
PENSIONS COMMITTEE, 28.09.12

Present: Councillor Peter Read (Chairman)
Councillor John Pughe Roberts (Vice-chairman)

Councillors Trevor Edwards, Peredur Jenkins, W.Tudor Owen and Councillor Tom Jones (representative of Anglesey County Council)

Officers:- Dilwyn Williams (Corporate Director), Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Gareth Jones (Pensions Manager) and Gwyn Parry Williams (Members Support and Scrutiny Officer).

Apologies: Councillors Stephen Churchman, Selwyn Griffiths, Dafydd Meurig and Councillor Margaret Lyon (representative of Conwy County Borough Council)

1. CHAIRMAN

RESOLVED to elect Councillor Peter Read as Chairman of the Committee for 2012/13.

2. VICE-CHAIRMAN

RESOLVED to elect Councillor John Pughe Roberts as Vice-chairman of the Committee for 2012/13.

3. DECLARATION OF PERSONAL INTEREST

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

4. URGENT BUSINESS

(The following matter had not been included on the committee's agenda, however the Chairman agreed to its inclusion under Section 100B (4) (b), Local Government Act 1972 due to the need for urgent action)

Wales Collaboration Project

Submitted – the report of the Corporate Director which indicated that £5,000 had already been contributed towards the cost of the aforementioned project. By now perhaps this amount would not be sufficient and he suggested that an additional £2,500 be contributed should there be a need to end the project.

RESOLVED to agree to contribute an additional £2,500 should there be a need to end the project.

5. MINUTES

The Chairman signed the minutes of the previous meeting of this committee held on 23 March 2012 as a true record.

6. TREASURY MANAGEMENT 2011/12

Submitted – the report of the Head of Finance Department reporting on the results of the Council's actual Treasury Management in the previous financial year in accordance with the requirements of the CIPFA Code of Practice. He referred in particular to the economic background and the investment activity.

RESOLVED to note the content of the report.

7. ASH WALES

Submitted – the report of the Investment Manager noting that the Chief Executive of Gwynedd Council had received an e-mail from Mark Isherwood A.M in June 2012 regarding a report by ASH Wales on investments by pension funds in North Wales in the tobacco industry. A copy had also been received from Councillor Margaret Lyon on behalf of the Chief Executive of Conwy County Borough Council.

She was noted that the fund had a Statement of Investment Principles which provided a framework for the fund's investments and it included social, environmental and ethical matters. This outlined the responsibilities of the pension fund as follows -

“With regard to socially responsible investments the Committee is mindful of legal principles which are based on decisions in the courts and which apply to all pension schemes. In particular the administering authorities are not entitled to subordinate the interests of members to social, environmental and ethical demands. The financial performance of the Fund consistent with proper diversification and prudence is paramount”.

The possibilities were discussed before concluding that it would be difficult to ensure agreement on a specific area that the fund would not invest in as there was a requirement to conform to the principle noted above and as there were so many investments that some people could link to other ethical matters, such as weapons and alcohol etc.

A member asked to change the word “interests” to “benefits” in the second sentence of the statement and the committee agreed with this.

RESOLVED

a) Respond to Mark Isherwood AM in accordance with the statement noted above that would include changing the word “interests” to “benefits” in the second sentence of the statement.

b) Ask the Investment Manager to complete a research with a view to submitting a report to the committee providing details on the practices of other pension funds in this area so that the committee can further consider this matter.

8. STATEMENT OF INVESTMENT PRINCIPLES

Submitted – the report of the Corporate Director on the revised Statement of Investment Principles.

The Investment Manager notified members of the committee that a consultation process had taken place during July and August 2012 on the revised version of the Statement with the interested parties which included all the employers in the fund, investment managers and the investment consultants and no objections had been received. In light of this, he recommended that the committee adopt the revised Statement.

RESOLVED to adopt the revised Statement of Investment Principles**9. LGPS TRUSTEES CONFERENCE**

Submitted – the report of the Corporate Director stating that he and Councillors W. Tudor Owen and John P. Roberts had attended the conference noted above in June 2012.

He provided details of the matters that had been discussed at the conference and drew specific attention to the following matters -

- a) The 50:50 Option, whereby members could elect to take half of the benefits for half of the cost.
- b) What should be placed in the new governance arrangements and four things had been suggested to which fund employers should be entitled, namely-
 - A clear funding strategy so that they would be aware of why and where they were headed so that they could adequately equip themselves for matters that would arise in good time.
 - To be aware of any risks and costs that they were liable for in relation to other employers in the Fund
 - Not to be subjected to unacceptable levels of risk
 - Be treated to good investment returns.

In relation to (b) above, the Director informed the committee that the Gwynedd Fund only had one benefits strategy and that further consideration should be given to this matter perhaps in the context of the ability to differentiate between the needs of the employer and that this should be raised with the actuary when discussing the next valuation.

- c) The auto enrolment legislation that was about to come into force. He noted that the legislation that would make it mandatory for every eligible employee to be auto enrolled into a relevant workplace pension would come into force on 1 October 2012 with a specific date for each employer depending on their size.

The Head of Finance Department informed the committee that there was a great deal of administrative work associated with the legislation and he noted that the fund's staff had been holding awareness raising sessions amongst the fund's employees in order to encourage them to deal with the requirements.

- ch) Alternatives to investing in bonds and equities. He noted that the Merseyside Pension Fund had been investing through their investment managers in the GwyriAD project in Gwynedd and he believed that the Gwynedd Pension Fund should have taken advantage of such an opportunity. This could be discussed with Hymans Robertson.

RESOLVED to accept the report.**10. LGC INVESTMENT SUMMIT, 5-7 SEPTEMBER 2012 – “Desperately Seeking Growth”**

Submitted – the report of the Head of Finance Department and it was noted that he and Councillors Stephen Churchman and Trefor Edwards had attended the conference noted above at the Celtic Manor, Newport.

He gave details of the main matters that had been discussed at the conference, such as framework agreements for an actuary service, investment consultants and minders, returns from equities in emerging markets, specialist categories of investments in

property and opportunities for local government funds where the current value of investments on the balance sheet was underestimating their potential.

RESOLVED to accept the report.

11. INVESTMENT MANAGERS FEES

Submitted – the report of the Corporate Director which stated that Veritas had been appointed as the investment manager to replace Capital. In relation to the performance fee, following an assessment of the advantages and disadvantages he believed that the performance fee should not be implemented in the context of this agreement, but rather that the basic fees should be implemented and that he had already agreed to act on these lines.

RESOLVED to confirm the actions that had been taken by the Corporate Director.

12. EXCLUSION OF PRESS AND PUBLIC

RESOLVED to exclude the press and public from the meeting during the discussion on the following items because of the likely disclosure of exempt information as defined in paragraph 14, Part 4, Schedule 12A of the Local Government Act 1972. This paragraph applies because the first report contains information regarding the Council's financial matters and the disclosure of this information at present could have detrimental effect on the fund. It is believed that the public interest in not disclosing the information outweighs the public interest in disclosing it. Once the decision has been made and implemented, it would be possible to disclose the information. The second report contains information regarding the authority's financial matters and supplier and disclosing it would probably damage the commercial relationship between the two parties together with creating a disadvantage to them in future discussions. Therefore it is believed that the public interest is not to disclose the information.

13. PROPERTY INVESTMENT

Submitted – the report of the Corporate Director further to the quarterly meeting of the Pension Fund's Investment Panel held in Caernarfon on 26 July 2012.

RESOLVED

a) Submit a notice to UBS instructing them to redeem Gwynedd's investment in accordance with the opinion of the Investment Panel.

b) Authorise the Corporate Director, in consultation with the Investment Panel, to decide on the next steps.

14. PENSIONS ADMINISTRATION SOFTWARE UPGRADE

Submitted - the report of the Head of Finance Department noting that there was a need to upgrade the Pensions Administration Unit's current administration software system. In order to face the significant changes of the 2012 Pension Reform and Hutton Review, and to implement effective integrated web based communication with the stakeholders, namely the employers, staff, pensioners etc, a system was needed to utilise the latest technology with functionality that provided efficiencies to pensions staff.

He noted that the Gwynedd Pension Fund was administrated on behalf of 40 employers with membership made up of active, deferred and pensioners. Since April 2005, although active membership had remained relatively constant, total membership had increased substantially and it was more essential than ever for the Pension Unit to maintain a robust and efficient administration system.

He provided details of the additional finance.

RESOLVED to fund the cost of the upgrade and approve an increase in the cost of the annual licences in accordance with the details submitted in the report to the committee.

The meeting commenced at 2.00pm and concluded at 3.00pm.