
PENSIONS COMMITTEE 18-01-23

Present:

Councillors:

Stephen Churchman, Goronwy Edwards (Conwy County Borough Council), John Brynmor Hughes, Iwan Huws, Elin Hywel, John Pughe Roberts and Ioan Thomas

Officers:

Dafydd Edwards (Fund Director), Dewi Morgan (Head of Finance Department), Delyth Jones-Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer).

Others invited:

H Eifion Jones (observing – Chair of Pensions Board)

1. APOLOGIES

Apologies were received from Councillors Richard Medwyn Hughes and Robin Williams (Isle of Anglesey County Council).

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

Members were informed that Mr Huw Trainor had accepted a new job with Grŵp Llandrillo Menai and consequently there would be a need to elect a new employer representative to the Board.

In accordance with the statutory procedure of electing members to the Board, it was highlighted that the first term of some members of the Board was coming to an end, and although any representative could be reappointed for further a period in the post, subject to their re-nomination as needed, that this had to be done formally. In light of Mr Huw Trainor's announcement, it was considered timely to commence the process of reappointing more broadly in February / March 2023. It was reiterated that the existing members would be informed of the arrangements of the public process and of the intention to appoint five members (an exception to the Cyngor Gwynedd representative was noted, since the appointment was a very recent one and was protected). The interview panel would comprise of the Cabinet Member (Finance), the Head of Finance and the Monitoring Officer.

4. MINUTES

The Chair accepted the minutes of the meeting held on 21 November 2022 as a true record.

5. APPROVING THE 2023/24 BUDGET

The Investment Manager submitted a report seeking the Committee's approval of a budget for the Pensions Administration Section and the Investment Section for the 2023-2024 financial year.

It was reported that the budget was now approved on an annual basis by the Pensions Committee. Reference was made to one adjustment to the Pensions Administration Section's budget with the regrading of one post and other staff increments. It was noted that the budget did not include Investment Manager or Consultant fees, as they varied significantly. Nevertheless, it was noted that the expenditure would be reported in full within the final accounts and the Fund's Annual Report. It was reiterated that it was proposed to begin to record the fund's costs and to draw up a business plan for the 2024/25 budget.

Gratitude was expressed for the report. It was considered that the proposal for recording the fund's costs was a positive step - that keeping a record of billing arrangements and the fund's costs was very important.

RESOLVED

- **To accept the report**
- **To approve the budget of the Pensions Administration and Investment Sections for the 2023/24 financial year**

6. REVIEW OF STRATEGIC OBJECTIVES FOR THE FUND'S INVESTMENT CONSULTANTS

Submitted - the report of the Investment Manager, reporting on progress against current objectives and requesting that the Committee review and approve the objectives for 2023. It was reported, following a review of the of the investment consulting and fiduciary management markets, the Competition and Markets Authority had noted that Pension Scheme Trustees should set objectives for their investment consultants, and clearly stipulate the expectations upon them.

It was reported that Hymans was delivering good work, providing quarterly reports for the investment panel (including a responsible investment rating for every manager), comprehensive reports for the investment panels, offering practical advice and performing in accordance with the objectives. It was explained that this last year had been busy with the consultants providing further advice on the investment strategy to restructure the Fund's strategic assets allocation following the valuation. It was reiterated that this had been important and detailed work and there had been good collaboration. It was also reported, now that responsible investment was a key area, that Hymans had worked with the Fund's officers on reviewing the responsible investment policy, advising on new investments and providing a response to the TCFD consultation.

Hymans did not provide training as part of its direct contract with the Gwynedd Fund, however appropriately timed training was available through the Wales Pension Partnership, with significant contributions from Hymans.

Accepting that the fees were high (which was also true for some other companies in the market), it was wised to receive an estimate of the cost of the work that was agreed to in advance.

Reference was made to the current objectives as well as the progress made against those objectives in 2022. It was highlighted that two new objectives had been added. There was no wish to change the Fund's investment advisors, however there was still a need to challenge their performance and ensure that the relationship was not too 'comfortable'. Due to the frustration of establishing currency hedging arrangements and as a result of missing out on opportunities to take advantage of the exchange rate with a possibility of adding value, it was considered that there was a need for more proactive and timely advice and encouragement, to be able to respond to opportunities without frustration in the future,

The Chairman reiterated that the company provided a good service and met the objectives that were set by the Committee.

Gratitude was expressed for the report.

In response to a question regarding the need to expedite processes, e.g. currency hedging and the possible associated risks, it was noted there was frustration of not being able to act sooner and maybe in future the investment advisors could draw attention to potential opportunities. Nevertheless, the Fund Director highlighted that adopting the currency hedging procedure was a significant step for the Fund and the Committee's approval had been crucial in moving to that arrangement. It was reiterated that benchmarks for the future had now been established and agreements with BlackRock were ready to be implemented within a day should the opportunity arise.

In response to an additional question regarding the benefit of establishing an emergency response process, it was noted, in an emergency, the Principal Finance Officer and the Chair of the Pensions Committee would be able to implement this, but only in an emergency. Any major changes would need to be reported to the Committee and would require approval prior to implementation.

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

- That reviewing the strategic objectives often was good practice
- Firmer guidance would be appreciated
- Despite missing out on opportunities, there was now a process in place to act quicker
- That the objectives set out challenges that would add value
- Despite the good cooperation, there was a need to avoid being too comfortable

RESOLVED

- **To accept and note the progress report**
- **To approve the objectives of the Investment Consultants for the next period as submitted in Appendix 1, subject to adding the word 'certain' to objective 7 'Provide relevant and timely advice' -**
'.....'alternative' advice could sometimes be more proactive, certain and timely ...'

7. FUNDING STRATEGY STATEMENT

Submitted - the report of the Investment Manager explaining the requirement for the Fund to review the Funding Strategy Statement every three years, after the triennial valuation, it was proposed to publish the Funding Strategy Statement by 31 March 2023.

It was noted that the main purpose of the statement was to reflect on the valuation factors and balance the employers' affordability with the fund's long-term solvency objectives. The statement (draft) was submitted for the Committee to confirm the assumptions and policies to release the statement for consultation with all employers before adopting then formally at the next committee meeting.

It was explained that the document was based on the actuarial valuation. It was reiterated that the employers had received a presentation from the actuary in October when it was stated that the results were generally positive with the majority of employers witnessing a small reduction in their contributions.

It was reported that this lengthy and technical document had been prepared in detailed consultation with Hymans and the fund's officers. Reference was made to the statement and the accompanying policies. It was explained that the accompanying policies were usually incorporated in the document, but it had been agreed, with Hymans' approval, to include a reference to the policies in the strategy, but that they should be available separately and therefore easier to find / amend should there be a need to access the information or update policies without having to amend the entire strategy.

Thanks were expressed for the report.

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

- Although it was a lengthy and technical document, the content was details and had been set out in an easy-to-follow style.
- The language used was clear

RESOLVED:

- **To accept and confirm the assumptions and policies in the (draft) Funding Strategy Statement.**
- **To approve the Funding Strategy Statement (draft) for consultation with all Fund employers**

8. 2023 EVENTS

A list of events for 2023 was submitted which included dates for committees, investment panels, training sessions, information forums, seminars and conferences. The need to nominate Members to attend the forums, seminars and conferences was highlighted.

It was noted that the date of the Investment Panel that had been arranged for 2 May had now been rescheduled for 15 June 2023, due to a clash with a prospective meeting of the Governance and Audit Committee on 25 May.

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

- There was a need to contact and offer a space to the two members who had sent their apologies.
- Should there be no nomination from a Committee Member; invites would be extended to the Pension Board members.

RESOLVED

- **To accept and confirm nominations for attending events in 2023 and contact and offer a space to the members who sent their apologies.**
- **To extend invitations to Pension Board Member if there are empty spaces.**

The meeting commenced at 14:00 and concluded at 15:00