ANNUAL MEETING OF THE GWYNEDD PENSION FUND BETWEEN MEMBERS OF GWYNEDD COUNCIL'S PENSIONS COMMITTEE AND REPRESENTATIVES OF THE EMPLOYERS AND UNIONS, 25.07.13

Present: Councillor Peredur Jenkins (Chairman)

Councillor W Tudor Owen (Gwynedd Council), Councillor Margaret Lyon (Conwy County Borough Council) and Councillor H. Eifion Jones (Isle of Anglesey County Council)

Also present – Dilwyn Williams (Corporate Director), Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Gareth Jones (Pensions Manager), Nicholas Hopkins (Senior Pensions Officer), Eurig Williams (Senior Personnel Officer) and Gwyn Parry Williams (Member Support and Scrutiny Officer) (Gwynedd Council); Huw Trainer and Jennifer Ellen (North Wales Police), Barry Bracegirdle (GMB), Lynn Patterson (Cynnal), Mandy Evans (Abergele Town Council), Ceren Williams (Mantell Gwynedd), Clare Williams (IOACC), Marc Jones (Cartrefi Cymunedol Gwynedd), Peter Brooks (Conwy County Borough Council), Nia Jones (Cwmni'r Fran Wen), Katherine Owen (Caernarfon Town Council) and Paul Potter (Hymans Robertson)

Apologies – Councillor Stephen Churchman, Trevor Edwards, Dafydd Meurig, Peter Read, John P. Roberts

<u>Retirement</u>
The Corporate Director referred to the fact that this would be the last meeting of this Committee that Gwyn Parry Williams, Member Support and Scrutiny Officer would be attending as he would be retiring at the end of this month. He thanked him for his service over the years and he wished him a happy retirement.

1. CHAIRMAN

RESOLVED to elect Councillor Peredur Jenkins as Chairman for the meeting.

2. VICE-CHAIRMAN

RESOLVED not to elect a vice-chairman for the meeting.

3. DECLARATION OF PERSONAL INTEREST

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

4. THE PENSION FUND

The Corporate Director submitted the annual report of the Pension Scheme for 2012/13 which included:

- a review of the year
- recent trends

- a management report summarising the main features of 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 investment performance
- a statement of investment principles and the funding strategy
- a skills and information framework
- details of the management structure
- membership statistics
- statement of accounts for 2012/13 and notes to the accounts
- appendices including statements of the communication and governance policies, a statement of compliance with the governance procedure and Stewardship Code, a statement of investment principles and funding strategy.

He addressed the main issues of the report, namely:

- Pensions Administration. He noted that the 2014 Local Government Pension Scheme would be an average earnings scheme and that it would accrue at a rate of 1/49. A seminar had been held for employers to explain the new scheme.
- He referred to the draft Public Services Pensions Bill that outlined the steps that would take place in September 2013.
- He noted that Auto-enrolment had come into force in July 2012 by the Government which made it more difficult for people not to be members of a Pension Scheme. This involved a lot of work for employers. Seminars had been held to explain this procedure.
- He drew attention to the proposed changes to the State Pension which meant that from April 2016 “contracting out” would disappear and that the national insurance contributions of employers and employees would increase to the “contracting in” rate. He noted that if employers did not already address this in their medium term plans that they needed to do so.
- He drew attention to the table in relation to monitoring performance which gave details of the performance figures.
- He referred to the Investment Strategy and Statement of Investment Principles and noted that the decision to invest in infrastructure resources was now being put into practice. Unfortunately, the mandate with one of the Investment Managers, namely Capital International, had been terminated as they were underperforming and Veritas Asset Management had been appointed as their replacement to be responsible for a substantial proportion of the Gwynedd Pension Fund.
- In relation to the collaboration with Wales’ pension funds, he noted that the treasurers of the eight pension funds in Wales had been working on a project that considered the opportunities available for improvement through collaboration. An outline business case had been created which suggested that possibly there would be benefits from merging the investments which might lead to higher returns. The outline business case had been sent to all employers for observations and a response had been received from some of them. Consequently, the treasurers were of the opinion that a detailed business case should be created and a consultation would be held on it with all employers prior to deciding whether or not to create a fund of this type.
- He drew attention to the fund’s trends which noted that the value of the fund in 2013 was £1.2m compared to £400m in 2003.
- He referred to the fact that the fund had underperformed by 1% during the 2012/13 financial year as it had returned gains of 11.7% against the benchmark

of 12.7%. Over the three year period since the last valuation, the fund had performed better than what had been used in the valuation, with gains of 6.8% per annum, compared to the presumption of 5.9% in the previous valuation. He drew attention to a league table listing Local Authorities' Pension Funds according to their investment performance during the financial year. Of the 85 pension funds, the performance of this Council was placed in position 77, namely at the 90th percentile with the performance of the fund being 11.7% compared with an average of 13.8%. The reasons for this were that Capital International had performed poorly and also that all the bonds resources in alternative agreement with the manager were supposed to obtain a return of the benchmark + 2%. Over the past two years, the bonds had performed strongly and the fund had suffered as a result. By now, the bonds had reduced 2.5% over the past 12 months; however, the company's performance had increased 3.8% which suggested that the policy followed was starting to pay dividends.

- In relation to the valuation, he noted that the actuary currently took data and valuated the fund. Annually, in March, an assessment was received from the actuary of what had been happening since the previous valuation. Last year, the assessment showed that the fund was 70% funded and this year's assessment was approximately the same percentage. He noted, therefore, that we should prepare for the result of the next valuation in November being worse than the 2010 valuation. The valuation would be undertaken based on the facts as at 31 March. Since 31 March 2013 and by the end of June, the bond yield figure had increased from 3% to 3.4% and as a result, the liabilities had reduced and this had improved the fund. He noted that there would be a presumption that the result of the valuation would lead to an increase in the employer contributions. He referred to the fact that a number of small employers, such as town/community councils etc., had been included in the "permitted bodies" category. For this year's valuation, consideration would be given to abolishing this category. During September/October, it was intended to contact the bodies in this category to discuss this.

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

Questions were asked in relation to the report and the officers responded appropriately to them.

RESOLVED to accept and note the report.

The meeting commenced at 2.00pm and concluded at 2.50pm.