

GWYNEDD PENSIONS FUND ANNUAL MEETING BETWEEN MEMBERS OF GWYNEDD COUNCIL'S PENSION COMMITTEE AND REPRESENTATIVES OF THE EMPLOYERS AND UNIONS

28/11/23

Present:

Members of the Pensions Committee

Councillors: Stephen Churchman, John Brynmor Hughes, Medwyn Hughes, Iwan Huws, Elin Hywel, Ioan Thomas, and Goronwy Edwards (Conwy County Borough Council Representative)

Members of the Pension Board

Osian Richards and Sioned Parry

Employers' Representatives:

Linda Jones (Medrwn Môn), Rhys Parry (Adra), Haf Jones (Human Resources Advisor - Cyngor Gwynedd), Ceren Williams (Mantell Gwynedd) and Dave O'Neill (Community and Voluntary Support Conwy)

Others:

Alison Shaw, Rick Mills and Heather Bolton,

Staff Members who Serve the Fund (Cyngor Gwynedd):

Dewi Morgan (Head of Finance), Ffion Madog Evans (Assistant Head of Finance - Accountancy and Pensions), Delyth Jones-Thomas (Investment Manager), Meirion Jones (Pensions Manager), Gwennan Medi Williams (Governance and Communications Team Leader - Pensions), Glesni Owen (Senior Communications Officer (Pensions), Owain Pritchard (Systems and Special Projects Team Leader - Pensions), Sara Jones (Assistant Accountant, Pensions and Treasury Management), Dafydd Richard Owen (Administration Team Leader - Pensions), Bronwen Williams (Communication Officer (Pensions)), Meinir Wyn Williams (Pensions Assistant), Owain Morgan (Pensions Assistant) and Lowri Haf Evans (Democracy Services Officer).

1. CHAIRMAN

RESOLVED to elect Councillor Stephen Churchman as chair of the meeting.

2. APOLOGIES

Apologies were received from Councillor Robin Williams (Isle of Anglesey Council Representative), Councillor John Pughe Roberts (Cyngor Gwynedd), H Eifion Jones (Chair of the Pension Board), Tony Deakin, Ned Michael and Councillor Beca Roberts (Pension Board Members) and Ben Hughes (Audit Wales).

3. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present.

4. URGENT BUSINESS

None to note

5. GWYNEDD PENSION FUND ANNUAL REPORT 2022/23

Everyone was welcomed to the annual meeting of the Pension Fund.

The Head of Finance introduced the Fund Officers together with Members of the Pensions Committee and Members of the Pensions Board to all. Brief reference was made to the main responsibilities of the Committee including its role as 'Quasi-trustees' to the Fund, determining the general policy objectives, strategy and implementation of the Fund in accordance with relevant legislation. It was added that they also determined the strategy to invest money in the Pension Fund and monitor and review the investment arrangements. Reference was made to the Committee's work during 2022/23 and it was noted that the reports and minutes of the Committee meetings could be viewed on the Council's website.

In reference to the work of the Pension Board, it was noted that the Board was an oversight body and although the Board had no decision-making powers it would oversee the operation of the Fund ensuring that it met the legal and administrative requirements. It was reiterated that the Board membership consisted of 3 member representatives and 3 employer representatives. Reference was made to the Committee's work during 2022/23 and it was noted that the reports and minutes of the Committee meetings could be viewed on the Council's website.

Former Board members, Sharon Warnes and Huw Trainor, were thanked for their work during the year.

Pensions Administration:

The Pensions Manager referred to the main duties of the Administrative Unit and presented the Fund's statistics for 2022/23 and the Unit's performance.

Whilst reporting on the 'My Online Pension' system, it was noted that membership was increasing annually, with over 20,000 now enrolled. It was highlighted that a Member Satisfaction Survey was sent to Fund members at the end of each process, e.g., retirements and payment of refunds, for members to give their views on the quality of service received and the service provided by department staff.

It was reported that over 96% of members either strongly agreed or agreed that the quality of the service was high, and that 98.04% of users strongly agreed or agreed that the quality of the service provided by the staff was of a high standard. In order to achieve these high scores, it was noted that the employers' collaboration was crucial, and the employers were thanked for their readiness to provide the information promptly.

Reference was made to the new logo which was introduced at the 2023 Boduan National Eisteddfod and to the work underway for 2023/24 which included the establishment of a new Self Service System, compliance with Pensions Dashboard requirements and the development of new administration processes.

Investment Performance

The Investment Manager presented details about the value of the Fund and noted that the value, although gradually increasing (apart from the impact of covid in 2020) had remained constant between 2022 and 2023 at £2.8 billion. It was reported that the year had been a challenging one with the Ukraine war and high inflation affecting the money markets. Whilst highlighting the Fund's performance against the benchmark, it was noted that 2022/23 had been a year of two halves, with performance below the benchmark in the first half and above the benchmark in the second half.

While a failure to surpass the benchmark was disappointing, it was reported that long-term investment was the Fund's trend, and looking at performance over the past three years, it was reported that the Fund performed above the benchmark, producing returns of 11.7% which placed the Fund in third place of all pension funds in England and Wales. It was explained that one of the reasons for the success was the strong performance in growth assets, where there was a relatively heavy investment in equity. It was reiterated at a recent meeting of the Pensions Committee, that it was decided to 'bank' some of the gains of recent years and reduce the fund's risk by moving from equity to other categories of assets, such as infrastructure and corporate bonds in the coming months.

Collaboration in Wales

When discussing the Wales Pension Partnership (WPP), it was reported that the collaboration was going from strength to strength since its inception in 2017. By now 83% of the Gwynedd Pension Fund had been pooled with the Partnership with investments in five sub-funds and investments in global equity, fixed income and emerging markets.

Since March 2023, it was highlighted that work had been undertaken to invest in infrastructure and private debt with private equity investments to be developed in the near future and the percentage to gradually increase over the next financial year. It was highlighted that work was also being developed within the property area, but as buying and selling properties was not currently efficient, work was being undertaken to consider the pooling options available with a tender out for companies to respond. This again leads to an exciting time for the Fund.

It was reported that the collaboration was excellent, not only in terms of wider investment opportunities and fee saving, but also enabling sharing good practice, improving governance documents to ensure sound corporate governance and responding to joint applications. It was reiterated that the Partnership offered excellent training sessions on a quarterly basis where officers, Board members and the Committee could attend – therefore there was no doubt that the Partnership was successful.

Responsible Investment

It was noted that the Gwynedd Pension Fund had approved a responsible investment policy in March 2022, set a target for the future, and acted on its word by taking a number of steps to invest more responsibly. It was highlighted that the

Gwynedd Pension Fund's investment target would be net zero by 2050, which had been supported by a commitment to assess the Fund's feasibility to reach net zero 5, 10 or 20 years earlier. It had been expressed that the Fund had been criticised for not setting a target until recently, as the 'Ffordd Gwynedd' philosophy encouraged measuring progress and direction rather than setting targets. It was also noted that there was a desire to consider an action plan before setting a target.

However, by now the Pensions Committee had agreed on the above ambition and work had already begun to make the ambition a reality. Reference was made to the analysis by WPP which analysed the impact of climate change on Welsh funds. It had been reported that initial results appeared to be very promising with decarbonisation across Welsh Funds having been a priority with initial calculations suggesting that the weighted average carbon intensity of the Funds' combined equity exposure had decreased, exposure to companies with fossil fuel reserves had decreased with an increase in exposure to companies generating revenue from climate solutions. Reference was made to the Sustainable Equity Sub-Fund, to which all eight LGPS Funds have allocated investments, launched in June 2023 (Gwynedd Pension Fund allocation was £270 million equivalent to 10% of the Fund). It had been clarified that the Fund had a key alignment requirement in Paris, defined exemptions from fossil fuels, and specifically targeted those issuers who offer sustainable solutions to environmental and social challenges, and those who are about to benefit from the 'Just Transformation'.

Gratitude was expressed for the report.

The Chair noted that the performance was good and that this reflected the work and advice of the officers. He thanked members of the Pensions Committee for their support and the good collaboration between Members, while Pension Board Members added value by offering oversight and advice. He also noted that joining WPP had produced good results.

Attention was drawn to the results of the Member satisfaction survey that the percentage of those 'strongly disagreeing with the quality of service provided by high quality staff' was 0% – this was noted as saying a great deal about the service and staff were thanked for the way they handle enquiries.

In response to a question about the £270m investment and if this included investments in local infrastructure, it was expressed that the £270m had been earmarked for a specific equity fund, but that there was a future intention for WPP to develop an infrastructure fund with a mindset of investing in projects in Wales.

The Finance Cabinet Member highlighted that questions had been received in advance from members of the public and that, having completed the relevant research, the officers would respond directly to those individuals with a copy to Members of the Pensions Committee and the Pension Board.

RESOLVED TO ACCEPT THE ANNUAL REPORT OF THE PENSION FUND FOR 2022/23

The meeting commenced at 10.00 am and concluded at 11.00 am

CHAIRMAN