

PENSIONS COMMITTEE TUESDAY, 10 NOVEMBER 2015

Present: W. Tudor Owen (Chair)
Stephen W. Churchman (Vice-Chair)

Councillors: Peredur Jenkins, Trevor Edwards, Glyn Thomas, Margaret Lyon and Simon Glyn

Also present: Dafydd L. Edwards (Head of Finance), Lowri Haf Evans (Members and Scrutiny Support Officer), Caroline Lesley Roberts (Investment Manager), Gareth Jones (Pensions Manager) and William E Jones (Senior Finance Manager)

Apologies: John Pughe Roberts and Hywel Eifion Jones

The meeting was opened with a prayer from Councillor John Wyn Jones

1. APOLOGIES

Apologies were received from Councillors H. Eifion Jones (Isle of Anglesey County Council Representative) and John P. Roberts

2. DECLARATION OF PERSONAL INTEREST

Declarations of personal interest were received from the Investment Manager and the Deputy Investment Manager for item 11. The officers left the room during the discussion

3. URGENT ITEMS

The Members were reminded of the discussion that had been held at the September 2015 meeting on the Welsh Pensions Collaboration Project together with a report formed by *Mercer* business consultants who had been investigating the possibility of merging the assets of the eight Welsh funds. It was explained that only unofficial statements had been published up to now, but it appeared that a response to the consultation may be necessary before the next meeting of the Pensions Committee (26.01.16). In order to secure a response from Gwynedd on the benefits, it was suggested for the Head of Finance Department and the Investment Manager to review the benefits, while consulting with the Chair of the Pensions Committee.

RESOLVED TO ACCEPT THE RECOMMENDATION

4. MINUTES

The Chairman signed the minutes of the previous meeting of this committee, held on 8 September 2015, as a true record.

5. STATEMENT OF INVESTMENT PRINCIPLES

Submitted - the report of the Investment Manager highlighting the need to review the Pension Fund's Statement of Investment Principles (SIP) together with agreeing on a full consultation process with interested parties by March 2016.

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Members were reminded of the decision that had been made at the Pensions Committee 23.03.2012 to increase some of the limits to the maximum amounts as permitted under the regulations as follows:

- Increase the sum that could be invested in any single insurance contract to 35%.
- Increase the limit for all contributions to any single partnership to 5%.
- Increase the total of all contributions to partnerships to 15%.

and that these decisions would be reviewed within three years.

As the three year period was nearing its end, the need to review the decisions that had been made was highlighted, as well as considering whether they remained suitable for the Pension Fund. When deciding on the progress it would be necessary to comply with appropriate requirements and as a response to that, advice was sought from Paul Potter, the Fund's advisor.

It was noted that an initial review of the Statement of Investment Principles would be produced by the officers, with a draft to be circulated to interested parties during November and December 2015. The intention was to submit a final version, following the consultation, to the Pensions Committee in March 2016 for discussion and approval.

RESOLVED TO APPROVE THE REPORT AND SUPPORT THE LIMITS (35% / 5% / 15%) IN LINE WITH THE RECOMMENDATIONS, TOGETHER WITH THE CONSULTATION ARRANGEMENTS

6. TREASURY MANAGEMENT FOR 2014/15

The Head of Finance submitted the report's background for information, and it was explained that it was mandatory under the CIPFA Code of Conduct to report on the results of the Council's actual Treasury Management on behalf of the Pension Fund in the last financial year against the expectations. A summary of where the pooled money had been invested during the year 2014-2015 was highlighted, and in line with amended Welsh Assembly Government guidance on Investments, the security and liquidity aspects had been prioritised rather than yields. It was also explained that interest rates had been very low, but that there was no recommendation to consider changing the decision to pool the fund's money with the Council's general cashflow.

In response to a question regarding who provided an overview of CIPFA principles, it was noted that Wales Audit Office checked this and the importance of prioritising security over yields was reiterated.

RESOLVED TO ACCEPT THE REPORT FOR INFORMATION

7. TREASURY MANAGEMENT 2015/16 - MID YEAR REVIEW

The Head of Finance Department provided the introduction and background of the report for information, explaining that it was required under the CIPFA Code of Conduct for councils to report on the performance of the treasury management function at least twice a year. The report highlighted the treasury's activities together with the risk monitor and associated risk control.

In the context of Heritable Bank investments, it was noted that the authority had now reclaimed 98% of Heritable Bank investments with the probability of further

distributions.

RESOLVED TO ACCEPT THE REPORT FOR INFORMATION

8. KNOWLEDGE AND SKILLS

The Investment Manager submitted a report notifying Members of training arrangements. Members were reminded that the Pension Fund had adopted a Skills and Information statement to ensure that all staff and members who were responsible for financial administration and for making decisions in relation to the pension scheme, had all the information and skills to undertake the responsibilities and duties allocated to them.

As a result, the establishment would provide appropriate training for those individuals so that they maintained a suitable level of expertise, information and skills.

It was highlighted that the Council would undertake a training needs assessment. The intention was to present members of the Pensions Committee and the Pension Board with a self-assessment questionnaire for them to note their training needs. The results of the questionnaire would highlight the training needs and the information they would require. The information would secure appropriate training for individuals through current meetings, specific sessions or external courses. The intention was to distribute the questionnaire after Christmas and members were encouraged to co-operate.

RESOLVED TO ACCEPT THE INFORMATION AND COMPLY WITH THE REQUIREMENTS OF THE INFORMATION AND SKILLS POLICY

9. PROPOSAL TO IMPLEMENT AN INTEGRAL DOCUMENT IMAGING SYSTEM WITH ALTAIR

The Pensions Manager submitted a proposal for the Committee's approval to fund the purchase of an integrated document management system to store documents and to respond to the retrieval requirements of a modern pension administration office. The original solution had been the use of the corporate EDRMS management system, but it had been highlighted that EDRMS would not accomplish the full requirements of the Pensions Unit as projected. In order to adapt and work efficiently to the individual records retrieval requirements for each current and former member of the pension scheme, it was proposed to move towards the use of Heywood's 'Altair Image' system, which was a completely integrated system with an associated workflow system.

In line with the membership of the entire fund (which was more than 38,000 at present), the following costs were proposed to implement and run this specialist software. Costs for initial licence - £58,525 together with an implementation and consultancy fee of £20,560. Total of £79,085. It was noted that the amount was significant, but the need for an investment in a system was recommended so that the Pensions Unit could progress and work in a more effective manner.

In response to a question, it was noted that the funding would be released from the administrative costs of the Pension Fund. It was difficult to cost efficiency savings, but a saving of half a post was projected. It was also noted that it would be necessary to become familiar with the system prior to seeing yields and therefore it was recommended to re-assess the situation in two years' time.

In response to a question regarding whether the Pensions Unit could cope without the software or not, it was noted that the service would exacerbate without it.

RESOLVED TO APPROVE THE PROPOSAL TO FUND THE PURCHASE OF 'ALTAIR IMAGE' SOFTWARE AND THE ANNUAL LICENSING FEES.

The Chair took the opportunity to thank Mr Gareth Jones, Pensions Manager, on behalf of the Committee for his service to the Pensions Unit, and expressed well wishes to him on his retirement following 42 years of service to the Council. The Head of Finance Department added that Mr Gareth Jones had been a very reliable manager and a key member of the Department and the Pension Fund

10. ADMINISTRATION AUTHORITY DISCRETIONS

The Pensions Manager submitted a report requesting to review and update policies in the context of the Local Government Pension Scheme Regulations 2014. The information was highlighted, which listed the discretions available under the main Pension Scheme regulations together with a list of the discretions available under the transitional and savings provisions. It was also highlighted that the information formalised the procedure.

RESOLVED TO AGREE ON THE ADMINISTERING AUTHORITY'S POLICIES IN LINE WITH THE RECOMMENDATION

11. ADMINISTRATION UNIT STAFFING FROM JANUARY 2016

(Mr Gareth Jones and Mr Nicholas Hopkins left the room)

Submitted - the report of the Head of Finance Department to approve funding for resourcing a team to reconcile the Guaranteed Minimum Pensions (GMP) and to accept a new administration unit structure - projected cost of £53,573 in the first 12 months. At the June 2015 Pensions Committee meeting, it had been reported that there was a need for Gwynedd's Pension Fund to reconcile the GMP of individual members against that held by HMRC. At that meeting, it had been agreed to fund £8,300 per annum for appropriate software so as to start on preliminary work of comparing HMRC's figures with the fund's data. In response to a request by the Local Government Pensions Committee, the estimated cost of the exercise would be £200,000 based on basic research work undertaken by other funds which had already commenced the exercise, and the number of records that needed to be reconciled by Gwynedd.

In response to these challenging requirements of reconciling the GMP and the 2016 valuation, a request was made to the Pensions Manager (who would retire in December), to return for two days per week to establish and supervise a team to undertake the reconciliation work and to share his experience and expertise with his successor. In addition, the need for two other staff members to join the team was noted. It was reported that the task would take at least two years to complete, with the 'Supervisor' role ending 12 months after establishing the procedures.

It was highlighted that the timetable was tight and that there was an open opportunity here for external consultants to take advantage of the situation as inadequate resources were in place within authorities to complete the work. It was noted that the Pensions Manager was willing to continue for a year and it was added that this was a great opportunity to take advantage of individuals'

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experience rather than paying more for a consultative company to undertake the work.

In response to the report, it was noted that the internal resources should be taken advantage of, and that using expensive external consultants should be avoided. The recommendation was accepted as a good option and it was noted that the situation should be reviewed in six months' time.

RESOLVED TO APPROVE THE EXPENDITURE TO FUND STAFF RESOURCES TO RECONCILE THE GUARANTEED MINIMUM PENSION

The meeting commenced at 2.00 pm and concluded at 2.45 pm

CHAIRMAN