GWYNEDD PENSION FUND ANNUAL MEETING BETWEEN MEMBERS OF GWYNEDD COUNCIL'S PENSIONS COMMITTEE AND REPRESENTATIVES OF THE EMPLOYERS AND UNIONS, 22.07.08

Present: Councillor John G. Jones (Chairman)

Councillors Trevor Edwards, Keith Greenly-Jones, J. R. Jones, W. Tudor Owen, Gwilym Euros Roberts

Also present - Dilwyn Williams (Strategic Director - Resources), Dafydd Edwards (Head of Finance), Daphne R. Humphreys (Pensions and Payroll Manager), Nick Hopkins (Senior Pensions Officer), Nia Jones (Acting Pensions and Investments Officer) and Gwyn Parry Williams (Committee Officer) (Gwynedd Council); Councillor Goronwy Parry, Ross Morgan, David Elis-Williams, Councillor Ieuan Williams (Isle of Anglesey County Council); Jo Worrall (Snowdonia National Park Authority); Huw Trainer (North Wales Police); Lynn Patterson (Cynnal), Ceren Williams (Mantell Gwynedd), Douglas Anderson and Martyn Hole (Capital International); Andrew Graver (Barclays Global Investors); Anthony Dhuna (Legal & General), George Henshilwood (Hymans Robertson); Cliff Hawkins and David Maylett (UBS Global)

Apologies - Councillor Linda W. Jones (Gwynedd Council); Councillor Margaret Lyon, Andrew Kirkham and Ken Finch (Conwy County Borough Council)

1. CHAIRMAN

RESOLVED to elect Councillor John G. Jones as chairman for the meeting.

2. VICE-CHAIRMAN

RESOLVED to elect Councillor Keith Greenly-Jones as Vice-chairman for the meeting.

3. WELCOME

The Chairman welcomed the visitors who were at the meeting representing the companies investing on behalf of the Council, and also to answer any questions arising regarding those investments.

4. THE PENSION FUND

The Strategic Director – Resources submitted the annual report of the Pension Fund for 2007/08, which included:

- a review of the year
- recent trends
- management report summarising the main administrative arrangements for the scheme
- the fund's actuarial position

- administrative and custodial arrangements
- an outline of the investment powers and investment management procedure
- a summary of the investment performance
- a statement of investment principles and funding strategy
- details of the management structure
- membership statistics
- details regarding the employers who were in the fund
- statement of accounts 2007/08 and notes to the accounts
- appendices including communication and governance policy statements, governance compliance statement, statement of investment principles and the funding strategy statement.

He paid particular attention to the main issues of the report, namely:

- That the report itself was more weighty than usual because all policy statements had to be incorporated now as part of the annual report.
- That we had been through a transitional period but the new scheme was now operational and every employee was by now accruing benefits at a rate of 1/60th of pay for each year of service and paying contributions on the basis of their salary.
- It was a requirement to respond to new regulations dealing with fund governance. It had to be noted in the Governance Policy Statement to what extent governance arrangements corresponded to best practice principles. The committee took advantage of the opportunity to consult on the principle of establishing a secondary forum to shadow the work of the pensions committee, which included the various stakeholders, so that they could voice their opinion regarding matters involving the fund’s governance and investments. The intention had been to consult on the best method of structuring this and then incorporating the changes in the Statement. However, the new committee had expressed its desire to revisit the matter before proceeding to examine whether there were better ways of accomplishing the same aim. This matter would be reconsidered in September and a consultation would be held on the result later on in the month.
- The day to day administration performance had been disappointing because a number of administrative performance indicators had deteriorated in 2007/08 because the preparations which had to be made for implementing the new scheme and ensuring the provision of valuation data was submitted on time had affected the unit’s ability to retain the usual performance levels. However, it was expected that these would recover to their previous levels during the current year.
- The Communications Unit had started in earnest on its work of concentrating on passing on crucial information to employees in the field across the fund’s area but attendance had been disappointing. It was noted that the Communications Unit had worked jointly to produce a bi-lingual DVD, available to all those who attended the sessions.
- The annual valuation had shown that the situation had improved somewhat since the 2004 valuation. The fund’s assets represented 84% of the liabilities, compared to 74% in 2004, but the employer’s contribution had increased slightly from 19.5% to 20.1%, which was of course rather less than the increase seen in the previous valuations. It was noted that the fund was continuously monitoring the situation and a recent report had been received noting that should the valuation have occurred now, (because of the increase in inflation and the fall in the value of assets), the value of the fund would be 67%, and the employers’ contribution would have to be increased to 28.3%.

- It was emphasised that there was no need for anyone to be overly concerned at this time because there were nearly two years until the next valuation but the situation would be closely observed and the latest situation would again be reported next year when the employers would be considering the likely situation when planning for the mid-term.
- It had been a very disappointing year in terms of the fund's investments in 2007/08, with equity markets in particular suffering during the year which in itself would have resulted in a reduction of 3.7% in the fund's value. The position was made worse because the two active managers failed to reach their benchmarks, which meant that the fund lost 5.7% of its value during the year. Consequently, the Pensions Committee decided it was time for action and following the valuation, the fund's investment structure was reviewed along with the managers managing the investments.
- Whilst the distribution was retained between equity, bonds and property, experience of active asset management and specifically UK equities had not been overly successful recently and therefore it was proposed to move UK equity investments to a more passive level, whilst expecting the two active managers to oversee the portfolio on the basis of a global equity benchmark, but both having only 20% of the fund.
- The UBS mandate had been terminated in relationship to managing equity and bonds and another active manager's post would be advertised during 2008/09, along with a new passive manager to safeguard the element which BGI could nor manage due to the investment regulations.
- The committee was of the opinion that the Capital business model should lead to a long-term benefit but there had been a reduction in the percentage for which they were responsible and they were also warned that should their performance not improve, their future would also be in jeapordy.
- A number of the committee's members had been lost as a consequence of the local government elections in May and they were thanked for their contributions over the years and the committee looked forward to co-operating with the new members.
- The fund's staff were also thanked for their commitment in serving employers and pensioners courteously and conscientiously.

The Chairman thanked the Strategic Director and his staff for a clear and comprehensive report.

Questions were invited from the floor:

A question from Mr David Elis-Williams, Finance Director, Isle of Anglesey County Council

Had a final settlement been reached in relation to Cwmni Gwastraff Môn/Arfon, shown in the report as a "closed fund", in respect of the employer's deficit, and also what was the fund's policy for dealing with an employer's deficit, should the company be wound-up for any reason?

In response to the question, the Strategic Director - Resources replied that a report had recently been received from Hymans Robertson, providing details of the company's expected contribution which would safeguard those people remaining in the closed fund. He explained that when members of an employer (who had been a member of the pension fund) moved to other employers, the first thing that would happen would be the transfer of 100% of the commitments from the former employer fund to the new employer already in the fund. This would ensure that the new employer would not face any deficit.

Subsequently, the fund would request the company for payment of an amount equal to an assessment made of the remaining commitments in the closed fund. Generally, this would be on the basis of the least possible risk to the fund. It was possible to counter this, should there be a body willing to underwrite any losses on the closed fund in future, as was the case with the fund of the former Gwynedd County Council. Should a body become bankrupt, then any deficit above any payment available to the Pension Fund would fall on all employers within the fund.

RESOLVED to accept and note the report.

The meeting commenced at 2.00pm and concluded at 2.30pm.