MEETING	**PENSIONS COMMITTEE**
DATE	**23 SEPTEMBER 2008**
TITLE	**LGC INVESTMENT CONFERENCE– 4/5 SEPTEMBER 2008**
RECOMMENDATION	**NO SPECIFIC RECOMMENDATION – REPORTING BACK ON THE MAIN ISSUES RAISED**.
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1 In accordance with the Committee's decision at its last meeting Councillor Trefor Edwards , Councillor J R Jones and I attended the LGC(Local Government Chronicle) Investment Conference on the 4 and 5 September.

2. Interesting presentations were given on the economic situation and its implications for investors; whether we should be investing in corporate bonds; the use of weighted market indices and the lurking danger for defined benefit funds of improving mortality rates.

3. There were other less interesting presentations.

4. In relation to the economy, Alan Brown, Chief Investment Officer with Schroders noted his opinion that whilst the economic situation was fragile, we had seen a rapid economic slow down and many commentators were suggesting that the recovery would start fairly soon but that it would be a slow and gradual improvement. In the meantime, on a 20 year historic comparison equities were trading at the bottom of the Price/Earnings range and it appeared therefore that the markets had already priced in any future "bad news" risk and were an attractive investment opportunity.

5. However he raised a view that equities might not offer the better continuous returns we had historically seen and suggested that Funds should consider looking more towards diversification in other alternative asset classes. As a Fund we have strated embarking on this course of action of course, but nt perhaos to the extent of some US Endowment and Charities who have as much as 33% in alternative asset classes.

6. Mark Brett from Capital International noted that in relation to corporate bonds, there were currently a large spread of potential returns and a policy of active bond management should allow funds to take advantage of these spreads. The Committee has asked the Advisor for a paper on the possibility of going for active bond management which we will receive in November.

7. Eric Lambert from the WM Company referred to the rationale behind challenging active management in UK and US equities as the average manager has been unable to neat the index in these countries over 3 , 5 or 10 years. The Committee has considered this issue of course in establishing its current asset allocation.

8. Julian Harding from Legal & General outlined the various benchmarks available in addition to the weighted market value indices, and it was interesting to note those which were available e.g. a capped index which ensures that exposure to the largest capped stocks was not inordinately high. Whilst we must remember that L&G is a passive manager it was interesting to note a statsistic which suggested that 50% of private sector Funds are invested passively whist only 20% of public sector funds are invested passively. [Gwynedd's percentage is currently around 35%].

9. Tim Lunn from Hewitts (the Actuarial Firm) noted how mortality was calculated and the fundamental message was that whilst estimating current mortality rates was imroving it was still difficult in predicting what mortality rates would be inn the future, and that improving mortality rates still comprissed one of the greatest risks which Funds were facing.

10. This was followed by Toby Nangle a Director of Asset Allocation Research drawing attention to the fact that only a quarter of FTSE100 companies now have defined benefit pension schemes open to their employees. He challenged whether the public sector schemes were sustainable in the long term as the general public become more aware of the position. In this context he questioned whether authorities should take a more robust approach to the consultation on cost sharing.

11. One other aspect which was a surprise was the fact that the UK Bond yield curve was completely different to those in the USA and France. He noted that if our yiled curve was similar to France's yield curve this would have the effect of reducing liabilities and most Funds would wipe out their deficits. This is an issue which we will take up with the Fund's Actuary.

12. One other presentation which gave one food for thought and which went contrary to current action by the Gwynedd Fund was a presentation by James Ross, Alliance-Bernstein who suggested that Funds should not reject investing in currency. He did of course have a product to sell, but the upshot of his message was that this was not a zero sum gain asset class and that they had a model which could provide returns by identifying currencies with high interest rates tend to do better and they had managed to achieve 6.8% since the inception of the Fund. Whilst an interesting product I am still not convinced regarding the benefits of this asset class and there are others which we will need to look at before venturing into this area.