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**PENSION BOARD, 23.11.2020**

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**Present:** H. Eifion Jones (Scheme Members' Representative), Sioned Parry (Employer's Representative), Osian Richards (Members' Representative), Huw Trainor (Employer's Representative) and Sharon Warnes (Members' Representative).

**Officers:** Dafydd Edwards (Head of Finance Department), Delyth Jones Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer)

**1. ELECTION OF CHAIR**

**RESOLVED** to re-elect Osian Richards (Members' Representative) as Chair of the Board for 2020/21.

**2. ELECTION OF VICE-CHAIR**

**RESOLVED** to re-elect Councillor Aled Evans (Employer's Representative) as Vice-chairman for 2020/21.

**3. APOLOGIES**

An apology had been received from Councillor Aled Evans

**4. DECLARATION OF PERSONAL INTEREST**

None to note

**5. URGENT ITEMS**

None to note

**6. MINUTES**

The Chair signed the minutes of the previous meeting of this committee, held on 20 July 2020, as a true record.

**7. PENSIONS COMMITTEE MINUTES**

The minutes of the Pensions Committee held on 14 October 2020 were accepted for information.

Members had no further observations arising from the minutes.

**8. GWYNEDD PENSION FUND'S FINAL ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2020 AND RELEVANT AUDIT**

Submitted - a report along with a Statement of Accounts for the Gwynedd Pension Fund 2019/20 (post audit), by the Head of Finance Department providing details of the Pension Fund's financial activities for the year ending 31 March 2020. Members were reminded that a draft of the accounts had been submitted to the 20 July 2020 meeting and although the figures had not changed, attention was drawn to some amendments to the narrative following an audit. It was noted that the Audit Committee

bore the responsibility for formally accepting the accounts and they had been approved on 15 October 2020.

Reference was made to additions by the Auditors to note information on property fund valuations. After property fund trading had been suspended in March, it was argued that substantial valuation uncertainty was linked to these funds and, as a result, the property fund valuations on 31 March could be the subject of a higher level of uncertainty. In addition, it was reported that although the Auditors had not highlighted one specific matter in relation to the Gwynedd Pension Fund, they had noted three significant matters that were common across all pension funds, which would be likely to affect the Fund.

- GMP Equalisation
- The McCloud case
- The Goodwin case

Gratitude was expressed for the commitment and the accuracy of the work and the Investment Manager and the team were thanked for preparing the work in a challenging and difficult period.

In response to a question regarding the use of i-connect, it was noted that 99.9% of Fund employers were now submitting data via the i-connect process. It was reported that the Isle of Anglesey County Council and North Wales Police had now transferred and it was added that good collaboration had taken place with all employers to ensure use of i-connect, which now provided substantial benefits and success to the Fund.

**RESOLVED to accept, for information**

- **The Statement of the Accounts 2019/20 (post audit)**
- **The 'ISA260' Deloitte report for the Gwynedd Pension Fund**
- **The Letter of Representation**

**9. WALES PENSION PARTNERSHIP UPDATE**

Submitted - a report by the Investment Manager stating that since its establishment in 2017, the Partnership had been going from strength to strength with officers meeting often. Since the Covid-19 pandemic period, it was noted all the Partnership's events had been held virtually, and work to launch new funds and to hold a number of events had taken place.

Attention was drawn to the Global Growth Fund's performance up to 30 September 2020. It was reported that the performance of this fund before the pandemic was higher than the benchmark with a strong performance by Baillie Gifford and Veritas. It was highlighted that this portfolio had 'deep value' investments, and due to the impact of the pandemic, it was noted that recent performance had fallen behind the benchmark. It appeared that the traditional sectors such as oil and financials had performed poorly and sectors such as technology had performed relatively well. It was explained that Russell Investments continually monitored the allocation of this fund.

Reference was made to the transfer of fixed income that had been transferred in July and October 2020. An investment of £166,119,549.08 with Fidelity Global Equity had been transferred to the Multi Asset Credit Fund and an investment of £291,238,172.22 with Insight had been transferred to the Absolute Return Bond fund.

Attention was drawn to Representation of the Pension Boards on the Partnership's Joint Committee noting that this topic had been debated for some time now. It was reported that the Head of Finance Department had attended a meeting recently on

the matter. The outcome of the discussion was that the Joint Committee would include 8 members of the Fund (with one vote each) and representation from the Pension Boards (within the constituent authorities - without a vote). It was reported that the majority of funds agreed that status needed to be given to representation of the Board, but a unanimous decision was required before progressing. It was noted that any change would involve submitting a recommendation to every individual Council to be accepted at a meeting of the Full Council. It was reiterated that one further meeting had been arranged to re-discuss prior to submitting a proposal to the Joint Committee.

Members expressed their thanks for the report.

During the ensuing discussion, the following observations were noted:

- Accepted that fees were associated with investments, but it did not reflect the fixed costs of establishing the Partnership.
- Accepted the transfers but was ending investments with Fidelity a good decision given that Fidelity's performance had been good?
- A more formal arrangement was needed, which referred observations / reflected the recommendations of the Board and the way they were referred to the Committee, and perhaps to the Joint Committee - a suggestion was made to submit a report by the Board to the Committee or for a Board member to submit an item verbally.

In response to the publication of fixed fees, it was noted that the delivery scope of this was in 2020/21, by creating tables that would reflect the comparisons and actual costs.

In response to investments with Fidelity coming to an end and whether or not this was a good decision considering their performance, it was agreed that Fidelity's performance had been excellent, but following pressures from aggregate investment (where there was less risk and more assurance in investing with more than one manager), it was agreed to concur with the majority. It was reiterated that Russell Investments were monitoring the performance, and should there be an under-performance it would be possible to adapt due to the flexibility of having more than one manager.

In response to establishing a formal procedure to share the voice of the Board, it was noted that the Committee Chair represented Gwynedd on the Partnership and observed meetings of the Gwynedd Pension Board. It was noted that there had been several examples of the Board's opinion being submitted to the Gwynedd Pensions Committee, but a situation where the Board's opinion needed to be submitted to the Partnership had not arisen. It was suggested that submitting a report in writing or orally offering recommendations to the Committee would be acceptable.

**RESOLVED to accept the information.**

## **10. UPDATE ON PENSION FUND INVESTMENT PERFORMANCE 2019/20**

The Investment Manager submitted a report informing Members on the work of monitoring and the performance of Pension Fund investments. It was reported that the Gwynedd Pension Fund was in a relatively healthy position as the value of the fund had increased gradually since 2010, but a substantial fall had occurred on 31 March 2020 due to the impact of the COVID pandemic.

There had been a strong quarter 1 performance with markets bouncing back from the decline seen in the last quarter of 2019/20 with global equity values continuing to increase, especially in the last few weeks after the news of a potential vaccine. It was

added that fund property returns had also generally performed well against the benchmark. There was no trading from March, but the market re-opened in September. It was noted that residential assets and supermarkets had performed well, but the high street had not performed as well, and there was uncertainty about the future of offices. Reference was made to the Lothbury Property Trust, which had performed below the benchmark because of their high exposure to the retail sector, while the other Managers had exposure to sectors such as industrial sites and health centres and had therefore performed better.

Members expressed their thanks for the report.

In response to a question regarding the impact of Brexit on the property market, it was reported that the Gwynedd Pension Fund held some 6% of stock in the United Kingdom and, therefore, a huge, harmful impact was not anticipated. It was reiterated that the property benchmark had been set at 10% and moving funds and underinvestment by the market recently had been very transformational over time. It was agreed to include details of the benchmark percentages in future reports.

**RESOLVED to accept the information.**

## **11. COMMUNICATION POLICY 2020**

Submitted - the report of the Pensions Manager highlighting a wish to receive feedback from the Board about the new Communication Policy Statement. It was explained that the Fund must provide, maintain and publish a communication policy statement in accordance with Regulation 67 of the Local Government Pension Scheme (LGPS) Administration Regulations. It was added that the communication policy must be revised and republished following any change in policy. Following various changes to communication methods recently, the statement would have to be amended to include current communication methods and add the use of Microsoft Teams, I-Connect and the Self-service resource. It was noted that Gwynedd's policy had not been updated since 2010 and, therefore, feedback on the policy from the Board would be appreciated prior to its submission for approval from the Pensions Committee.

During the ensuing discussion, the following observations were noted:

- The amended Policy Statement was clear, fair and comprehensive.
- When amending, there was a need to ensure that no information would be lost.
- It was important to listen and respond to users' wishes, e.g. be ready to respond to their wish if they preferred to receive information on paper.
- There was a need to refer to the Wales Pension Partnership - important that the communication procedure between the Fund and the Partnership was included.
- Virtual Meetings v On-site Meetings - a working group had been established to identify advantages and to consider methods of providing both options in one meeting.

**RESOLVED to accept the information.**

Attention was drawn to the fact that the Managers' Survey had not been undertaken as per usual and it was suggested to hold a special meeting to discuss and share opinions. It was added that the Board's work programme also needed to be updated (to include the Hymans training questionnaire).

**RESOLVED to ask officers to update the work programme and share it with Members for observations / additions.**

The meeting commenced at 2:00pm and concluded at 3:15pm.