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**PENSIONS COMMITTEE**  
**12-12-08**

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

Councillors Keith Greenly-Jones, J.R. Jones and Councillors Goronwy O. Parry (Isle of Anglesey Council) and Margaret Lyon (Conwy County Borough Council)

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

**Apologies:** Councillors Trevor Edwards, Linda W. Jones, W. Tudor Owen, Gwilym Euros Roberts

**1. DECLARATION OF PERSONAL INTEREST**

No declaration of personal interest was received from any member who was present.

**2. URGENT BUSINESS – LGC INVESTMENT SEMINAR, CHESTER – 26/27 FEBRUARY 2009**

(This item had not been included on the agenda; however, the Chairman agreed to its inclusion under Section 100B (4)(b), Local Government Act 1972 because the seminar details had been received after the agenda had been sent to members and because of the urgency to act).

Submitted – the report of the Head of Finance, noting that an invitation had been received to send representatives to the above-mentioned seminar. Members' attention was drawn to the fact that 26 February 2009 was the date of the full Council meeting where the Council Tax level would be determined and he asked, as a result of that, whether a member wished to attend the seminar.

**RESOLVED to send letters to committee members asking whether they are interested in attending the seminar and should a positive response be received, that up to two members attend.**

**3. MINUTES**

The Chairman signed the minutes of this committee held on 23 September 2008, as a true record.

**4. "PEACE IN OUR TIME" – LOCAL GOVERNMENT PENSION SCHEME TRUSTEES' CONFERENCE**

Submitted – the report of the Head of Finance, noting that Councillors John G. Jones, Keith Greenly-Jones, Linda W. Jones, W. Tudor Owen and himself had represented the Council at the above-mentioned conference held in Cardiff on 23/24 October 2008.

The Head of Finance referred to the various presentations received on many aspects of the Local Government Pension Scheme.

It was noted that one presentation had provided information on the funding levels and contribution rates of local government pension funds and explained how there were some variations because of actuarial assumptions. Funds were encouraged to revisit their investment and contribution strategies in the context of an outlook of reducing funding levels from 85% in March 2007 to 70% by August 2008, and the probability of increased employers' contributions.

Attention was drawn to the presentation of another speaker who was of the opinion that it was misleading to use bond yields for calculating the funds' liabilities as the market price had been distorted when funds bought bonds in order to ensure safety.

Those members who had attended were of the opinion that they had obtained substantial benefit from the conference.

**RESOLVED to accept the report and continue to attend the conference in coming years.**

## **5. IMPLEMENTATION OF THE PENSION FUND WEBSITE**

Submitted – the report of the Pension Operations Manager, noting that the committee had already resolved to approve the Pension Fund's Communication Improvement Plan which included developing the Gwynedd Pension Fund Website that would provide information to members of the scheme, along with the funds' employers. In addition, a link would be available in order to enable members to have access to their personal pension record and calculate the prospective retirement benefit that would be available to them.

Following a review of other pension funds' websites and a consultation with the Gwynedd Information Technology Unit, it was suggested that the best way to proceed was to develop a stand alone website for the Gwynedd Pension Fund in order to provide a user friendly facility. The planned website would include sections for active members, deferred members, councillors, pensioners, employers and investments.

He explained that links to other useful websites would be available, along with the online AXISE system which would enable members to view their personal records, carry out benefit calculations, complete forms and request information.

It was noted that the costs of developing the website would include the cost of commissioning a designer to design the website within the requirements of the Council's web-structure. The data would be inputted and maintained by Gwynedd Pension Fund staff. It was intended to construct the website step-by-step and it was expected that the first phase, for active members, would be completed by April 2009. The subsequent phases would be included as part of the Pensions Unit's business plan in coming years. In relation to the software upgrade costs, a consultant from Heywood, the software providers, would need to install Phase E of the Internet Member Self Service system

onto the new web server. This would allow the progression of the Website's AXISe system online.

In order to enable the unit to implement the independent website and meet the targets of the Communication Improvement Plan, the Pension Operations Manager asked for the committee's approval to undertake £8,500 in additional costs in 2008/09 in order to develop the website (£6,000 for website development and £2,500 for upgrading software).

Following national occurrences where the Government's data had been lost, members expressed concern for the system's safety and the Pension Operations Manager explained how the system would manage access to information.

**RESOLVED**

**a) To approve the stand alone website and authorise the additional expenditure of £8,500 in 2008/09 so as to implement the development of the website in accordance with the Communication Improvement Plan.**

**b) To ask the Pension Operations Manager to ensure as much safety as possible with the system.**

**6. WINDING UP OF THEATR GWYNEDD**

Submitted – the report of the Head of Finance providing details of the implications and financial effect of the winding up of Theatr Gwynedd as an employer in the Gwynedd Pension Fund. He informed the committee that a request had been received for relevant information earlier on in the year and it was reported at the previous meeting of this committee in relation to this situation in a report entitled "Admitted Bodies".

It was explained that the Theatr Gwynedd company had been an admitted body in the Gwynedd Pension Fund since 1997. At the time of the proposed cessation date, eight of the nine active members would be statutorily entitled to immediate payments of benefits due to being over the age of 50; however, only one of them would have reached normal retirement age. Consequently, the total early payment cost would be £133,015.80.

It was explained that normally, past service deficits would be payable by Theatr Gwynedd over the whole of the next 10 years, as was assumed during the valuation. It was noted further that the fund actuary, Hymans Robertson, had arranged a cessation assessment based on the Theatr Gwynedd portion of the Fund's assets and liabilities -

| <b>Results</b>     | <b>31 March 2007</b> | <b>23 October 2008</b> | <b>23 October 2008</b> |
|--------------------|----------------------|------------------------|------------------------|
|                    | <b>(£000)</b>        | <b>(£000)</b>          | <b>(£000)</b>          |
| Liabilities        |                      |                        |                        |
| (a) Active Members | 732.6                | 0.0                    | 0.0                    |

|                      |        |         |                |
|----------------------|--------|---------|----------------|
| (b) Deferred Members | 0.0    | 90.1    | 132.7          |
| (c) Pensioners       | 31.6   | 844.9   | 1038.9         |
| Total Liabilities    | 764.1  | 935.1   | 1171.6         |
| Asset Share          | 730.6  | 586.9   | 586.9          |
| Surplus/(deficit)    | (33.5) | (348.0) | <b>(584.6)</b> |

It was explained that in employer cessation situations where there was no further resource to recover shortfalls via future employer contributions, the most prudent method of valuing any deficit was on a gilts basis as shown in the right hand column of the above table. Under this method, the outstanding deficit in respect of Theatr Gwynedd was £584.6k, inclusive of the £133k noted above.

The Theatr Gwynedd Board appointed Parkin S. Booth as liquidator. A statement was sent to the creditors meeting on behalf of the Gwynedd Pension Fund declaring that the sum of £584.6k was owed. While a claim for this sum was submitted, in the circumstances it was unlikely that the Fund would recover the whole amount. It was explained that should the debt remain un-recovered, it would have to be shared between all of the Fund's employers.

The Strategic Director – Resources suggested that the policy should be reviewed in relation to the status of the admitted bodies in the pension fund in order to consider whether the Council was comfortable with them.

#### **RESOLVED**

- a) To accept the report.**
- b) To ask officers to take appropriate steps to recover the deficit.**
- c) To ask officers to review the policy in relation to the status of the admitted bodies in the pension fund in order to consider whether the Council is comfortable with them and to submit a report to the committee.**

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

Submitted – the report of the Acting Pensions and Investments Officer, noting that it was resolved at the previous Pensions Committee not to increase the membership of the Pensions Committee as the Council was responsible for matters relating to the Fund, and it would be difficult to choose other representatives from the employers. Nevertheless, it was resolved to recommend to the Resources and Corporate Scrutiny Committee that the constitution of the Pensions Committee should be amended in order to allow voting rights for the representative from Anglesey County Council and the representative from the Conwy County Borough Council. As a result of these resolutions, the committee also decided to arrange informal meetings with the employers. A consultation letter had been sent to all employers, seeking their views on this procedure.

The Governance Policy Statement and the Governance Compliance Statement were amended to reflect the committee's resolutions and she provided details of the amendments to the committee.

**RESOLVED to approve the amendments to the Governance Policy Statement and the Governance Compliance Statement.**

**8. TIMETABLE FOR APPOINTING A NEW PENSION FUND MANAGER**

Submitted – the report of the Acting Pensions and Investments Officer on the timetable for appointing a new Investment Manager. She informed the committee, in order to appoint a new active global equity manager, that the fund would have to carry out a formal tender process within time constraints set out by law, which would include four steps, namely –

- a) Draft and agree a Fund specific Official Journal of the European Union (OJEU) notice and Pre Qualification Questionnaire.
- b) Analyse PQQ responses using quantitative and qualitative screening to identify investment managers to be included in the restricted long list.
- c) Issue detailed Requests for Proposal (RFP) to long-listed managers and analyse responses.
- ch) Shortlist of managers to present to members.

The detailed Requests for Proposal were sent out on 7 November 2008 to nine managers and the closing date was 19 December 2008. Subsequently, Hymans Robertson would issue a report by 6 January 2009, discussing the responses and recommending a list of managers to be interviewed. A meeting of the Pensions Committee was arranged for 12 January 2009 in order to discuss the report with Hymans Robertson via video conference when it would be necessary to decide which managers should be interviewed. The interviews would be held on 2 February 2009. Following the appointment, the necessary actions would be taken to transfer funds from Legal & General to the new manager.

**RESOLVED to adopt the above-mentioned timetable.**

**9. BOND INVESTMENTS**

Submitted – the report of the Strategic Director – Resources, noting that Hymans Robertson presented a paper detailing a revised proposal in relation to future investment in bonds at the meeting held in Manchester on 24 November to monitor Fund Managers' performance. He reminded members that the original intention was to manage bonds, which represented around 15% of the Fund's assets, via one of the Fund's passive managers, namely BGI. Nevertheless, the investment regulations prohibited the investment of more than 35% of the Fund in any single insurance contract and the Council had around 35% of the Fund in passively managed equities. When taken with the 15% invested in bonds, it would mean that it would be necessary to tender for another passive manager.

In July 2008, the possibility was raised with Hymans Robertson that another answer might be to appoint a bond manager that would manage bonds on the grounds of an active contract – this would mean that all passively managed equities could be allocated to BGI which would mean that it would not be necessary to appoint another passive manager. At the meeting in

Manchester, the feeling among the members was that advantage should be taken of the opportunities which presented themselves to obtain better performance figures, even allowing for higher fees, by appointing an active bond manager.

**RESOLVED to accept the report and to agree to appoint an active bond manager.**

The meeting commenced at 10.00am and concluded at 10.50am