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## PENSIONS COMMITTEE 29/09/17

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**Present:**

Councillors: Stephen Churchman (Chair), David Cowans (Conwy Borough Council), Aled Wyn Jones and Peter Read.

Officers: Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager) and Lowri Haf Evans (Member Support Officer).

### 1. APOLOGIES

Apologies had been received from Councillors Simon Glyn, John Griffith (Anglesey County Council Representative), John Brynmor Hughes and Peredur Jenkins.

### 2. DECLARATION OF PERSONAL INTEREST

None to note

### 3. URGENT ITEMS

i. **Private Equity Investment Arrangements / Allocation of Assets between Funds**

It was explained that the options for various funds proposed by Partners Group were normally submitted for the Committee's approval, but as the information was not available to the committee, it was suggested that the Committee should approve to delegate the power to the Head of Finance Department, in consultation with the Chair, to make the decision and report back to the Committee in November.

**Resolved to delegate power to the Head of Finance Department, in consultation with the Chair, to make the decision and report back to the Committee in November.**

ii. **Operator's Procurement Process**

It was reported that the Wales Pensions Partnership was in the process of appointing an Operator, but as the complex procurement process had been time-consuming, it was reported that the joint committee had not yet met to make a recommendation to the individual Councils.

**The information was accepted.**

iii. **New representative on the Local Government Pension Scheme Advisory Board**

Following Mary Barnett's retirement from the Local Government Pension Scheme Advisory Board, it was reported that the Association had now nominated Clive Lloyd (Chair of Swansea City and County Council's

Pensions Fund Committee) to represent Wales (the eight funds in Wales) on the Scheme's Advisory Board.

**The information was accepted.**

#### **4. MINUTES**

The Chair signed the minutes of the meeting of this committee, held on 12 June 2017, as a true record

#### **5. MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II (MIFID II)**

It was explained that under the current UK Act, local authorities were automatically categorised as 'per se professional' clients in respect of non-MiFID scope businesses. They were also categorised as 'per se professional' clients for MiFID scope business if they satisfied the MiFID Large Undertakings test. In accordance with MiFID's presentation, from 3 January 2018, firms would no longer be able to categorise a local public authority as a 'per se professional client', and therefore all local authorities would have to be classified as retail clients unless they were 'opted up' by firms to an elective professional client status. Local authorities that did not satisfy the MiFID Large Undertakings test could opt up to elective professional client status if they fulfilled certain 'opt-up criteria'.

It was reported that MiFID allowed for retail clients that met certain conditions to elect to be treated as professional clients subject to assessment tests - a quantitative and qualitative test.

In order for Gwynedd Council to be treated as a professional body and 'opt-up', the appropriate steps would have to be completed by 3 January. A standard industry quantitative and qualitative questionnaire would need to be completed, and a letter sent to each company and investment manager.

It was emphasised that this process formalised the current arrangements, and that professional engagement already existed between the Fund and the companies. Not 'opting up' would be likely to lead to commercial problems.

#### **RESOLVED**

- i) To note the possible impact on the investment strategy from becoming a retail client with effect from 3 January 2018.**
- ii) To approve the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.**
- iii) In electing for professional client status, the committee acknowledges and approves to forgo the protections available to retail clients.**
- iv) To delegate the Section 151 Officer the appropriate approvals for the purposes of completing the applications and determining the appropriate basis of the application.**

**6. GWYNEDD PENSION FUND'S FINAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 AND RELEVANT AUDIT**

Submitted, for information: statement of the Pension Fund's post-Audit accounts and the ISA260 report from Deloitte. It was noted that the Audit and Governance Committee had already approved the accounts at its meeting on 28 September, and that they had now been finally certified. It was noted that it was good practice to submit the information to the Pensions Committee.

Attention was drawn to the Deloitte Report (Wales Audit Office), noting that the Auditor intended to publish an unqualified report on the financial statements subject to the resolution of minor matters that had not yet been completed. It was noted that the partner from Deloitte had expressed satisfaction in relation to these matters, and that the relevant documentation had now been signed following the discussion in the Audit and Governance Committee.

In response to the reports, Members noted their gratitude to the team for its commendable work.

**RESOLVED to accept the Statement of Accounts and the Deloitte / Wales Audit Office Report.**

**7. MID YEAR TREASURY MANAGEMENT 2017-2018**

Submitted for information: the mid-year review, namely the aspects of the report relevant to the Fund, which had already been submitted to the Audit and Governance Committee on 28 September 2017. It was explained that the Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function when setting the strategy (March of the previous financial year), at year end (May of the following year), and mid-year (September of the current year).

The treasury's activities were highlighted in the report along with the associated risk monitoring and risk management. It was noted that the flexibility would be managed; the priority was to keep the money in the fund safe, and that pursuing the best interest rate was secondary to security.

In response to a question regarding the value of the British pound following Brexit negotiations, it was noted that concerns had arisen, but that the market response following the election outcome had been quiet, with business confidence dependent upon the progress (or lack of progress) with the Brexit negotiations. It was noted that investments had performed better in relation to the pound, but that the value of investments was dependent upon the world-wide performance of assets.

**RESOLVED to accept the information.**

The meeting commenced 10:00am and concluded at 10:30am

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**CHAIRMAN**