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**PENSIONS COMMITTEE 15.03.2018**

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**Present:** Councillors: Stephen Churchman (Chair), David Cowans (Conwy Borough Council), John Griffith (Isle of Anglesey County Council), Peredur Jenkins, John Brynmor Hughes, Aled Wyn Jones, John Pughe Roberts and Hywel Eifion Jones (Pensions Board - Observing)

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

**1. APOLOGIES**

Apologies were received from Councillors Simon Glyn and Peter Read.

**2. DECLARATION OF PERSONAL INTEREST**

None to note

**3. URGENT ITEMS**

None to note

**4. MINUTES**

The Chair signed the minutes of the meeting of this committee, held on 18 January 2018, as a true record.

**5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2018/2019**

In accordance with Welsh Government's Statutory Guidance on Local Government Investments, the Council was required to prepare an Annual Investment Strategy as part of its treasury management role. As good practice, it was considered that the Gwynedd Pension Fund (the "Fund"), should adopt Gwynedd Council's Treasury Management Strategy Statement (TMSS) for 2018/19, as revised for the purpose of the Pensions Fund. Gwynedd Council's TMSS for 2018/19 was approved by the full Council on 8 March 2018.

In addition, the Pensions Committee was asked to request that the Council allow the surplus cash balances of the Pensions Fund to be pooled with the Authority's general cash flow from 1 April onwards. It was explained that pooling the cash flow achieved better rates of interest and reduced banking costs.

It was highlighted that these funds were being invested with counterparties in accordance with the TMSS in order to maximise returns. Attention was drawn to the following main aims, highlighting that the CIPFA Code and WG Guidance required that the Authority invest its funds prudently, giving consideration to the safety and liquidity of its investments before attempting the highest rates of return, or the highest yield.

It was noted that interest rates were currently very low; thus, other creative methods of investment were being considered. It was also confirmed that the priority was to safeguard the Fund and protect the money, rather than take risks.

It was proposed and seconded to accept the recommendations.

One member suggested the need for a statement from the Monitoring Officer at the beginning of the report stating that the arrangement was legally correct along with an explanation of the way the process was managed.

## **RESOLVED**

**To approve the Treasury Management Strategy Statement and the Annual Investment Strategy for 2018/19, as adapted for the purpose of the Pensions Fund.**

**- To request that the Council allow the Pension Fund's reserves to continue to be pooled with the Council's general cash flow from 1 April 2018 onwards.**

## **6. RESPONSIBLE INVESTMENT AND GOVERNANCE**

Following a training session held jointly with Board members on 18.1.2018, it was reported that Paul Potter from Hymans had prepared a report that outlined the agreed investment principles of Gwynedd members and officers based on responses to the questionnaire completed for the session. It was noted that this report, 'Agree Responsible Investment Principles' had been discussed at the Investment panel held on 28 February, and the Panel's main considerations were presented to the Committee to approve the principles.

The next step would be to present the listed principles to the Pensions Board (12.4.18) for scrutiny. If the Board agreed, it would be possible to incorporate the principles as an official part of the Fund's Investment Strategy Statement.

In response to the report, it was highlighted that it was timely to accept the principles in the context of the Wales Pensions Partnership. Gwynedd would have a clear opinion about its investing principles.

The principle of seeking to invest in sustainable assets was welcomed, including investing in the Wales area when 'non-financial gains' derived from it. It was reiterated that the Fund would consider investing in Welsh assets when the criteria permitted. Ensuring the best returns is the Fund's main priority.

In response to an observation about the wording of principles 2.1 and 2.2, and the suggestion that statements contradicted each other, it was noted that it was necessary to consider the principles in their entire context, without breaking up sentences and focusing on individual words.

The Head of Finance Department explained that the legal interpretation of "SAB" or "fiduciary duty" had been circulated to members of the Committee before the meeting of the Investment Panel.

**RESOLVED to adopt the fundamental principles about responsible investing so that they can be included in the Fund's Investment Strategy Statement.**

**2.1 In accordance with the Committee's fiduciary duty, financial considerations should carry more weight than non-financial considerations when making investment decisions, even though environmental, social, and governance ('ESG') matters can materially affect risk and returns. Therefore, 'ESG' factors should be embedded in the investment processes and in the decision-making processes of the managers appointed by the Fund.**

**2.2 The Fund's Committee will seek to invest in sustainable assets, including investing within the Wales area when non-financial investments can derive from this, on condition that they satisfy the requirements of the fiduciary duty.**

**2.3 The Committee accepts that it has a duty to be a responsible investor. It is expected that consulting with companies, rather than avoiding investing, will be more effective in changing corporate behaviour and reducing risk. Wherever possible, collaborative action provides the most successful route to influence outputs.**

**2.4 As a long-term investor, the Fund is vulnerable to systemic risks such as climate change and the expectation of a transfer to a low carbon economy. Financial outcomes can be improved through managing how open to such risks the fund is.**

**2.5 Share-holder comprehension and outcomes can be improved through providing transparency at each step of the value-adding chain.**

The meeting commenced at 2:00pm and concluded at 2:30pm.