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**PENSIONS COMMITTEE**  
**25-02-08**

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**Present:** Councillor Glyn Owen (Chairman)

Councillors: Peredur Jenkins, Trevor Roberts, Alan Williams

**Also present:** Dilwyn Williams (Strategic Director - Resources), Dafydd Edwards (Head of Finance), Daphne Humphreys (Pensions and Payroll Manager), Nia Jones (Temporary Pensions and Investments Officer) and Gwyn Parry Williams (Committee Officer)

**Apologies:** Councillors Robert J. Hughes, Arwel Jones and J.R. Jones,

**1. MINUTES**

The Chairman signed the minutes of a meeting of this committee, held on 7 February 2008, as a true record

**2. CONSULTATION ON ADMITTED BODY STATUS**

Submitted – the report of the Pensions and Payroll Manager that Communities and Local Government, following on from the 2006 informal consultation on Admission Body Status (ABS), had issued a further informal consultation document relating to the admission of private companies under the ABS route. This latest consultation exercise sought views from interested parties on the operation and potential future arrangements for ABS, in the context of outsourcing of local authority services. The closing date for responses was 10 April 2008. ABS provisions allowed contractors who took on local authority contracts to provide transferring staff with continued access to the LGPS if they wished, rather than to provide a broadly comparable pension scheme. A report on the original consultation was presented to the Pensions Committee on 22 September 2006.

He informed that the aim of this latest review was to ensure that ABS provision met the needs of contractors and authorities, while remaining committed to the following fundamental principles-

- a) delivery of Government Policy on “Best Value” outsourcing and transfer of undertakings;
- b) compliance with Fair Deal and Staff Transfers (Pensions) Direction 2007;
- c) ensuring any proposals were affordable, sustainable and continued to have no adverse affect on taxpayers.

The 2008 consultation document summarised concerns raised in the 2006 responses and emphasised that no agreement was reached on a single approach. In addition, it outlined some options for consideration-

- i) reviewing the current guidance to make the requirements clearer;
- ii) complementing the revised guidance with some minor changes, such as the facility to refund a surplus to a contractor at the end of a contract and compulsory annual actuarial monitoring;
- iii) more extreme measures, such as “cap and collar”, “pass through”, and / or
- iv) a compulsory requirement for “open” rather than “closed” ABS, i.e. contractors would not be allowed to exclude new entrants using a “closed” agreement.

Respondents were free to make detailed comments for or against any of the options, and also to suggest other options.

A “cap and collar” arrangement set both the lower and upper limits on pension contributions and was set out in the contract between the authority and the contractor and not in the admission agreement. The arrangement required the contractor to pay the contribution rate specified by the actuary. However, where the specified rate was outside the range set out in the contract, there was an adjustment to the contract price. The authority met costs in excess of the agreed maximum but the contractor did not get the benefit of contributions falling below the lower limit.

Under “pass through”, the contractor would pay contributions at the rate specified at the start of the contracting process. This contribution rate would only be varied in relation to common factors such as mortality assumptions. It would also be varied in relation to matters in the contractor’s control, such as abnormal pay increases. Contractors would not be responsible for funding of accrued benefits.

The 2008 consultation focused on measures that could be taken to ensure that all parties understood the current requirements, and the risks. Issues raised for comment included treatment of surpluses and deficits during and at the end of contracts, the use of bonds and indemnities, whether later generation contracts i.e. on re-letting to another contractor, should be treated the same as first generation contracts and whether there should be any compulsion to “open” ABS.

From the perspective of the Gwynedd Pension Fund nothing had changed between the initial informal consultation and the current informal consultation.

**RESOLVED to reaffirm the resolution of the Pensions Committee meeting of 22 September 2006, and to complete the questionnaire which accompanies the consultation document within the parameters of the original recommendations, namely:**

- i) to support the view that ABS and a broadly comparable scheme should remain as available options.**
- ii) to support the “pass through” arrangements in principle.**
- iii) to retain the right for a bond or guarantor if deemed necessary according to a risk assessment.**

### **3. INCREASE THE INVESTMENT LIMIT ON ANY SINGLE INSURANCE CONTRACT**

Submitted – the report of the Strategic Director – Resources noted the need to increase the total invested in any individual insurance contract from 33% to 35%. The reason for the decision was a temporary change in investment structure as a result of recent discussions regarding performance. The matter had been discussed at a previous meeting of the Investment Panel and it was noted in principal that it should be done.

However, before a decision to increase limits could take effect, the Administering Authority would be required to revise and publish their written Statement of Investment Principles (SoIP)

The advice of George Henshilwood was sought, on the issue of increasing the investment limit in any single insurance contract. The reason for the decision

was a change in investment structure following concerns regarding two of the Fund's managers and by increasing the limit, the amount held in such funds could be maximised ahead of a switch to a transition manager. The Adviser strongly supported any proposal to increase the proportion which could be invested in Equity and Bond mandates, to around 35%. This limit would be reviewed by the Pensions Committee every three years as part of the SolP.

#### **RESOLVED**

**a) to accept the above advice that the limit on the amount which can be invested in any one single insurance contract be increased to 35%.**

**b) that the above limit should apply until such time that the decision is revoked by the Committee; and that the decision be reviewed before 31 January 2012.**

**c) In order that this decision may take effect, that clause 5.3 of the Statement of Investment Principles is amended to note that the limit of investment in any single insurance contract shall be 35%, and that the revised statement be published on 26 February 2008.**

#### **4. GOVERNANCE COMPLIANCE STATEMENT**

Submitted – the report of the Strategic Director – Resources regarding the need to note in the governance policy statement the extent to which the delegation of functions complied with guidance given by the Secretary of State and, to the extent that it did not do so, the reasons for not complying. He elaborated on the draft statement that was formed. It seemed from the guidance, that the Department seemed to suggest that in terms of governance, and in particular in terms of communication and understanding of governance issues, those stakeholders with greater interest in the Local Government Pension Scheme should be afforded an opportunity to comment on proposals and review issues relating to scheme governance on a more frequent basis than the current practice of having an Annual General Meeting would suggest.

The meeting on 14 February 2007 resolved that a consultation should take place in order to obtain the views of the key stakeholders on the issue. Accordingly, they were asked to give their views of having a secondary forum in order to allow stakeholders to have increased input into governance issues. He noted that the advantage of having a secondary forum (consultative in nature) would perhaps be greater awareness of the issues facing the Pension Committee and an ability to influence some of the Pensions Committee's decisions. The disadvantage would be a greater resource requirement (in terms of servicing such a forum), and in terms of the employers' time in attending the forum.

It was noted that the relatively low attendance at the Pensions AGM did not suggest that there was a great unmet need for information and change in policy in relation to the Pension Fund, but it may well be that some stakeholders would welcome a more frequent visitation of pensions issues in order to ensure that their views were taken into consideration by the Pensions Committee when it considered various matters.

Resulting from the consultation, two responses were received by Anglesey County Council and Llangefni Town Council. Both responses were read to the committee- the former was in favour of establishing a secondary forum and the latter had no objections.

He was of the opinion that there was a need to attempt to raise awareness amongst employers and suggested that it could be possible to create an informal forum with employers.

The members felt that it was unpractical to establish a secondary forum, but creating an informal forum would be advantageous, and it would be beneficial to experiment with an informal forum allowing the forum to decide on the type of issues that would be discussed.

**RESOLVED**

- a) **to approve the Governance Policy Statement as it is.**
- b) **To hold a meeting with employers to seek their views on creating an informal forum, as an experiment, and to introduce a further report to the committee as soon as possible.**

**5. EXCLUSION OF PRESS AND PUBLIC.**

RESOLVED to exclude the press and public from the meeting during the discussion on the following item due to the likely disclosure of exempt information as defined in paragraphs 12 and 14, Part 4, Schedule 12A of the Local Government Act 1972. These paragraphs apply because the report contains information dealing with future contracts with specific companies and the companies in question are entitled to privacy and there is no overriding public interest that requires the disclosure of personal information relating to those companies, nor their identities. Consequently the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**6. APPOINTMENT OF A TEMPORARY INVESTMENT MANAGER**

Submitted – The report of the Strategic Director – Resources on how to deal with equity and bond assets following the termination of the investment manager contract and the need to appoint a temporary investment manager to hold those assets until a new manager was appointed.

He referred to a paper received from Hymans Robertson regarding the issue.

**RESOLVED, provided that the Contract Rules of Procedure are set aside, to appoint Legal & General to act as an interim investment manager until such time as a new manager is appointed (a process which could take up to 12 months)**

The meeting commenced at 10.30am and concluded at 11.00am