



Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSION BOARD

Date and Time

2.00 pm, WEDNESDAY, 13TH MARCH, 2019

Location

Ystafell Gwyrfai, Council Offices, Caernarfon,

Gwynedd. LL55 1SH

Contact Point

Lowri Haf Evans

01286 679878

lowrihafevans@gwynedd.llyw.cymru

(DISTRIBUTED 06/03/19)

PENSION BOARD

MEMBERSHIP

EMPLOYER REPRESENTATIVES

Anthony William Deakin

Cartrefi Conwy

Councillor Aled Ll. Evans

Cyngor Gwynedd Council

Huw Trainor

North Wales Police

MEMBER REPRESENTATIVES

Hywel Eifion Jones

(retired – formerly Anglesey Council)

Osian Richards

Members Representative

Sharon Warnes

(retired - formerly Gwynedd Council)

A G E N D A

1. APOLOGIES

To receive any apologies for absence

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

3. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so that they may be considered

4. MINUTES

4 - 7

The Chairman shall propose that the minutes of the meeting of this committee held on 13.12.2018 be signed as a true record.

5. MINUTES OF PENSIONS COMMITTEE

8 - 11

To submit, for information, minutes of the Pensions Committee meeting held on the 21.01.2019

6. TRANSFER OF INVESTMENTS TO THE WELSH POOL

12

To consider the Investment Managers report

7. PENSION BOARD CHAIR DRAFT REPORT FOR 2018/19 FOR GWYNEDD PENSION FUND'S ANNUAL GENERAL REPORT

13 - 16

To consider the report

8. LAPFF CONFERENCE

To receive a review of the Conference

9. 2019/2020 AMENDED WORK PROGRAMME

17 - 18

To consider the Team Leader Communication and Systems report

PENSION BOARD, 13.12.18

Present: Anthony Deakin (Cartrefi Conwy) (Chair), Councillor Aled Evans (Gwynedd Council), H Eifion Jones (Scheme Members' Representative), Osian Richards (Scheme Members' Representative), Huw Trainor (North Wales Police) and Sharon Warnes (Scheme Members' Representative).

Others invited: Councillor John Pughe Roberts (Chair of the Pensions Committee).

Officers:- Dafydd Edwards (Head of Finance Department) (items 1-8), Caroline Roberts (Investment Manager) (items 1-6), Nicholas Hopkins (Pensions Manager), Meirion Jones (Senior Communication Officer - Pensions) and Bethan Adams (Member Support Officer).

1. APOLOGIES

No apologies were received.

2. DECLARATION OF PERSONAL INTEREST

Sharon Warnes declared a personal interest in item 5 on the agenda, as she was a member of the Grŵp Cynefin Management Board.

The member was not of the opinion that it was a prejudicial interest, and she did not withdraw from the meeting during the discussion on the item.

3. URGENT ITEMS

It was noted that Tony Deakin and Sharon Warnes had been selected, at the previous meeting on 16 July 2018, to attend the LGPS Governance Conference held in Bristol on 17 - 18 January 2019. It was explained that Sharon Warnes was unable to attend the conference and a message had been sent to the Board members asking them to express their interest in attending the conference. A discussion was held and it was concluded that the booking would be cancelled.

H. Eifion Jones referred to the fact that there was no item on the agenda in relation to reporting back from conferences, and he noted that he had attended the Annual Meeting of the Local Authority Pension Fund Forum in Bournemouth on 5 - 7 December 2018. In response, the Head of Finance Department noted that there was an item on reporting back from conferences on the agenda of the Pension Board occasionally.

The member noted that he had sent a copy of the PowerPoint presentations from the conference to the Head of Finance and the Chair, and he noted that he had very much enjoyed the session with the former Barclays Bank employee.

The Head of Finance Department noted that it was a matter for individuals as to whether they wished to report back from conferences or not. He added that he had received an e-mail from Hymans enclosing a report summarising the presentations at the Bournemouth conference, and that he would forward this to the members.

4. MINUTES

The Chair signed the minutes of the previous meeting held on 16 July 2018 as a true record, subject to amending bullet point 3 under item 10 - "General Update on Pensions Administration" on page 5 to read:

- Penalty arrangements needed to be introduced if some **employers** continued to create additional work. It was considered that this was an item for the Committee to consider.

It was emphasised that the minutes of the previous meeting were only submitted to the committee to confirm accuracy only.

5. PENSIONS COMMITTEE MINUTES

The minutes of the Pensions Committee held on 8 November 2018, were accepted for information.

A member referred to the Pension Fund's Investment Strategy and noted the intention to look to invest in Wales in line with the second principle of the Investment Strategy Statement, whether the Wales Pensions Partnership would consider investing in the housing market. She noted that she had recently attended a housing conference and that the Chair of a Pension Board in England had noted that the Fund should definitely invest in the housing market. She elaborated that as a part of the North Wales Economic Growth Bid there would be opportunities to collaborate with others in terms of investing in the developments deriving from the scheme.

A member noted that the Manchester Council Pension Fund invested in the housing market, whilst Warrington Council borrowed from the Public Works Loans Board (PWLB), rather than investing the Pension Fund's money. The member added that this was an issue that required the attention of the Pensions Committee.

In response to the members' observations, the Head of Finance Department noted that the Pensions Committee, at its meeting on 8 November 2018, had adopted the Pension Fund's Investment Strategy Statement. He noted that matters would arise over the coming months regarding future investment opportunities, noting that the returns needed to be explicit. He elaborated that these matters would be addressed by the Wales Pensions Partnership, rather than by the Gwynedd Pensions Committee.

A member noted that it was a complex subject and that collaborating with others through the Wales Pensions Partnership was the way forward.

A member noted that investing in affordable housing would benefit the Fund's members.

6. PENSION FUND INVESTMENT PERFORMANCE 2018/19

The Investment Manager submitted a report that elaborated on the procedure of monitoring the performance of the Pension Fund's investments up to the end of the Second Quarter of 2018/19.

The Head of Finance Department drew attention to a graph on page 14 of the agenda, which showed the comparative accumulative quarterly performance per manager for the 2015-18 period. He elaborated that the situation was acceptable and that the performance was encouraging, when comparing the rate of returns against the benchmark.

RESOLVED to note the information.

7. PENSIONS ADMINISTRATION

A comprehensive report was submitted, providing a general overview of pensions administration over the past six months, along with information about the work presented over the period, an update on various projects, changes in the regulations and a list of the challenges faced by the Administration Unit on a daily basis.

During the ensuing discussion, the members noted the following main observations:

- Officers were thanked for their work in reconciling the Guaranteed Minimum Pension (GMP) and for working as a team to fulfil the aim. Some pension funds were lagging behind in terms of completing the work.
- In terms of staffing resources, would the temporary posts continue on the staffing structure?
- Board members expressed support for adding to the staffing structure.
- Was there a final deadline in relation to the 119 cases of widows designated as 'stalemate' cases by HMRC?
- Once the cases had been resolved, would this affect the individuals?
- There was no risk to the Fund as the enquiries had been submitted to HMRC.
- Had all Fund members received an Annual Benefit Statement?
- The Scheme's Advisory Board was going through the procurement process to develop a system to carry out a compliance check on assets managers who had committed to the Scheme Advisory Board's Transparency Code. It was intended for the system to be live by April 2019 and the development should be investigated. It would be beneficial for Hymans to give a presentation to members of the Pension Board and Committee.
- The board should consider the quality of data.
- Concern about continuity as experienced officers were approaching retirement.
- A report for the meeting of the Pensions Committee on 21 January 2019 in relation to adding posts to the staffing structure was welcomed.

In response to the above observations, the officers noted that:

- Other pension funds had paid external agencies/accountants to complete the work of GMP reconciliation, at a high cost. The Fund was fortunate that the work could be completed in-house for a reasonable price.
- A report would be submitted to the Pensions Committee meeting on 21 January 2019 relating to adding the 3 temporary posts to the staffing structure on a permanent basis.
- The Board members' support to adding to the staffing structure was appreciated.
- The 119 'stalemate' cases had been registered with HMRC and that HMRC had a time-frame in which to resolve the cases by 31 March 2019; however, there could be some slippage to the time-frame.
- If a GMP over-payment were identified, this would not affect individuals as they were not at fault; and should an underpayment be identified, the sum would be paid out.
- Annual Benefit Statements were available for Fund members on-line, and three letters relating to registering on the Members' Self-service website had been sent to members. If members had not registered on-line or had not requested to continue to receive paper copies, they would not have received their statement. In some cases, employers did not note an individual's finish date, and so, consideration would be given to the cases before the Annual Benefit Statement could be produced. A full-day training session on the Role of the Employer would be held by the Welsh Local Government Association's Training Officer on 31 January 2019.

- Developing a system to hold a compliance check with the Scheme Advisory Board's Transparency Code would ensue; however, the requirements and expectations were not yet known. The situation would be monitored.
- Data quality was noted as a matter to consider in the Pension Board's Work Programme for 2019/20.
- When officers retired, experience was lost and training new officers required a lot of work.
- That a sufficient staffing resource was needed to address the bulk of work and that it was the highest priority.

RESOLVED to accept the information.

8. THE PENSIONS REGULATOR: PUBLIC SERVICE GOVERNANCE PROCEDURE SURVEY 2018

A survey by the Pensions Regulator was submitted to get the Board's input in order to complete the survey. It was explained that the closing date for responses was 30 November 2018, but the deadline had been extended by the Regulator in order to get the Board's input at this meeting.

The on-line survey was completed and submitted to the Pension Regulator's website during the meeting.

During the discussion, the following matters were noted as ones requiring attention:

- Continuity arrangements in terms of staffing;
- The 5 highest risk matters on the risk register;
- Developing arrangements to punish employers who continue to generate additional work.

9. SELF-SERVICE SYSTEM DEMONSTRATION

It was noted that Aquila Heywood provided a Member Self-service system for the Pension Fund. It was explained that the company had developed a new version of the system with a brand new interface. It was noted that the Pensions Committee, at its meeting on 8 November 2018, had approved finance to upgrade to the new version.

In response to a question from a member about where the data would be kept, the Pensions Manager noted that discussions were continuing with Aquila Heywood about hosting the system and amended costs were being awaited in the hope that the system would be live early in 2019.

RESOLVED to note the information.

The meeting commenced at 2.00pm and concluded at 4.00pm

PENSIONS COMMITTEE 21.01.2019

Present: Councillors: Stephen Churchman, Simon Glyn, Peredur Jenkins, Aled Wyn Jones, Peter Read, John Pughe Roberts (Chair), Robin Williams (Anglesey Council) and Hywel Eifion Jones (Pensions Board - Observing)

Officers:- Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Meirion Jones (Senior Communications Officer (Pensions)) and Lowri Haf Evans (Member Support Officer).

1. **APOLOGIES**

Apologies were received from Councillors David Cowans (Conwy Borough Council) and John Brynmor Hughes.

2. **DECLARATION OF PERSONAL INTEREST**

None to note.

3. **URGENT ITEMS**

None to note.

4. **MINUTES**

The Chair signed the minutes of the meeting of this committee, held on 8th November 2018, as a true record.

5. **FIXED INCOME SUB-FUND**

Submitted - a report requesting the Committee to consider sub-funds for 'fixed income' assets as options for the Gwynedd Pension Fund to invest via the Wales Pensions Partnership. As a contingency measure it was explained that the Gwynedd Pension Fund had access to passive 'fixed income' assets via the passive investments agreement.

It was noted in a meeting of the Investments Panel on 15/11/2018, that information and guidance had been presented to members of the Pensions Committee regarding the Wales Pensions Partnership sub-funds for 'fixed income' assets and the possible options were discussed. It was suggested that it would be an opportunity to transfer assets to the Partnership's active portfolios at the beginning of Summer 2019.

With a possible option of distributing the assets between four types of fixed income sub-funds, the conclusion of the Investment Panel was that the Absolute Returns Fund and the Multi Asset Credit Fund was of interest to Gwynedd at the time of launching the Wales Pensions Partnership sub-funds.

A summary of the possible options was submitted as an exempt appendix to the report and therefore, in order for the Members to discuss them in detail, it was resolved,

TO EXCLUDE THE PRESS AND PUBLIC as there was an acknowledged public interest in openness in relation to the use of public resources and related financial issues.

However, it is also acknowledged that there are occasions, in order to protect the financial interests of public authorities, when matters related to commercial information need to be discussed without being publicised. The appendix related to investment arrangements that are commercially sensitive and confidential for the company in question. Publishing commercially sensitive information of this type could undermine the provider's confidence in submitting prices to the Council and, therefore, the Council's ability to invest successfully. This would be contrary to the wider public interest of securing value for money and the best overall outcome.

Observations arising from the discussion;

- Committee Members appreciated the views of the officers and the experts from Hymans and Russell in this field, and wanted to follow the suggestion presented.
- Committee members valued the opportunity to work with new managers, together with the possibility of retaining assets with one of the current managers of the Gwynedd Fund.
- Although there was no intention for the Gwynedd Fund to transfer assets to the Worldwide Credit Fund, the Chair was asked to highlight the principles of relative responsible investment at the next meeting of the Wales Pensions Partnership Joint Committee.

RESOLVED -

- a) **In accordance with the proposal, to generally reinvest the current fixed income assets of the Gwynedd Fund in the sub-fund of the Absolute Returns Fund of the Wales Pensions Partnership and to reinvest the equity assets set aside for now in order to reduce the risk in the sub-fund of the Multi Asset Credit Sub-fund of the Wales Pensions Partnership.**
- b) **Since all the investment managers of the Wales Pensions Partnership had not yet been finally confirmed, to delegate the power to the Head of Finance Department, in consultation with the Chair of the Committee, to determine the final allocations between the sub-funds, following the opinion and further guidance from experts, as required.**

The press and public were invited back into the meeting.

6. LOAN SECURITY

Submitted – a report requesting the Committee to agree for the Wales Pensions Partnership to agree to a loan guarantee as an opportunity to increase income from equity in the funds.

It was highlighted that all Welsh funds that are part of the Wales Pensions Partnership would have to agree to the proposal before implementation.

Reference was made to a document by Hymans Robertson attached to the report giving an overview and explanation of the process, why investors would loan stock and the risks linked to this.

The members noted that the proposal was an interesting opportunity with a low risk, was a means of receiving some gains to the fund whilst mitigating the risk through a guarantee.

In response to a question regarding limiting the relevant investment sum of the Fund, and if a maximum had been set, it was noted that it would be possible to ask the question at the next meeting of the Wales Pensions Partnership Joint Committee.

RESOLVED that the Gwynedd Pensions Fund agrees for the Wales Pensions Partnership to loan stocks from the sub-funds.

7. THE SCHEME'S ADVISORY BOARD: MANAGING COSTS

Submitted for information a report summarising the proposed recommendations of the Scheme's Advisory Board that would return the total cost of the scheme to its target cost of 19.5% (it is estimated that 19.0% is the current actual cost of the scheme). It was noted that changes had to be made to benefits if they wanted to reach 19.5% and a package of recommendations were submitted to the Secretary of State in November 2018. It was added that legal counsel and the views of the Government's Actuary had been considered by the national Board.

The following main points were highlighted and attention was drawn to the financial impacts of the package. The final decision on the package of improvements would be made by the Ministry of Housing, Communities and Local Government with a brief consultation likely to take place at the beginning of Spring, in order for the improvements to take effect by April 2019.

In response to a question regarding the target set at 19.5%, it was noted that the target had been set by the Westminster Government via a national agreement with relevant Trade Unions.

Observations arising from the discussion;

- Despite the cost to the fund and to employers, the modifications would benefit contributors.
- Concern about the impact on small employers.
- Concern that small employers cannot afford the amendments and would therefore be placed under pressure to find a different scheme.
- Concern that the fund would lose members.
- Accept that this was national guidance, however, everything must be weighed up carefully.

RESOLVED to request that the Head of Finance Department and the Chair present observations on the members' concerns to the Ministry of Housing, Communities and Local Government in Westminster and the National Advisory Board for the Local Government Pension Scheme, when there is a consultation.

8. STAFFING OF PENSIONS ADMINISTRATION UNIT

Meirion Jones (Senior Communications Officer (Pensions)) left the room during the following discussion.

Submitted – a report requesting the Committee to approve additional resources to enable the Finance Unit to establish a resilient staffing structure for the Pensions Unit in response to the increasing demands to administer the Local Government Pension Scheme. It was added that the proposed structure corresponded to the Council's management structure and that the posts had been evaluated. It was noted that the staff percentage in the Unit were older and that a continuation scheme should be established.

Observations arising from the discussion;

- That the salary scales in the Unit were lower than other funds.
- The team was smaller than in other funds.

- The existing structure was historical.
- In terms of risk management, continuation had to be planned for.

RESOLVED:

- **To approve the increase in expenditure financed to enable the Finance Department to establish a more resilient staffing structure for the Pensions Unit at an additional cost of £121,120.**
- **To request that the Head of Finance implements an appropriate amended staffing structure for the Pensions Unit as soon as practically possible, in order to manage business risks and work pressure.**

The meeting commenced at 2:00pm and concluded at 3:00pm.

Agenda Item 6

MEETING:	PENSION BOARD
DATE:	13 MARCH 2019
TITLE:	WALES PENSIONS PARTNERSHIP: EQUITY INVESTMENTS
PURPOSE:	To inform the members of the Board about the transfer of the Gwynedd Fund's equity portfolio into the new funds in the Wales Pool
AUTHOR:	CAROLINE ROBERTS, INVESTMENT MANAGER

1. Introduction

In January 2019 the global equity funds of the Wales Pensions Partnership were activated and seven of the pension funds in Wales transferred their relevant equity holdings into the investment pool.

2. Equity Investments

The Gwynedd Fund transferred equal amounts into two funds provided by the Wales Partnership as follows:

- LF Wales PP Global Growth Fund (Class A Income)
(Baillie Gifford, Veritas and Pzena)
- LF Wales PP global Opportunities Equity Fund (Class A Income)
(Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWG and Oaktree)

The next transfers for equities will be for specific regions of the world (the UK and Europe) and Gwynedd Pension Fund does not have any of hold any of these investments.

The next transfer for Gwynedd will be the fixed income category in 2019/20. This will include a transfer of our current investments with Insight into pools provided by the Wales Partnership.

3. Conclusion

The transfer in January went smoothly and the investments in both funds have kept their value through the transition.



Meeting:	Pension Board
Date:	13 March 2019
Title:	Pension Board Chair draft report for 2018/19 for Gwynedd Pension Fund's annual general report
Purpose:	Assist the Chair to complete the annual report

Introduction

1. It is required that the Chair of the Pension Board produces an annual report, as part of the annual report of the Pension Fund, to be presented to the annual meeting of the Fund in October 2019.
2. This draft report (see Appendix A) has been prepared on behalf of the Chair, who invites Board members to contribute additions or improvements to the annual report.

Timetable

3. In practice, the final report is required by the end of Ebrill. This is earlier than usual as the auditors Deloitte require us to provide the Fund's Annual Report by the end of May 2019.
4. Gwynedd Pension Board's annual meeting will take place on October 24th, in the Dafydd Orwig Chamber, Caernarfon, and **all** Board members are invited to attend.

Content of the draft report

5. The draft report is written in accordance with corresponding layout for the 2017/18 report, with several statements of fact unchanged for the 2017/18 report.
6. However, the content reflects the topics discussed during the 2018/19 year.

Conclusion

7. Board members are asked to consider the contents of the draft report, discuss its contents, and propose amendments at the meeting on 13 March 2019.

Appendix A

Annual Report of the Gwynedd Pension Board for 2018/19 (the year to 31 March 2019)

Background / Constitution

The Board was constituted under the Public Services Pensions Act 2013 and held its first meeting on 13th July 2015. The membership consists of three members representing scheme employers and three representing scheme (which include staff who contribute towards the pension and those who are retired and receiving a pension).

Over the period between 1 Awst 2018 and 31 March 2019, the Board has met twice. Board members are invited as observers to meetings of the Pensions Committee and have agreed to take this role in turn in order to facilitate understanding as well as communication. This arrangement is reciprocated with the Chair of the Pensions Committee now attending Board meetings, where he is accountable, with officers for the governance and administration of the Fund. At times, the Board has asked for its views and recommendations to be submitted for consideration by the Committee.

Function of the Board

In terms of legislation the two primary functions of the Local Pension Board are to assist the administering authority (Gwynedd Council) to:

- i. ensure effective and efficient governance and administration of the LGPS, and
- ii. ensure compliance with relevant laws and regulation

Therefore, the Board is a monitoring, reviewing and assisting body, not a management or decision making body.

The Board operates under Terms of Reference agreed by Gwynedd Council (in a meeting of the full Council on the 5th March 2015).

It is supported by the Council's Member Support and Scrutiny Officer and reports are prepared and presented by officers including the Head of Finance, Investment Manager, Pensions Manager and the fund's Communication and Systems Team Leader.

The work of the Board

Once again, the past year has been a busy year for the senior staff of the Administering Authority with the pooling of investments taking priority. Therefore, Board members were aware of the need to prioritise requests in order for officers to prepare reports for the Board.

Attendance

	13/12/2018	13/03/2019
Anthony Deakin	✓	
Councillor Aled Evans	✓	
H. Eifion Jones	✓	
Osian Richards	✓	
Huw Trainor	✓	
Sharon Warnes	✓	

Work Plan

In accordance with the work plan agreed in the previous year, reports on the following issues were received:

- The Pension Fund's Investment performance
- Pension Administration
- The Member Self Service system
- Wales Pension Partnership

During the discussions, a number of comments were made by Board members which have assisted administrative authority officials to complete their work.

In addition, Board members attended the annual meeting of the Fund in September 2018 and noted that the fund has performed highly satisfactory, compared with other LGPS funds.

The Board completed the Pensions Regulator's survey on public service governance. The survey was a mixture of factual questions and an opinion poll. Following a discussion between members of the Board, the survey was presented to the Regulator within the specified time limit.

The work plan for 2019/20 include:

- Update to the Risk Register
- The 2019 Fund Valuation
- General Update on Pension Administration
- The New Member ASelf Service system
- Update on the Wales Pension Partnership
- Update on the Gwynedd Pension Fund Investment performance

Training

During Board meetings all members of the Board were given details on the LGPS and its administration in Gwynedd through various presentations by the Head of Finance, the Investment Manager, the Pensions Manager and Communication and Systems Team Leader.

Members of the Board have also attended a number of meetings / presentations. These include:

LGPS Governance Conference in Bristol
LAPFF Conference in Bournemouth
CIPFA Pension Board Seminar in Liverpool and Cardiff
CIPFA Annual Pension Conference in London

Need to add more here about the training / meetings / conferences Board members have attended

Thanks

The Chair wishes to thank his fellow members on the Board, who have volunteered their time to the roles, and the relevant officers for their support.



Meeting:	Pension Board
Date:	13/03/2019
Title:	Amended Work Plan
Purpose:	To form the Work Plan for the 2019/20 year
Author:	Meirion Jones, Team Leader Communication and Systems

1. Introduction

Following setting the last work plan in February 2018 we now need suggestions for items to be included for the 2019/20 work plan.

2. Draft Work Plan

The work programme below has been drafted and includes the matters identified following consideration by the Board in previous meetings and matters arising.

WORK PLAN 2019/20

April 2019

- Board Report for the Pension Fund Annual Report 2018/19
- Update on the Gwynedd Pension Fund's investment performance
- Update to the Risk Register
- Updated Work Plan
- Matters arising from the Pensions Committee

July 2019

- General update on Pension Administration
- Pension Fund Statement of Accounts
- Communicating with Employers – Presenting data promptly and accurately
- The 2019 Fund Valuation
- The new 'Member Self Service' system
- Matters arising from the Pensions Committee
- Issues from the LGPS Trustees Conference
- Update on the Wales Pension Partnership

December 2019

- Update on the Gwynedd Pension Fund investment performance
- Update on the Valuation process
- Matters arising from the Pensions Committee and the Annual General Meeting
- Governance Update / Issues from the Scheme Advisory Board
- Pensions Regulator's Governance and Administration Survey

March 2020

- General Update on the Pensions Administration including Complaints about the Pensions Administration in 2019
- Matters arising from the Pensions Committee
- Update on the Wales Pension Partnership
- Issues from the LAPFF conference

Issues arising during the year can be added to the programme as required. Doubtless, there will be ideas from members who have attended relevant training and events.

3. Recommendation

Board members are asked to consider the above program and suggest additional items or changes