
ANNUAL MEETING OF THE GWYNEDD PENSION FUND BETWEEN MEMBERS OF THE GWYNEDD COUNCIL PENSION COMMITTEE AND REPRESENTATIVES OF THE EMPLOYERS AND THE UNIONS, 27.07.11

Present: Councillor John G. Jones (Chairman)

Councillors Trevor Edwards, W. Tudor Owen and Councillor Margaret Lyon (Conwy County Borough Council)

Also present - Dilwyn Williams (Corporate Director), Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Nicholas Hopkins (Senior Pensions Officer) and Gwyn Parry Williams (Committee Officer) (Gwynedd Council); David Elis-Williams and Diana Burns (Isle of Anglesey County Council); Rhodri Evans and Tim Pritchard (Coleg Menai), Huw Trainer (North Wales Police), M. Norton (Coleg Llandrillo), P.R. Brooks (Conwy County Borough Council), Eiry Davies (Cartrefi Conwy), Mandy Evans (Abergele Town Council), Jo Worrall (Snowdonia National Park Authority), Gwyn Hughes (Bangor City Council), Dan Henshall and David O'Neill (Conwy Voluntary Services), Mark Stevens (GMB), Lynn Patterson (Cynnal) and Paul Potter (Hymans Robertson)

Apologies - Councillors Simon Glyn, Keith Greenly-Jones, J.W.Jones (Gwynedd Council); Councillor Tom Jones (Isle of Anglesey County Council) and Isobel Watson (Menai Bridge Town Council).

1. CHAIRMAN

RESOLVED to elect John G. Jones as Chairman of the meeting.

2. VICE-CHAIRMAN

RESOLVED to elect Councillor W.Tudor Owen as vice-chairman of the meeting.

3. DECLARATION OF PERSONAL INTEREST

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

4. THE PENSION FUND

Before submitting the annual report, the Corporate Director referred to the sudden death of Councillor J.R.Jones at the end of March. The late Councillor J.R.Jones had been a member of the Pensions Committee since the reorganisation in 1996 and had been Chairman for two years. The Corporate Director paid tribute to him for his service to the Pensions Committee over a number of years.

The Corporate Director submitted the annual report of the Pension Scheme for 2010/11 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 2010/11 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.

He addressed the main issues of the report, namely:

- That 2010/11 had been a very busy year with many changes in the pipeline that would change the face of the Local Government Pension Scheme.
- He noted that the government had committed itself to reducing the financial burden that public sector pensions placed on the public purse and an independent commission had been established to review the long term affordability of such pension schemes.
- The pension uprate indicator had been changed from RPI to CPI and Lord Hutton of Furness had published his report which among other things recommended moving to career average salary schemes rather than the current final salary schemes. He noted that the government had acted on the short-term recommendations in the interim report and had also published proposals to increase employee contributions by an average of 3%. Concerns had been raised about the impact this would have on membership levels in the schemes which could cause further funding issues if significant opting-out occurred.
- In relation to the performance of the administrative unit, he noted that 105 surgery sessions had been offered during the year and that they had been very popular among members. He also noted that the unit's performance against the performance targets was encouraging and if anyone believed that there should be targets for other measures, then they were welcome to come forward as they were trying to measure what was important for members and employers.
- The Fund valuation. He noted that the valuation of the Fund as at 31 March 2010 had been completed during 2010/11 and the funding level had remained the same as at the previous valuation at 31 March 2007, namely 84%. Information regarding the funding level of other local authority pension schemes from the Fund's actuary showed that the median level had fallen from 85% to 75% between 2007 and 2010. Against this backdrop the funding level was a significant achievement. A report had also been received recently from the actuary on the experience since holding the valuation which suggested that the funding level had increased to 87% by 31 March 2011 and this was heartening news.
- He noted however, that it was the employer's contribution that was most important to employers and there had been success in keeping the increase of that contribution to the minimum level possible while retaining a prudent view of the fund. The common contribution rate for the fund was 22.1% while the Hymans clients median figure was 25.4%

- He went on to explain how the fund had allocated its assets before talking about performance.
- Every year, a league table listing Local Authorities' Pension Funds according to their investment performance during the financial year was prepared. Out of the 85 pension funds which subscribed to the service, Gwynedd's performance had been ranked in 34th position, which was a percentile fortieth, and the fund's performance had been +8.5% compared to the average of +8.1% and compared against the set benchmark of 7.8%.
- He noted that the performance over the three year period was not as encouraging and while there were obvious reasons for this, the committee was trying to take action in order to mitigate the situation.
- Taking the fund's position into account and comparing it with the performance of the average in the league tables list, it could be deemed that Gwynedd Fund's performance represented performance above the average position which equated to £119m since 2003.
- That the eight Pension Funds in Wales were discussing the possibility of reducing the number of pension funds in Wales. All members of the fund would be consulted once a response was received.

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

Questions were invited from the floor.

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

He noted that the benchmark that had been set was the return on cash and he asked whether there was a more appropriate benchmark that could be used to measure the performance of bonds. He also noted that the bonds portfolio appeared as though they had been limited to the United Kingdom, and he referred to one of the objectives of the funding policy, namely *"not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk"* He therefore asked why managers were being restricted from investing in foreign bonds.

In response to the question, the Corporate Director notified the committee that when the Pensions Committee had appointed Insight, there were two options, namely to chose a benchmark associated with bods in general or a benchmark based on cash. The committee decided that a benchmark should be established that was associated with cash because when bonds would succeed etc a benchmark of 2% above cash, over a period of time, should equate to how bonds were expected to perform. However, when bonds lost their value, a cash benchmark of +2% would most likely be positive and therefore there was pressure on the Bonds Managers not only to select which bonds should be invested in but they also had the right to pursue other non-equity investment methods. It was anticipated that this would give us an element of protection when bond returns turned negative. He noted that bond returns had been positive to date and the true value of this benchmark had not yet been witnessed.

In response to the question regarding the foreign bonds, Paul Potter (Hymans Robertson) notified the committee that managers were permitted to invest in foreign bonds, if they wished to, and should they view it worthwhile.

A question from Mrs M.Norton, Coleg Llandrillo

In relation to asset allocation, she asked whether or not it was intended to keep to 10% for property or whether this percentage was too high for the time being.

In response to the question, the Corporate Director notified the Committee that they tried to adhere to the 10%. He noted that the fund was currently under pressure somewhat in terms of property and there might be a need to inject more money in the fund accordingly. Approximately two years ago, there had been a need to inject more money for property, however, instead of injecting it directly into property, it had been placed in an equity company which invested in land.

RESOLVED to accept and note the report.

The meeting commenced at 2.00pm and concluded at 2.40pm.