsbury.

A further comment was made that behaving as a 'critical friend' was a way of stimulating change and engagement was considered to be the best method of seeking changes.

2. Has the Gwynedd Pension Fund looked in detail at investing a proportion of the fund in local projects?

In response, the Cabinet Member for Finance, despite being a relatively new member of the Pensions Committee, noted that the matter of investing in local projects was one that arose regularly in meetings. It was reported that as an individual pension fund and nationally as WPP, that there was a common goal of investing locally, and nationally in Wales. Reference was made to possible opportunities being considered, along with an acceptance that more effective investment could be done in Wales.

- renewable and community projects across Wales
- other growth deal projects (city deals).

Further observations to the response:

- that local investment was close to the Members' hearts
- that a definition of the word 'local' was needed - need to differentiate between local and parochial. The world was smaller, links were better and so 'local' was difficult to define
- that joining the WPP fund had strengthened the hope of local investment

3. Does the Gwynedd Pension Fund consider the risk of stranded assets, considering that a recent statement from the International Energy Agency noted the need to prevent every new fossil fuel development this year?

In response, an explanation was given of the restrictions in an attempt to prevent global warming, along with how the economy is making the shift from energy sources such as coal, oil and gas, to using renewable energy sources with governments recommending that companies reduce carbon emissions. It was reiterated that Gwynedd Council was fully aware of these risks and with assistance from the Fund's advisers, was seeking to ensure that the asset managers, who chose the stocks, invested in companies that were diversifying their businesses towards renewable energy, so that the Fund is less open to risk. It was noted that the choice of companies that the Investment Managers invested in them was being monitored on an ongoing basis and challenged when needed by the Committee and the advisers.

In addition, the Members were reminded that the WPP had a Global Opportunities Fund, a de-carbonisation strategy that excluded coal, as it was considered as a stranded asset - coal was the least efficient energy source in terms of CO₂, therefore, an attempt was made to avoid coal.

4. Will the Gwynedd Pension Fund set a timetable for full diversification before the COP26 Climate Conference in November 2021

It was reported that the main aim of the COP26 Conference was:

'Ensuring global net zero by the middle of the century and keep within the reach of 1.5 degrees and asking countries to bring forward ambitious targets for reducing the 2030 emissions that correspond to reaching net zero by the middle of the century.'

In order to achieve these extended targets, nations will need to:

- speed-up the period for abolishing coal
- reduce deforestation
- speed-up the switch to electric vehicles
- encourage investment in renewable energy.

It was explained, as trustees of pension funds, that it was essential to plan appropriately, and act and influence where possible, for the benefit of the environment. It was noted that the Gwynedd Pension Fund had a duty as trustee towards all of the fund's employers, their staff and pensioners, and therefore, it did not divert for non-financial reasons alone. This meant that decision to invest or not to invest in a specific company or asset type was based on the ability to generate sustainable long-term returns for the fund, or something that would be influenced by the method that a company would adopt towards climate change.

It was noted that the matter regarding owning fossil fuel companies was more complex in nature than direct divestment. Whilst dis-investing in fossil fuel reduced the attention on the pension fund, divestment in itself did not address global carbon problems. Some considered that fossil fuel would continue as an essential component of the energy mix, by supporting economic growth and future global income. For example, reference was made to their use in the production and installation of wind turbines - disposing of fossil fuel companies would likely dispose of the best energy companies that invested in the generation of renewable energy. These are the companies who support and set a direction and drive the energy transformation programme. It was noted that engagement was a more effective way of encouraging change, rather than complete divestment as it allowed asset owners, such as the Gwynedd Pension Fund and the WPP to undertake its executive ownership and maintain a long-term relationship on such matters.

The Fund will challenge the investment managers regularly on the steps they take on environmental, social and governance matters, and seek to divert from fossil fuel in general as part of the general strategy to reduce carbon emissions across all sectors. It was reiterated that the Fund was developing its longer term strategy for reducing carbon emissions that is consistent with the expected requirements of the Task Force for Climate-Related Disclosures (TCFD).

Reference was made to the steps already taken to reduce carbon emissions:

- Black Rock's Low Carbon Fund (12% of Gwynedd's Fund) - a further low carbon fund has been developed which screens fossil fuel before optimising low carbon, and therefore reduces carbon emissions further by 44% (Pensions Committee decision, 14/10/2020)
- Global Growth Fund (17% of Gwynedd's Fund) - efforts by investment managers within the fund to reduce the carbon footprint. Baillie Gifford have developed a fund that dis-invests from fossil fuel extractor companies and fossil fuel service providers (Pensions Committee decision, 21/01/2021) and Pzena have decided to sell stocks

in a company that contributed 35% (31/12/20) of carbon emissions in this specific fund.

- Global Opportunities Fund (17% of the Gwynedd Fund) - WPP has actioned a de-carbonisation overlay by Russell Investments, which reduces the carbon footprint by 25%. It will be possible to implement the same overlay at the next transfer to the WPP emerging markets fund (3% of the Gwynedd fund) in October 2021.
- Russell Investments (WPP Investment Management Solution Provider) - have stated that they intend to achieve a standard of net zero carbon emissions in their global investment portfolios by 2050.
- ESG GRESB Benchmark - a global benchmark for environmental, social and governance factors within the property field. Gwynedd Fund with a 10% allocation for investments in property with relevant property managers, UBS and Black Rock have retained position number 1 and 2 in their peer group for their 'ESG GRESB' score in 2020.
- Manager engagement - the Fund engages with managers, e.g. verifies their voting records, in an attempt to influence change in the companies in which the Fund invests, particularly WPP and Black Rock.

Although it was noted that Russell Investments (WPP Investment Management Solution Provider) have stated that they intend to achieve a standard of net zero carbon emissions in their global investment portfolios by 2050, the Gwynedd Fund has not committed to this statement and it is not convinced that such an ambitious and definitive target should be set.

It was highlighted that positive steps had been taken within the Fund regarding matters relating to climate and that they had considered the options seriously. It was accepted that more could be done, but positive steps have already been taken with an intention to continue as appropriate, by weighing things up carefully. It was reiterated that the Ffordd Gwynedd principles were being actioned, which encourages a change in mindset to seek the best result.

Gratitude was expressed for the questions and for their contribution to the Committee. Gratitude was expressed for the update to the statement - by planning appropriately, it will be possible to take timely steps when investing responsibly which will, consequently, influence environmental benefits.

RESOLVED to approve the statement and for the Chair to sign the statement.

12. WALES PENSION PARTNERSHIP UPDATE

The Investment Manager submitted a report updating Members on the Partnership's work, the performance of the Fund, and ongoing developments since its establishment in 2017. By 31 March 2021, it was reported that 81% of the Gwynedd fund had been pooled with the Wales Pension Partnership - 54% through the main funds and 27% through passive investments.

It was reported that regular meetings via Teams allowed matters to be discussed in a timely manner, and this appeared to be effective, with matters progressing more quickly. It was reported that the easy transfers had been implemented, and work was now being undertaken on matters that seemed more challenging, such as Private Markets. It was emphasised that Hymans supported the work of combining assets in this category, with continuous business discussions arranged to discuss the appropriate structure and mechanisms for investment.

Attention was drawn to the discussion around the Member representative appointment process for the Joint Governance Committee. It was highlighted that the

recommendation put forward in a report to the Joint Committee (24 March 2021) was that each local Pension Board should nominate one scheme member representative who would meet the requirements of the job description. The appointment process would be undertaken by a sub-group who would recommend a nomination for approval by the Joint Governance Committee. The Head of Finance expressed that he would support Osian Richards (Chair of Gwynedd Pensions Board) to become a member of the Joint Committee.

It was noted that the appointment process would take up to six to twelve months, as Full Council approval was needed from each constituent authority.

Gratitude was expressed for the report. The Chair noted that establishing the Wales Pension Partnership had been very successful, with the returns element and good collaboration gaining benefits for the Fund. He expressed pride in being a part of the Fund.

RESOLVED to accept the report for information.

13. **MODIFICATIONS TO THE FUNDING STRATEGY STATEMENT**

Submitted - the report of the Investment Manager highlighting the need for the Committee to approve modifications to the Funding Strategy Statement following changes to the LGPS Regulations 2013 and an update on the Goodwin court case. The recommendation came from the Fund's actuary, namely Hymans Robertson, which had suggested the changes. It was highlighted that changes had been made in three parts of the statement

- **Reviewing the contribution** - the modification allowed the Fund to re-calculate contributions outside the formal valuation under the following circumstances: if changes had been made to the employers' liabilities, if changes had been made to the employers' guarantee; or at the request of the employer
- **Exit arrangements** - the modifications allowed for more flexibility when an employer wanted to leave the fund. If an employer is in arrears, the options have been formalised, e.g. spread the payment over a number of years or commit to a Deferred Debt Agreement.
- **Goodwin Court Case** - where members or survivors were subject to discrimination because of their sexual orientation. It is expected for the impact of the Goodwin Case to be very small on the Fund's liabilities and an administrative matter to a great degree. Nevertheless, note the modification in the strategy for clarity.

Gratitude was expressed for the report and for Hymans Robertson's guidance in a very technical field. It was accepted that the response was also technical and possibly beyond the comprehension of some of the Members, but with an expectation that the officers acted correctly.

It was also noted that the use of colours in the report was a very effective way of highlighting the changes.

RESOLVED

- **To approve the modifications to the Funding Strategy Statement following changes to the LGPS Regulations 2013 and for them to be updated following the Goodwin Court Case**
- **To adopt the Modified Funding Strategy Statement**

The meeting commenced at 14:00 and concluded at 15:35



Meeting:	Pension Committee
Date:	12/07/2021
Title:	Governance Policy Statement
Purpose:	To receive approval from the Committee to adopt the new Governance Policy Statement
Author:	Meirion Jones, Pensions Manager

1. Introduction

The Fund is required to publish a Governance and Compliance Statement under Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) and review that statement on an ongoing basis. This statement sets out the Fund's Governance Structure, scheme of delegation, and the terms of reference for its Governing Bodies, the Pensions Committee and the Local Pensions Board.

The document currently in force has been in existence since 2008. In preparation for the Scheme Advisory Board's Good Governance Project that will come into force in April 2022, the fund has been reviewing and updating its statements. The main changes include providing more information on the responsibilities of pension fund staff and also introducing a new part to the policy in relation to the role and responsibilities of the Pension Board.

2. What should be included?

The Governance Policy Statement must set out:

- (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- (b) if the authority does so—
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

An administering authority must keep a statement prepared under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned above.

Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

3. Gwynedd Pension Fund's Statement

In order to meet the requirement of regulation the Governance Policy Statement (**Appendix A**) and Governance Compliance Statement (**Appendix B**) has been updated for the Gwynedd Pension Fund.

We would appreciate approval from the Committee to adopt the new policies.



Governance Policy Statement

April 2021

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GOVERNANCE POLICY STATEMENT

Introduction

Gwynedd Council is the Administering Authority for the Gwynedd Pension Fund. This policy sets out the governance responsibilities of the Fund and is prepared in compliance with the Local Government Pension Scheme Regulations 2013, regulation 55.

This statement sets out the delegation of matters in relation to the Gwynedd Pension Fund, along with the terms of reference, structure and operational procedures of these delegations.

Pensions Committee

The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

The Committee is comprised of 9 members, 7 of whom are elected members of Gwynedd Council, 1 member from Anglesey County Council and 1 member from Conwy County Borough Council, all of whom have voting rights. There is no member (staff) representation on the Committee.

The Pensions Committee's responsibilities are to:

1. Decide on the strategy for investing the Pension Fund's assets by approving a Funding Strategy Statement and Investment Strategy Statement;
2. Appoint and terminate the appointment of managers and consultants of the Pension Fund, and review their performance with regard to investment;
3. Ensure that safe and efficient arrangements are in hand for purchasing, selling and monitoring the council's investments;
4. Making some decisions in the context of pension administration.
5. Review and scrutinise the fund's financial affairs, and therefore receive the financial statements and auditors report.

As a duly constituted Committee of Gwynedd Council, the operation of the matters delegated to the Committee are governed by Gwynedd Council's constitution, and in particular, Parts 4 and 5 which govern the rules of procedure and Codes and Protocols which are to be followed by members of the Pensions Committee and officers.

The Pensions Committee is also charged with ensuring that an annual report on Pensions matters is prepared and presented to an annual meeting of employers and employee representatives, at which any of the said parties can question the Committee, their officers, investment adviser or Fund managers on issues relating to Fund performance, and administration and/or pensions matters in general.

In order to ensure an adequate review of investment performance, the Committee's investment adviser and each Fund manager provides the Committee with a quarterly monitoring report. Informal meetings are also held with the investment adviser and Fund managers in order to challenge performance and resolve any issues which arise.

All employers who are not members of the Pension Committee are afforded the opportunity to influence the Pension Committee's determinations through the series of informal meetings held periodically with various categories of employer.

Any issue requiring formal consideration is considered at a properly convened meeting of the Committee, in order to allow citizens to exercise their rights to attend any meeting of a Council Committee.

Chief Finance Officer

Article 12 of the Council's constitution stipulates that the Head of Finance (as the Council's Chief Finance Officer) shall have responsibility for financial strategy, and as such he is responsible to the Pensions Committee for advising on the appropriate financial strategy for the Pension Fund, and for ensuring that appropriate specialist advice is provided.

Under this Article, the Head of Finance also has responsibility for the proper administration of the Pension Fund's financial affairs. He must report to the Council and the Council's external auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is likely to cause a loss or deficiency, or if the Council is about to enter an item of account unlawfully.

The Investment Manager and team support the Head of Finance in the responsibility for the monitoring and review of the investments of the Fund including:

- preparation and maintenance of the accounts of the Gwynedd Pension Fund including preparation of the Annual Report
- regular dialogue with the Fund's advisers, investment managers and custodian
- monitoring and reconciliation of investment manager and custodian records
- preparation and maintenance of the Fund's Investment Strategy Statement, Funding Strategy Statement,
- monitoring the activity and performance of the Fund's investment managers including compliance with policy and performance objectives
- interpretation of new legislation and research in respect of the investments and accounts of the Fund
- monitoring the corporate governance activity of the Fund including attendance at the Local Authority Pension Fund Forum (LAPFF)

The Pensions Manager and team support the Head of Finance:

- to collect employee and employer contributions from participating employers
- to make payments in respect of scheme benefits
- to collect and make pension transfer payments as elected by scheme members
- to update and maintain the Fund's website
- the maintenance and update of membership records
- the calculation and authorisation of benefit payments
- the provision of membership data for actuarial valuation purposes
- the preparation and maintenance of the Communication Policy Statement and the Pensions Administration Strategy Statement.

Monitoring Officer

Article 12 also stipulates that the Head of Legal Service (as the Council's Monitoring Officer) will report to the Council if he considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Local Pensions Board

The Public Service Pensions Act (2013) required all Administering Authorities to introduce a Local Pension Board to assist the Scheme Manager. The Gwynedd Pension Board was established by Gwynedd Council on 13/07/2015.

The Pensions Board has an oversight / assisting role not a decision making role, its responsibilities are to:

1. Assist the Gwynedd Pension Fund as Scheme Manager;
2. Securing compliance with regulations and requirements enforced by the Pensions Regulator and the Department for Communities and Local Government
3. Ensuring effective and efficient governance and administration of the Fund.
4. Assist with other matters as the scheme regulations may stipulate.

The Pensions Board is comprised of 6 members, 3 of whom are employer representatives, 3 are scheme member representatives, and 1 will be elected as a chairman.

The Pensions Board will meet on a quarterly basis.

When required, the Pensions Board will be advised by the Section 151 Officer and any other Council Officers and professional Advisers and Consultants, however all board members will be required to undertake training to ensure competency.

Governance Compliance Statement

MHCLG is committed to ensure that all LGPS committees operate consistently at best practice standards. Therefore, in addition to the regulatory requirement to produce this Governance Policy, the LGPS regulations 1997 were further amended on 30 June 2007 to require administering authorities to report the extent of compliance to a set of best practice principles to be published by MHCLG, and where an authority has chosen not to comply, to state the reasons why. This Governance Policy will be updated when necessary and reviewed at least annually.

Contacting the Gwynedd Pension Fund

You can contact us in several ways:

In person or by post at our offices:

The Gwynedd Pension Fund
Gwynedd Council,
Shirehall Street,
Caernarfon,
Gwynedd.
LL55 1SH

By email:

pensions@gwynedd.llyw.cymru

By telephone:

01286 679982

Online:

www.gwyneddpensionfund.wales



Governance Compliance Statement

April 2021

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GOVERNANCE COMPLIANCE STATEMENT

Principle A – Structure

a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.
	Gwynedd Council is fully compliant with this principle. The management of the Fund clearly rests with the main Pensions Committee that has formally been in place within the Council's constitutional arrangements.
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
	Gwynedd Council is partly compliant with this principle. Representatives from two participating LGPS employers are members of the main committee. Currently there is no representation from admitted bodies or scheme members in order to retain a relatively small committee which can review manager performance in an effective manner. As the pension promise is defined by legislation for scheme members, the actions of the Committee have not hitherto been considered to impinge upon their interests and thus no representation has been afforded. All employers are afforded the opportunity to influence decisions through a series of informal employer meetings.
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
	No secondary committee or panel exists, although the informal employer meetings ensure effective communication.
d)	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.
	No secondary committee or panel exists.

Principle B – Representation

a)	<p>That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include :-</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).
	<p>Partly compliant. We do have LGPS employing authority representation on the main committee, and we also have an expert independent advisor (on an ad-hoc basis). However, no scheme members/committed bodies or independent professional observers are given membership.</p>
b)	<p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>
	<p>No lay members sit on the Committee (see Part A (b) above).</p>

Principle C – Selection

a)	<p>That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p>
	<p>Fully compliant. All members are made clear of their responsibility as laid out in the Governance Policy Statement.</p>
b)	<p>That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>
	<p>Gwynedd Council is fully compliant with this principle.</p>

Principle D – Voting

a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.
	The Pensions Committee is comprised of 9 members, all of whom have voting rights, 7 of whom are elected members of Gwynedd Council, and 1 representative from each of the other two participating LGPS employers.

Principle E – Training/Facility Time/Expenses

a)	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
	Fully compliant – all members are granted equal access to training support and appropriate expenses paid.
b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.
	The policy applies to all members of the Committee.
c)	That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
	Gwynedd council is partly compliant with this principle in that a log of all training undertaken is kept and consideration given periodically to members' training needs but no annual formal training plans are established.

Principle F – Meetings (Frequency/quorum)

a)	That an administering authority’s main committee or committees meet at least quarterly.
	Fully compliant.
b)	That an administering authority’s secondary committee or panel meet at least twice a year and is synchronized with the dates when the main committee sits.
	No secondary committee or panel exists, although the informal employer meetings are synchronized with the dates of the main committee.
c)	That an administering authority that does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.
	An Annual Meeting of the Pension Fund takes place during the Autumn. Employers and employee representatives are invited to the meeting, and they can question the Committee, the administering authority’s officers, the investment advisers or the Fund managers on issues relating to the Fund’s performance, administration and/or pensions matters in general.

Principle G- Access

a)	That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
	Gwynedd Council is fully compliant with this principle. The Pensions Committee is a public meeting and as such all relevant papers and documentation are available online by the Gwynedd Council democracy service.

Principle H – Scope

a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements
	The Pensions Committee considers all issues relating to the Local Government Pension Scheme.

Principle I- Publicity

a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.
	The Governance Policy Statement is available in the Pension Fund annual report.

Contacting the Gwynedd Pension Fund

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Agenda Item 6

Meeting:	Pension Committee
Date:	21/10/2021
Title:	Valuation Timetable 2022
Author:	Dafydd L Edwards, Head of Finance
Purpose:	For information only

1. Introduction

In accordance with the Local Government Pension Scheme regulations, a valuation of the Pension Fund must be carried out every 3 years.

The purpose of a valuation is to assess the Fund's financial position (i.e. are the Fund's assets sufficient to meet its projected liabilities); set out the assumptions for future inflation and investment returns and review the employer contribution rates.

The employer contribution rates are set at a level sufficient to secure the ongoing viability of the Fund and may be amended as a result of each valuation. Please note that members' contribution rates are set in the Scheme's regulations and are not subject to review at the valuation.

The next valuation will be based on membership as at 31 March 2022 with new employer contribution rates coming into effect on 1 April 2023.

2. Valuation Timetable

In order to complete the valuation on time it is important that a timetable is set. A preliminary meeting has recently been had with Hymans Robertson to discuss the timetable for the 2022 valuation. Here are the proposed dates:

The dates in **yellow** are actions to be taken by Hymans Robertson, the dates in **blue** are actions to be taken by the fund and the dates in **orange** are actions to be taken by both parties.

2.1 Assumptions

The fund is responsible for choosing prudently the assumptions that will be used for calculating the technical provisions of the valuation. This includes taking account of the degree to which the employer can support a range of likely adverse outcomes. Advice from Hymans Robertson on making relevant assumptions will be sought before the assumptions are presented to the Committee in January 2022 for approval.

Assumptions	
Prepare draft assumptions paper for discussion with officers	November 2021
Discuss proposed assumptions with officers	December 2021
Finalise assumptions paper for Committee meeting	January 2022

2.2 Data

Having accurate data is vital to ensure that valuation results are as accurate as possible for each employer. The fund needs to ensure that the employer database is up to date and that membership data is as correct as possible:

Data	
Employer database	
Review and update employer database	January / February 2022
Submit to Hymans Robertson	March 2022
High level review of employer details	April 2022
Updates to employer database	May / June 2022
New employer data	
Check all new employer data submitted to Hymans	January 2022
Provide new employer opening position data	February 2022
Create new employer opening positions/populate Hub & spreadsheet	April 2022
Check new employer opening positions	May / June 2022
Valuation membership data	
Upload whole fund data extract	June 2022
Review validations and resolve any data issues	June 2022
Valuation data submitted to Hymans Robertson	June 2022
Clean data sign off	July 2022

2.3 Whole Fund calculations

Once the assumptions are set and data submitted, the next step is for Hymans Robertson to work out the whole fund position for the 2022 valuation.

Whole Fund calculations	
Prepare discussion document (whole fund results only)	July 2022
Discuss whole fund results with officers via Teams call	August 2022
Finalise whole fund results	August 2022

2.4 Individual employer calculations

Once the whole fund calculations have been performed the next stage is to work out the individual employer results. These will be presented to the Fund's officers in draft form, with adjustments being performed (if required), before being presented to the employers.

Individual employer calculations	
Prepare individual employer results to issue to officers	September 2022
Discuss employer results in detail (incl. review of investment strategy allocation)	September 2022
Investigation into any data issues raised by employer results analysis	September 2022
Update employer results post discussion	September 2022

2.5 Reporting

The final stage of the valuation is the prepare final valuation report and rates & adjustments (R&A) certificate and share these results with the employers. The Funding Strategy Statement (FSS) will also need to be updated.

Reporting	
Prepare draft FSS	August / September 2022
Prepare and issue employer results schedules	October 2022
Issue employer results and FSS for consultation	October 2022
Employer forum	October 2022
Close FSS employer consultation	December 2022
Draft final FSS	January 2023
Prepare committee papers - final whole fund & employer results	February 2023
Confirmation of all employer contribution rates	February 2023
Prepare final valuation report and R&A certificate	March 2023
Review valuation report and R&A certificate	March 2023
Sign off valuation	March 2023

MEETING: PENSIONS COMMITTEE
DATE: 21 OCTOBER 2021
TITLE: WALES PENSION PARTNERSHIP UPDATE
AUTHOR: DELYTH JONES-THOMAS, INVESTMENT MANAGER

1. Introduction

The collaboration has been going from strength to strength since its establishment in 2017 and at 31st March 2021 81% of the Gwynedd fund has been pooled with Wales Pension Partnership – 54% through the main funds and 27% through passive investments.

The performance to date has been very satisfactory and many developments are underway and therefore this paper provides an update for the Committee.

2. Global Equity funds

These funds were established in February 2019 and their performance up to 30th June 2021 can be seen below.

Global Growth Fund

This is a Global fund consisting of three underlying investment managers (Baillie Gifford, Veritas and Pzena) and Link as the investment manager.

	Three Months	One Year	Since Inception
Performance	5.7	29.7	17.9
Benchmark	7.3	24.6	16.1
Excess returns	-1.6	5.1	1.9

The Fund has consistently performed well above the benchmark with strong performance since inception by Baillie Gifford. Baillie Gifford invests in companies where they believe they have a sustainable competitive advantage in their industries and will grow earnings faster than the market average. Pzena has historically been underperforming but has recently benefited with value stocks performing well.

In the quarter to June 2021 Global equity markets continued to ascend in the quarter, with US, European and Emerging Market stocks all performing strongly. Japanese equities declined modestly, partially due to a deteriorating COVID-19 situation. However, the Fund suffered underperformance of its benchmark in the quarter. Pzena's value strategy began the quarter well but suffered during June on the back of investor sentiment, ending the quarter down 4.2% versus its benchmark. The anti-value move was most pronounced in the US and Europe – the portfolio's two highest regional weightings. Veritas also suffered underperformance (-0.4%) along with Baillie Gifford (-0.3%) for the quarter.

Global Opportunities Fund

This is a Global and Regional fund consisting of seven underlying investment managers (Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ and Oaktree) and Russell Investments as the investment manager. Performance to 30th June 2021 has been as follows:

	Three Months	One Year	Since Inception
Performance	6.4	27.1	16.6
Benchmark	7.3	24.6	15.4
Excess returns	-0.9	2.5	1.2

This fund is based on a blended approach with a number of different styles (such as value and growth) that complement each other. The Fund has performed well since inception but finished behind the benchmark in the quarter to 30th June 2021. Growth styles outperformed value over the quarter, despite value outperforming on a year-to-date basis. As such, SW Mitchell (growth) finished in line with its benchmark, whilst Sanders (value) struggled over the period. Quality and large cap stocks also performed well, benefitting Oaktree (emerging).

3. Fixed Income Funds

The Partnership launched five fixed income sub funds in July and September 2020 and Gwynedd Pension Fund has invested in two of them: Multi Asset Credit Fund and Absolute Return Bond Fund.

Multi Asset Credit Fund

Our global equity from Fidelity transferred to this fund in July 2020. This fund has five underlying investment managers (ICG, Man GLG, BlueBay, Barings and Voya) and Russell Investments as the investment manager. The performance up to 31st March 2021 was as follows:

	Three Months	Since Inception
Performance	1.8	7.8
Benchmark	1.0	3.6
Excess returns	0.8	4.2

The Fund returned above its target over the quarter. The Fed raised their future interest rate expectations at their monthly policy meeting. This suited the floating rate nature of loans, with loans specialist ICG performing well within this environment. The continued re-opening of the economy underpinned strength in US securitised assets.

Absolute Return Bond Fund

Our bonds from Insight was transferred to this fund in September 2020. This fund has four underlying managers (Wellington, Putnam, Aegon and Insight) and Russell Investments as the investment manager. The performance up to 31st March 2021 was as follows:

	Three Months	Since Inception
Performance	-0.3	1.7
Benchmark	0.5	1.5
Excess returns	-0.8	0.2

The Fund returned below its target this quarter. Inflation data rose swiftly this quarter, aided by ongoing fiscal support, higher economic activity and supply-chain constraints. Credit spreads tightened further which contributed to good performance in asset-backed securities. Within this environment, US yields fell and the yield curve flattened, as longer-term yields fell more than their intermediate-term counterparts.

4. Developments

4.1 Emerging Markets

The latest transition that is taking place is Emerging Markets. The fund structure, potential managers and fee estimates have been approved by the Joint Committee, and the prospectus was approved by the FCA in March 2021.

The Gwynedd fund is currently moving its Emerging Markets share from Fidelity to this fund and the process has started on 20th October 2021.

4.2 Private Markets

A working group has been established looking at the options of combining assets into this category with the assistance of Hymans Robertson. An assessment of the requirements of each fund has been made with ongoing discussion to determine the appropriate structure and mechanism for the investments.

Private Credit and Infrastructure are two of the main focus areas with global properties also being considered.

The launch of private market investments is more complex than listed market equivalents and the inability to utilise the Authorised Contractual Scheme (ACS) which already holds the WPP's equity and fixed income assets, and therefore an alternative legal structure is required.

In July 2021, the JGC approved the appointment of a specialist search advisor, Bfinance who will assist the WPP and its constituent authorities in search and selection of the appropriate investment managers to manage its private markets allocations. A revised timetable for expected launch and commitment to Private Credit and Infrastructure is being developed with the WPP intent on launching these asset classes by during 2022.

4.3 Member Representative on the Joint Governance Committee

At its meeting on 24th March 2021 the Joint Committee considered a report on the Scheme Member Representative, which detailed the recommended appointment process and person specification prepared by the Officer Working Group.

With regard to the appointment process, the report recommended that each local Pension Board should nominate one scheme member representative who would submit an expression of interest setting out its particular merits against the person specification. The appointment process would be undertaken by a Joint Governance Committee sub-group who would submit an appointment recommendation for approval by the Joint Governance Committee.

In terms of the appointment process it was agreed that the appointment should be two years and that the appointment should include a deputy representative from a different Pension Board to the Scheme Member Representative.

The process requires changes to the Inter Authority Agreement which require full Council approval from each constituent authority. The changes to the IAA were agreed by the full Council in Gwynedd on October 7th 2021.

4.4 WPP Annual Return 2020/21

The Wales Pension Partnership is not legally required to prepare a full set of annual report and accounts in the same way as the Pension Fund, the requirement is that accounts are prepared in the form of an annual return. The costs of the WPP for 2020/21 stood at £706,000.

The annual report and all WPP policies and documents can be seen on the Wales Pension Partnership website: www.walespensionpartnership.org

5. Recommendation

The Committee is asked to note the information.