
PENSIONS COMMITTEE 26/06/23

Present:

Councillors: Stephen Churchman (Chair), Goronwy Edwards (Conwy County Borough Council), John Brynmor Hughes, Medwyn Hughes, Iwan Huws, Elin Hywel, John Pughe Roberts, Ioan Thomas and Robin Williams (Isle of Anglesey County Council)

Officers:

Dewi Morgan (Head of Finance), Delyth Jones-Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer)

Others invited:

Ned Michael (observing – Pensions Board Member)
Yvonne Thomas (Audit Manager, Audit Wales)

1. ELECT CHAIR

Resolved to re-elect Councillor Stephen Churchman as Chair of this Committee for 2023/24.

2. ELECT VICE CHAIR

Resolved to re-elect Councillor Ioan Thomas as Vice-chair of this Committee for 2023/24.

3. APOLOGIES

None to note

4. DECLARATION OF PERSONAL INTEREST

None to note

5. URGENT ITEMS

An open letter sent to the Wales Pension Partnership and the eight Pension Funds in Wales by Jack Sargeant MS, with the support of 20 other members of the Senedd, was received. The letter asked the public sector to work on agreeing on a strategy to de-carbonise pensions by 2030, ensuring that they comply with the current net zero targets of the public sector. It was noted that this was a matter where there would be an intention to continue working at a national level and at a local level in Gwynedd, but that appropriate steps would have been set

out. An example of one of these steps would be presented in a statement from the Wales Pension Partnership (WPP) which would announce that a Sustainable Equity Fund had been successfully launched. The new fund would support ambitions in terms of securing financial benefits and wider sustainability benefits for the Funds (the fund included £270 million of investment for Gwynedd, i.e. 10% of the fund). It was added that a copy of the letter/statement would be shared with the Committee Members.

In response to a comment that investing in the Sustainable Equity Fund was good news, highlighting Gwynedd's commitment to contributing to de-carbonisation issues, and that a public statement from Cyngor Gwynedd would not address this, it was noted that the issue was being publicised on the WPP website, but the comment that Cyngor Gwynedd should also consider this, was accepted.

6. MINUTES

The Chair accepted the minutes of the meeting held on 27th March 2023 as a true record.

7. GWYNEDD PENSION FUND'S DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023

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 2023. 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 followed the statutory CIPFA format, with the guidance interpreting what was presented in the accounts.

It was expressed that the year had been very busy for the Fund with the implementation of the valuation, setting a new strategic assets allocation and WPP developments. Reference was made to a summary of the Fund account, drawing attention to variations as the contributions and benefits increased after employees received salary increases and as the pension increased with the CPI. It was reiterated that there had been a reduction in the management costs since the previous year, because 'Partners' fees could vary from one year to the next depending on performance.

It was highlighted that there was a £13.6 million reduction in the Fund's market value after a challenging year with the impact of the continuing war in Ukraine and high inflation. However, it appeared at the end of the financial year that the value of the Fund had started to rise.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were made by members:

- It was recognised that the year had been busy and challenging.
- The information was clear and self-explanatory.

- There was a need to accept that the value of the Fund would fall at times.
- Staff were thanked for their work.

RESOLVED to accept and note the Pension Fund's Statement of Accounts (subject to audit) for 2022/23.

8. GWYNEDD PENSION FUND AUDIT PLAN 2023

Yvonne Thomas (Audit Wales) was welcomed to the meeting.

An Outline Audit Plan for 2023 was submitted, introducing the audit team together with fees and a timeline for auditing work intended to be completed during the year, in line with the statutory responsibility they held as external auditors. It was noted that the Detailed Audit Plan 2023 would be presented during September 2023 due to the requirements of key amendments to ISA315 which meant that the auditors had to carry out further work on considering and evaluating risks before publishing the Plan. It was added that the report on the work of auditing the Financial Statements would be presented to the Committee during November 2023.

The members expressed their thanks for the report and to Yvonne Thomas for attending the meeting.

RESOLVED:

To accept the Plan and note the information.

9. WALES PENSION PARTNERSHIP BUSINESS PLAN

The Investment Manager submitted a report, which included the Partnership's Business Plan. It was reported that the Partnership created a Business Plan every year for a period of three years, with the content detailing how the Partnership would achieve its aims. The purpose of the business plan was to:

- Explain the background and governance structure of the WPP
- Outline the priorities and objectives over the next three years
- Outline the financial budget for the Business Plan period
- Summarise the WPP's Investments and Performance Objectives

It was reiterated that the business plan would be monitored regularly and be reviewed and formally approved by the Partnership's Governance Joint Committee every year. It was also noted that the eight Authorities that made up the Partnership needed to approve the Plan.

Thanks were expressed for the report.

RESOLVED to accept and approve the Business Plan

10. WALES PENSION PARTNERSHIP UPDATE MARCH 2023

The Investment Manager highlighted that the report was a new, regular one that would be presented to Members, noting the latest information on the WPP's

work. The report would reconcile the information that every fund in Wales received, it would include the decisions of the Governance Joint Committee together with a standard quarterly update prepared by Link Fund Solutions (Fund Operator). Attention was drawn to the WPP training plan for 2023/24 and an invitation was extended to Members to attend the sessions.

In the Operator's update, ten of the Funds the Partnership had established were highlighted, with 83% of Gwynedd's Fund pooled in six of them. Reference was made to a performance analysis by sub-fund, stating that the year had been a challenging one, but that quarter 3 2022 showed that the performance had started to improve as factors such as inflation slowed down. Reference was again made to the exciting launch of the Sustainable Equity Fund and Gwynedd Fund's £10m investment in a clean energy project in Wales.

It was added that work was progressing to invest in the Private Credit Fund, Infrastructure and Private Equity, in order to implement a new strategic assets allocation. It was noted that research was also being carried out to find out how property could be pooled.

Thanks were expressed for the report.

RESOLVED to accept and note the quarter 3 update (up to 31 December 2022) for the Wales Pension Partnership, for information.

11. PENSION FUND EARLY RETIREMENT STRAIN COST FACTORS

A new report was presented to the Committee by the Pensions Manager which highlighted factors relating to the strain cost of early retirement. It was noted that these factors had been reviewed by Hymans Robertson following a valuation process. The new factors were compared with those currently in place and it was highlighted that the adoption of the new factors would generally lead to higher strain costs required from employers. The costs would be based on the Member's age, length of membership in the scheme, salary, length of time until Normal Pension Age, and factors produced by the Fund's actuary.

It was reported that, in order to protect the fund, there was a desire to implement the factors as soon as possible and therefore a request was made in May 2023 for the Chair and Vice-Chair of the Pensions Committee to implement this before their formal adoption.

Thanks were expressed for the report.

In response to a question regarding the year 1 costs comparison and that this was the only year in which a reduction was seen (4.35% to 4.34%), it was stated that this was because the loss was not as great as people approached their retirement period.

In response to a question as to why, if the funded retirement date was 67, was it therefore necessary to set 17 years (from the age of 55) for the factors, it was noted that retirement due to ill-health could also be taken into consideration in the costs.

RESOLVED to accept and approve the strain costs proposed by Hymans Robertson to be used to calculate strain costs for the next three years.

12. PENSION ADMINISTRATION

A comprehensive report was submitted by the Pensions Manager, providing a general overview of pensions administration over the past year, along with information about the work completed over the period, an update on various projects along with a list of the daily challenges faced by the Administration Unit. The report also included designs for a new logo together with ideas for marketing material that the Pension Fund could use to promote the scheme.

Reference was made to the success and popularity of 'My Pension Online' highlighting that several members visited the site daily with approximately 20,000 having registered for the service to date. It was noted that recently an option was presented to pension Fund pensioners to view their monthly pension slips online, with this leading to the aim of not having to send paper slips to new pensioners in the future. A new version of the system would be introduced during 2023/24 and further options would be developed for members.

The results of the pensions regulator (data measurement) were discussed where an increase of 4% was reported from the previous year on the scheme's specific data results which was very encouraging considering that the number of members and day-to-day work challenges had increased.

Members were invited to visit the Pension Fund stand at the National Eisteddfod in Boduan. This would be an excellent opportunity to share information about the scheme.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were made by members:

- The logo looked fresh and modern - up to date and fit for purpose.
- The team was to be congratulated on its performance - despite the increase in workload and membership their response time to enquiries had decreased.
- The fact that the logo design work had been commissioned internally was to be welcomed.

RESOLVED to accept the report for information.

The meeting commenced at Time Not Specified and concluded at Time Not Specified

CHAIRMAN