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## PENSIONS COMMITTEE 21/01/19

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**Present:**

**Councillors:** Stephen W. Churchman, John Pughe Roberts, Aled Wyn Jones, Simon Glyn, Peredur Jenkins, Peter Read and Councillor Robin Wyn Williams

**OFFICERS:** Dafydd L. Edwards (Head of Finance), Lowri Haf Evans (Members and Scrutiny Support Officer) and Caroline Lesley Roberts (Investment Manager)

**1. APOLOGIES**

Apologies were received from Councillors David Cowans (Conwy Borough Council) and John Brynmor Hughes.

**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 8th November 2018, as a true record.

**5. FIXED INCOME SUB-FUNDS**

Submitted - a report requesting the Committee to consider sub-funds for 'fixed income' assets as options for the Gwynedd Pension Fund to invest via the Wales Pensions Partnership. As a contingency measure it was explained that the Gwynedd Pension Fund had access to passive 'fixed income' assets via the passive investments agreement.

It was noted in a meeting of the Investments Panel on 15/11/2018, that information and guidance had been presented to members of the Pensions Committee regarding the Wales Pensions Partnership sub-funds for 'fixed income' assets and the possible options were discussed. It was suggested that it would be an opportunity to transfer assets to the Partnership's active portfolios at the beginning of Summer 2019.

With a possible option of distributing the assets between four types of fixed income sub-funds, the conclusion of the Investment Panel was that the Absolute Returns Fund and the Multi Asset Credit Fund was of interest to Gwynedd at the time of launching the Wales Pensions Partnership sub-funds.

A summary of the possible options was submitted as an exempt appendix to the report and therefore, in order for the Members to discuss them in detail, it was resolved, **TO EXCLUDE THE PRESS AND PUBLIC as there was an acknowledged public interest in openness in relation to the use of public resources and related financial issues.** However, it is also acknowledged that there are occasions, in order to protect the financial interests of public authorities, when matters related to commercial information need to be discussed without being publicised. The appendix related to investment arrangements that are commercially sensitive and confidential for the company in question. Publishing commercially sensitive information of this type could undermine the provider's confidence in submitting prices to the Council and, therefore, the Council's ability to invest successfully. This would be contrary to the wider public interest of securing value for money and the best overall outcome.

Observations arising from the discussion;

- Committee Members appreciated the views of the officers and the experts from Hymans and Russell in this field, and wanted to follow the suggestion presented.
- Committee members valued the opportunity to work with new managers, together with the possibility of retaining assets with one of the current managers of the Gwynedd Fund.
- Although there was no intention for the Gwynedd Fund to transfer assets to the Worldwide Credit Fund, the Chair was asked to highlight the principles of relative responsible investment at the next meeting of the Wales Pensions Partnership Joint Committee.

#### **RESOLVED -**

- a) **In accordance with the proposal, to generally reinvest the current fixed income assets of the Gwynedd Fund in the sub-fund of the Absolute Returns Fund of the Wales Pensions Partnership and to reinvest the equity assets set aside for now in order to reduce the risk in the sub-fund of the Multi Asset Credit Sub-fund of the Wales Pensions Partnership.**
- b) **Since all the investment managers of the Wales Pensions Partnership had not yet been finally confirmed, to delegate the power to the Head of Finance Department, in consultation with the Chair of the Committee, to determine the final allocations between the sub-funds, following the opinion and further guidance from experts, as required.**

The press and public were invited back into the meeting.

## **6. SECURITY LENDING**

Submitted – a report requesting the Committee to agree for the Wales Pensions Partnership to agree to a loan guarantee as an opportunity to increase income from equity in the funds.

It was highlighted that all Welsh funds that are part of the Wales Pensions Partnership would have to agree to the proposal before implementation.

Reference was made to a document by Hymans Robertson attached to the report giving an overview and explanation of the process, why investors would loan stock and the risks linked to this.

The members noted that the proposal was an interesting opportunity with a low risk, was a means of receiving some gains to the fund whilst mitigating the risk through a guarantee.

In response to a question regarding limiting the relevant investment sum of the Fund, and if a maximum had been set, it was noted that it would be possible to ask the question at the next meeting of the Wales Pensions Partnership Joint Committee.

**RESOLVED that the Gwynedd Pensions Fund agrees for the Wales Pensions Partnership to loan stocks from the sub-funds.**

## 7. SCHEME ADVISORY BOARD COST MANAGEMENT

Submitted for information a report summarising the proposed recommendations of the Scheme's Advisory Board that would return the total cost of the scheme to its target cost of 19.5% (it is estimated that 19.0% is the current actual cost of the scheme). It was noted that changes had to be made to benefits if they wanted to reach 19.5% and a package of recommendations were submitted to the Secretary of State in November 2018. It was added that legal counsel and the views of the Government's Actuary had been considered by the national Board.

The following main points were highlighted and attention was drawn to the financial impacts of the package. The final decision on the package of improvements would be made by the Ministry of Housing, Communities and Local Government with a brief consultation likely to take place at the beginning of Spring, in order for the improvements to take effect by April 2019.

In response to a question regarding the target set at 19.5%, it was noted that the target had been set by the Westminster Government via a national agreement with relevant Trade Unions.

Observations arising from the discussion;

- Despite the cost to the fund and to employers, the modifications would benefit contributors.
- Concern about the impact on small employers.
- Concern that small employers cannot afford the amendments and would therefore be placed under pressure to find a different scheme.
- Concern that the fund would lose members.
- Accept that this was national guidance, however, everything must be weighed up carefully.

**RESOLVED to request that the Head of Finance Department and the Chair present observations on the members' concerns to the Ministry of Housing, Communities and Local Government in Westminster and the National Advisory Board for the Local Government Pension Scheme, when there is a consultation**

## 8. PENSION ADMINISTRATION UNIT STAFFING

Meirion Jones (Senior Communications Officer (Pensions)) left the room during the following discussion.

Submitted – a report requesting the Committee to approve additional resources to enable the Finance Unit to establish a resilient staffing structure for the Pensions Unit in

response to the increasing demands to administer the Local Government Pension Scheme. It was added that the proposed structure corresponded to the Council's management structure and that the posts had been evaluated. It was noted that the staff percentage in the Unit were older and that a continuation scheme should be established.

Observations arising from the discussion;

- That the salary scales in the Unit were lower than other funds.
- The team was smaller than in other funds.
- The existing structure was historical.
- In terms of risk management, continuation had to be planned for.

**RESOLVED:**

- **To approve the increase in expenditure financed to enable the Finance Department to establish a more resilient staffing structure for the Pensions Unit at an additional cost of £121,120.**
- **To request that the Head of Finance implements an appropriate amended staffing structure for the Pensions Unit as soon as practically possible, in order to manage business risks and work pressure.**

The meeting commenced at 2.00 pm and concluded at 3.00 pm

**CHAIRMAN**