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**PENSIONS COMMITTEE**  
**23-09-08**

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**Present:** Councillor John G. Jones (Chairman)

Councillors Trevor Edwards, Keith Greenly-Jones, J.R. Jones, Linda W. Jones, W. Tudor Owen, Gwilym Euros Roberts and Councillors Goronwy O. Parry (Anglesey County Council) and Margaret Lyon (Conwy County Borough Council)

**Also present:** Dilwyn Williams (Strategic Director - Resources), Dilys Phillips (Head of Administration and Public Protection), Dafydd Edwards (Head of Finance), Gareth Jones (Pensions Operations Manager), Nia Jones (Acting Pensions and Investments Officer) and Gwyn Parry Williams (Committee Officer)

Welcome

The Chairman welcomed Councillor Margaret Lyon (Conwy County Borough Council) to her first meeting of this committee.

**1. DECLARATION OF PERSONAL INTEREST**

None of the members in attendance declared a personal interest.

**2. MINUTES**

The Chairman signed the minutes of this committee, held on 10 July, 2008, as a true record.

**3. LGC INVESTMENT CONFERENCE, NEWPORT – 4/5 SEPTEMBER 2008**

Submitted – the report of the Strategic Director – Resources, noting that he and both Councillors Trevor Edwards and J.R. Jones had attended the above-mentioned conference. He referred to the interesting presentations involving the situation of the economy and its implications for investors; whether investments should be made in corporate bonds; whether use should be made of weighted market indices and the lurking danger of improving mortality rates.

In relation to the economy, he informed the committee that one speaker had expressed that he believed that although the economic situation was fragile and that there had been a rapid economic slow down, many commentators suggested that it would gradually improve and that equity appeared to be inexpensive at present. It was also suggested that equity would not offer the good continuous returns that had been seen historically, and suggested that funds should consider looking more towards other alternative asset classes.

In relation to investing in corporate bonds, another speaker had noted that there was a large range of potential returns in the current market and a policy of active bond management should allow funds to take advantage of this. The committee had already asked the consultant for a paper to try to invest in active bonds, and the report would be submitted to the committee in November 2008.

A representative from Legal & General had noted that there were various benchmarks available in addition to the weighted market value indices. Although Legal & General was a passive investment manager, information had been provided that 50% of Private Sector Funds were invested passively whilst only 20% of the public sector funds had been invested in this manner. The percentage for the Gwynedd Fund was around 35%.

**RESOLVED to accept the report.**

#### **4. REVIEW OF THE GOVERNANCE COMPLIANCE STATEMENT**

Submitted – the report of the Strategic Director – Resources noting that the committee had reviewed the Governance Compliance Statement in April 2006, and following a period of consultation, it was agreed to allow representatives from Anglesey and Conwy Councils on the committee, without any voting rights.

He informed the committee that new regulations had been published in May 2007, which required administering authorities to publish in their Governance Compliance Statement the extent to which they complied with the nine best practice principles published by the Department of Communities and Local Government on 8 October 2007. If there was no compliance with the principle, it was necessary to state the reasons why. When preparing the statement, the administering authority had to consult with scheme employers and any other persons they considered appropriate. In formulating the original response, the Committee was not minded to increase the membership of the Pensions Committee but did accept that there needed to be wider access to information in relation to the governance of the fund. The only way in which this could be achieved and comply with best practice would be to establish a second committee comprising other stakeholders which would shadow and obtain all information which the main committee received. The previous committee considered this to be an over duplication of effort and instead suggested that periodic informal meetings of stakeholders should be convened in order to give them an opportunity to receive information and voice issues. He did not think that this would comply with good practice, however, as it would not be giving a wider group of stakeholders the opportunity to take part in the decision making process.

In relation to the current situation in terms of compliance, he noted that the key area where the Gwynedd Pension Fund did not comply with the principles was:

a) Structure and representation on the committee -

The guidance stated that all key stakeholders should be offered the opportunity to be represented within the main or secondary committee structure, with or without voting rights. Key stakeholders included:

- i) Employing authorities, including admitted bodies;
- ii) Scheme members, including deferred and pensioner scheme members;
- iii) Independent professional observers;
- iv) Expert advisors on an ad-hoc basis.

He noted that whilst the Pensions Committee included one representative from Anglesey and Conwy Councils, admitted bodies, scheme members and pensioners were not represented. There was no independent professional observer on the committee either.

b) The selection and role of lay members within the committee:  
A lay member was defined as “someone who was not an elected member”.  
There were no lay members on the Pensions Committee.

In relation to the options, he referred to the fact that the committee could state that it would not comply with what was stated as best practice, however, he noted that there would have to be a good reason for doing so. The previous committee’s decision was based on the premise that as the legal responsibility for administering the fund was a Gwynedd Council function, it had to retain overall control of final decisions. Duplicating the Committee’s considerations by establishing another shadow committee, with its consequent administrative requirements would not be an appropriate use of resources. However, the need to extend understanding of issues surrounding the Gwynedd Pension Fund amongst other employers and stakeholders was recognised, and therefore it was resolved at the time that an informal arrangement of meetings with other stakeholders should be established. This decision did not comply with good practice to the extent that it did not allow other stakeholders the opportunity to be part of the decision making process. The only way in which this could be rectified would be to establish a secondary formal committee to shadow the current committee or increase the membership of the current committee.

It was noted that membership of the committee could be increased either with or without voting powers. He believed that increasing membership to thirteen, with the unions and pensioners having one seat each, and two further seats for other employers would comply with good practice, and it would also be possible to protect the Council’s interests with the existing call-in rules. Should the committee decide to increase its membership, arrangements for monitoring investment managers would have to be reviewed, possibly by establishing a sub-committee and also continuing with the principle of convening informal meetings at which officers or members of all stakeholders would be invited to attend.

He also noted that since the previous committee had approved the final Governance Compliance Statement, two new clauses had been introduced, which the committee would have to approve.

The Head of Administration and Public Protection informed the committee that should the decision be to increase its membership, this committee would not have the right to change the Council’s constitutional rules, but rather they would have to submit the matter first for the consideration of the Resources and Corporate Scrutiny Committee, and then to the Council. She referred to the fact that at present, membership of the committee included seven members from Gwynedd Council, with one representative each, without voting rights, from Anglesey and Conwy Councils. In order to try to comply with good practice, she suggested that it would be possible to invite up to three additional members (with or without voting rights) to sit on the committee, to represent, for example, trade unions, pensioners and the employers. However, a member of Gwynedd Council staff would not be allowed to be a member of the Pensions Committee.

**RESOLVED**

- a) Not to increase the membership of the Pensions Committee as Gwynedd Council is responsible for matters relating to the fund, it would be difficult to choose other representatives from the employers and it would be more difficult to challenge the fund managers, and to recommend to the Resources and Corporate Scrutiny Committee that the constitution of the Pensions Committee should be amended to allow voting rights for the representative from Anglesey County Council and the representative from Conwy County Borough Council. (Councillors Keith Greenly-Jones and J.R. Jones asked for it to be minuted that they had voted against the resolution).
- b) To approve the two additional clauses which had been added to the statement.

## 5. TIMETABLE FOR APPOINTING A NEW INVESTMENTS MANAGER

Submitted – the report of the Strategic Director – Resources, on the timetable for appointing a new Investments Manager.

The Acting Pensions and Investments Officer informed the committee that the equities held by Legal & General along with the holding in the UBS pooled global emerging markets fund would be used as the source of assets for the new global equity manager – this was following a review of the fund’s management and investment structure. In order to appoint a new active global equity manager, the fund would have to carry out a formal tender process within time constraints set out by law. The process would have four stages, namely:

- a) Draft and agree a Fund specific “Official Journal of the European Union” notice and “Pre Qualification Questionnaire”.
- b) Analyse PQQ responses using quantitative and qualitative screening to identify investment managers to be included in the long list.
- c) Issue detailed Requests for Proposals to long-listed managers and analyse responses.
- ch) Shortlist of managers to give a presentation to the committee.

As it was intended to appoint the new manager in early 2009, Hymans Robertson had drafted the following timetable -

<b>Date</b>	<b>Action</b>	<b>Responsibility</b>
By 18/9/08	Publish OJEU tender notice on the SiMAP website.	Hymans Robertson (HR)
Up to 27/10/08	Issue PQQs to each manager that expressed an interest	HR
By 27/10/08	Deadline for receipt of PQQs	HR
By 03/11/08	Issue report discussing PQQ responses and recommend list of managers that RFP would be issued to	HR
By 7/11/08	Agree which managers would receive RFPs	HR/Gwynedd
By 7/11/08	Issue RFPs	HR
By 19/12/08	Deadline for receipt of RFPs	HR
By 7/1/09	Issue report discussing RFP	HR

	responses and recommending list of managers to be interviewed	
By 13/1/09	Agree which managers to present to the Committee	HR/Gwynedd
By end January 2009	Committee interviews. Agree manager to be appointed	HR/Gwynedd

The Strategic Director – Resources referred to the fact the full committee would be part of the process of drawing up a shortlist and the interview, but he challenged whether they wished to be part of agreeing which investment managers would received the RFP.

**RESOLVED**

**a) To adopt the above timetable.**

**b) To authorise the relevant officers, in consultation with Hymans Robertson, to agree which investment managers (companies) will receive the RFP.**

**6. ADMITTED BODIES**

Submitted – the report of the Head of Finance on admitted body (employers who were part of the fund) cessations and new bodies joining the Local Government Pensions Scheme.

The Pensions Operations Manager informed the committee that the Local Government Pension Scheme Regulations allowed two types of employers to be members of the Local Government Pension Scheme, namely scheduled bodies, e.g. County and District Councils etc, and admitted bodies who may, subject to certain criteria, apply to join the Local Government Pension Scheme. This committee had agreed at its meeting in December 2003, on criteria for admitted bodies who applied for scheme membership. The criteria was intended to cover application from bodies that had sufficient links to scheme employers so as to justify the ‘community interest’ requirement of the regulations and which could generally be referred to as a Community Admission Body (CAB).

In view of the Government’s Fair Deal policy statement, which set out the protections to the pensions of staff if they moved with their workforce from the public to the private sector, that required contractors to provide transferring staff with access to a broadly comparable pension scheme or continuing access to the Local Government Pension Scheme, the current policy needed to be reviewed. A broadly comparable scheme was one which provided that no identifiable employees would suffer material detriment overall in terms of their future accrual of benefit when compared to having remained in a public service scheme.

The Local Government Pension Scheme Regulations had been amended to include a provision for Pension Funds to enter into admission agreements with Transferee Admission Body (TAB). As the criteria for creating a TAB was at the discretion of an employer who was already a scheme employer there needed to be a form of protection afforded to the individual staff members employed by the service that was being transferred to the new employer. When a fund employer entered into an arrangement with a private company

involving TUPE transfer of staff, and the private company involved chose, with the ceding employer's agreement, and subject to the Secretary of State's approval, to enter into an admission agreement rather than provide a broadly comparable scheme, it largely took the decision to allow or refuse admission from the administering authority's hands. Consequently, the Council as administrator of the Local Government Pension Scheme, should review its existing policy so as to provide TAB and CAB created as a result of TUPE transfers to choose to enter into Admission Agreements, providing the requirements of the Local Government Pension Scheme Regulations would be met.

He referred to the fact that Cwmni Gwastraff Môn Arfon had ceased membership of the Gwynedd Pension Fund on 11 January 2008, when its corporate responsibilities and staff were transferred and shared proportionally between Gwynedd Council and Anglesey County Council. Also, Theatr Gwynedd would cease operations on 31 October 2008, so consequently would cease to be an admitted body in the Gwynedd Pension Fund. Active staff members as of this date would become either pensioners or deferred members of the fund.

He informed the committee that Conwy County Borough Council had decided to transfer its housing stock to a newly created company called Cartrefi Conwy to commence 1 October 2008. Cartrefi Conwy, through Conwy County Borough Council, applied to Gwynedd Council to be admitted to the Gwynedd Pension Fund as a Community Admission Body so as to protect the pension rights of approximately 130 staff who would transfer under TUPE and provide open access to the scheme to new appointees. Although not a requirement under the regulations, Cartrefi Conwy had been able to obtain a Bond against early foreclosure of the Company and the need to cover redundancy costs should this arise. Cartrefi Conwy would inherit the past service deficit currently applicable to the staff transferring from Conwy County Borough Council and would pay the requisite employer contribution rate to cover this cost.

The officer explained that Anglesey County Council had gone through a tender process in relation to their school catering service previously undertaken by Gwynedd Council's Commercial Services Department. The contract was awarded to Eden Food Services, a subsidiary of Initial Catering, who had, with the approval of Anglesey County Council, applied for Admitted Body status in the Gwynedd Pension Fund to approximately 120 staff being TUPE transferred. The transfer took place on 1 September 2008, but because Gwynedd Pension Fund received late notification of the tendering process, it was not possible to gather the actuarial information in time for 1 September. This data was currently being compiled for sending to the Actuary. In the meantime, an interim employer contribution rate based on the Fund's future service accrual rate had been applied for Initial Catering employees. Anglesey County Council had agreed to the transfer of staffs' accrued pension rights to Initial Catering on a 100% funding basis. Deficits in respect of past service was to transfer to Anglesey County Council.

## **RESOLVED**

**a) To note the cessation of two Admitted Body employers in the Fund.**

- b) To adopt the revised Admitted Body Policy taking into account Community Admission Bodies and Transferees Admission Bodies transferring from a current scheme employer.**
- c) To accept Cartrefi Conwy and Initial Catering as Admitted Bodies into the Gwynedd Pension Fund, subject to both complying with the requirements of the regulations.**

The meeting commenced at 10.00am and concluded at 11.00am