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## **ANNUAL MEETING OF THE GWYNEDD PENSION FUND BETWEEN MEMBERS OF THE GWYNEDD COUNCIL PENSION COMMITTEE AND REPRESENTATIVES OF THE EMPLOYERS AND THE UNIONS, 20.07.10**

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**Present:** Councillor Keith Greenly-Jones (Chairman)

Councillors Trevor Edwards, John G. Jones and Councillor T.H. Jones (Isle of Anglesey Council)

**Also present** - Dilwyn Williams (Corporate Director), Dafydd Edwards (Head of Finance Department), Gareth Jones (Pensions Operations Manager), Nicholas Hopkins (Senior Pensions Officer), Marina Parry Owen (Pensions and Investments Officer) and Gwyn Parry Williams (Committee Officer) (Gwynedd Council); Rosslyn Morgan (Isle of Anglesey County Council); W. Thomas (Coleg Menai), Huw Trainer (North Wales Police), M. Norton (Coleg Llandrillo), P.R. Brooks (Conwy County Borough Council), Robin Llewelyn Owen and G. Edkins (Unison), Isobel Watson (Menai Bridge Town Council), Nerys Owen (Cartrefi Conwy), Nia Jones (Cwmni'r Frân Wen), Douglas Anderson and Richard Carlile (Capital International); Gareth Davies (Black Rock); Paul Potter (Hymans Robertson); Graham Kane and Anthony Shale (UBS Global) and Victoria Higley (Fidelity International)

**Apologies** – Councillors J.W. Jones, J.R. Jones (Gwynedd Council); Councillor Margaret Lyon (Conwy County Borough Council), Catherine Owen (Caernarfon Town Council Clerk) and Dr Gwynne Jones (Cynnal)

**1. CHAIRMAN**

**RESOLVED to elect Councillor Keith Greenly-Jones as Chairman of the meeting.**

**2. VICE-CHAIRMAN**

**RESOLVED to elect John G. Jones as Vice-chairman of the meeting.**

**3. DECLARATION OF PERSONAL INTEREST**

No declarations of personal interest were received from any member present.

**4. WELCOME**

The Chairman extended a welcome on behalf of the Council to visitors at the meeting representing the companies who were investors and to answer any questions that arose regarding those investments.

## 5. THE PENSION FUND

The Corporate Director submitted the annual report of the Pension Scheme for 2009/10 which included:

- review of the year
- recent trends
- management report summarising the main features regarding the administration of the scheme
- the actuarial position of the fund
- administrative and custodial arrangements
- an outline of investment powers and investment management methods
- a summary of the investment performance
- a statement of the investment principles and funding strategy
- details of the management structure
- membership statistics
- details of the employers that were members of the fund
- statement of accounts for 2009/10 and notes to the accounts
- appendices including statements of the communication and governance policies, the governance compliance policy, statement of the investment principles and the funding strategy statement.

Attention was given to the main issues of the report, namely:

- That the report was lengthy yet again this year, due to the fact that all the policy statements now had to be incorporated as part of the annual report.
- Administrating the fund. He noted that the new scheme that had come into existence about two years ago continued to pose a few problems because of the difficulties in obtaining details regarding the bands employers were expected to deal with.
- That considerable priority was given to communication in terms of the Pension Fund since only a minority of the workforce were aware of the advantages/choices to be had from the fund.
- That they had started to hold informal meetings with employers. It was intended to meet the employers three times a year and this had been welcomed by the employers in general since it gave them an informal opportunity to raise matters which concerned them, and to gain a better understanding around the table.
- That the Pension Fund's bilingual website had been launched in March 2009 which was a useful asset.
- Exam Success. He noted that the fund was devoted to ensuring that the employers received the best service possible, and one way of ensuring this was to have quality staff in order to achieve it. He referred to the fact that ten out of fourteen of the Gwynedd Pensions Unit's staff had a professional qualification in the pensions field, and that Gwynedd Pension Fund had the highest percentage of staff who had qualifications across all the funds in Wales. Considerable emphasis was placed on training and he drew attention to the fact that one of the fund's communication officers, Ayesha Blake, had received special praise when she had completed the course during the year.
- In relation to the 2010 valuation, he noted that the market's situation had gone against the fund and that there was a considerable possibility that there would have to be an increase in the employer's contribution in the next valuation. There were two factors which had changed this slightly. Firstly, the Government had recently decided to use the Consumer Prices Index rather than the Retail

Prices Index for increasing pensions in the future. The likelihood was that this would considerably reduce the fund's commitments, and that the results of the valuation, when carried out, would be better than originally forecast. The other factor to be considered was the fact that the Government had declared the freezing of public sector salaries for two years. Assuming that this would happen in local government also, it would likely influence the valuation's results later in the year. However, there was a strong possibility that employers' contributions would have to be increased, but to ensure that people did not face too much of an increase, all employers were invited to meetings over the subsequent days to discuss the situation. He also referred to the "capping and sharing" procedure the Government had in place to try and ensure that it wasn't the employer who faced all the risks associated with pension funds. He noted that the Chancellor of the Exchequer had, in the budget, stated his intention to create a commission to look at public sector pensions and therefore changes in this direction were foreseen in due course.

- Performance monitoring figures of the Pensions Administration Unit which showed a somewhat continuous improvement. He noted that if any element of the pension administration caused concern, then the relevant officers should be alerted of that.
- In relation to Investment Regulations, he drew attention to the changes to the regulations associated with the management and investment of funds.
- Allocation of Tactical Assets. He noted that the Pensions Committee had, during the year, taken steps to change the strategic situation. At the beginning of the period following the valuation, the Pensions Committee would decide how much to allocate to the different asset classes, namely approximately 75% in equity, 10% in property and 15% in bonds. Last year an opportunity had arisen to tactically alter that allocation for a short period, and as a result the difference between the corporate bonds, i.e. the bonds that companies would let out, and the gilts had been so large that there had been an opportunity to change assets for an approximate period of a year, and in doing so, a profit of £4.9m was generated for the fund.
- Financial Reporting Standard 17 (FRS 17). He was aware that this would create large problems to a number of people. This year, despite the fact that the fund's situation had improved due to the increase in equity markets, FRS 17 figures had decreased because of the way the FRS 17 was implemented.
- That the fund had achieved a return of 39.7% during the year, which was a substantial increase, but regrettably there had been an expectation of 40.8% from the benchmark given to the Investment Managers. The question of Investment Managers had caused worry for a few years, and the Pensions Committee had tried to do something about it. The Corporate Director noted that the fund, by now, had two new Investment Managers namely Fidelity International who were responsible for a global portfolio and Insight who looked after the fund's bonds on an operational basis. He referred to the performance of the various managers against their benchmark which showed a return of 39.7% against a benchmark of 40.8%.
- Every year a league table listing Local Authorities' Pension Funds according to their investment performance during the financial year was prepared. Out of the 87 pension funds which subscribed to the service, Gwynedd's performance had been ranked in 18th position, which was a percentile twentieth, and the fund's performance had been 39.7% compared to the average of 35.6%. Over the past eight years, the fund had had a return of 54.5%, which was slightly ahead of the average for that period. For the year up to 31 March 2010, the fund had seen the greatest earnings in Wales. He noted, had the fund received the returns of the worse performance in Wales, then the fund would have been at a loss of

£101m. Even a performance at the average level would have caused the fund to be at a loss of £28m.

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

No questions were received from the floor.

**RESOLVED to accept and note the report.**

The meeting commenced at 2.30pm and concluded at 2.50pm.