Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSIONS COMMITTEE

Date and Time

2.00 pm, TUESDAY, 10TH NOVEMBER, 2015

Location

Ystafell Gwyrfai, Council Offices, Caernarfon, Gwynedd. LL55 1SH

Contact Point

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(DISTRIBUTED 02/11/15)

PENSIONS COMMITTEE

MEMBERSHIP (7)

Plaid Cymru (3)

Councillors

Peredur Jenkins W. Tudor Owen Simon Glyn

Independent (2)

Councillors

Trevor Edwards John Pughe Roberts

Labour (1)

Councillor Glyn Thomas

Liberal Democrats (1)

Councillor Stephen W. Churchman

Co-opted Members

Hywel Eifion Jones	Anglesey County Council
Margaret Lyon	Conwy County Borough Council

Aelodau Ex-officio / Ex-officio Members

Chairman and Vice-Chairman of the Council

A G E N D A

PENSIONS COMMITTEE, 08.09.15

Present: Councillors: Stephen Churchman, Trevor Edwards, Hywel E. Jones (Isle of Anglesey County Council Representative), Margaret Lyon (Conwy Borough County Council Representative), W. Tudor Owen a John P. Roberts

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

1. APOLOGIES

Apologies were received from Councillors Peredur Jenkins, Glyn Thomas and Gethin Glyn Williams.

2. DECLARATION OF PERSONAL INTEREST

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

3. URGENT ITEMS

(a) A note was received from Councillor Peter Read expressing his thanks to the members of the Pensions Committee, and the relevant officers, for their kindness and humour over the years he had been a member of the Pensions Committee. In response, Councillor Peter Read, former Chair of the Pensions Committee was wished a speedy recovery as he had stood down due to suffering from an injury. It was resolved to send him a card thanking him for his service.

(b) **CONFERENCE ATTENDANCE AT THE LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) ON 2 - 4 DECEMBER 2015**

A request was made by the Investment Manager asking the Committee to nominate a representative to attend the conference in Bournemouth. It was proposed that the Chairman of the Committee, Councillor W. Tudor Owen would attend. He accepted the request.

RESOLVED THAT THE CHAIRMAN OF THE PENSIONS COMMITTEE WOULD ATTEND THE LAPFF CONFERENCE 2 - 4 December 2015.

4. MINUTES

The Chairman signed the minutes of the previous meeting of this committee, held on 16 June 2015, as a true record.

5. WELSH LOCAL GOVERNMENT PENSION FUNDS – WORKING TOGETHER

(a) Submitted - the report of the Investment Manager updating Members on the Welsh Pensions Collaboration Project together with a report formed by Mercer business consultants who had been investigating the possibility of advantages / the value of merging the assets of the eight Welsh funds.

In response to a request from the Government, it was necessary to ensure that funds co-invest in order to significantly reduce costs, while maintaining general investment performance. The Government would invite local authorities to submit their own proposals to meet the general criteria of achieving savings. A further consultation would be published later on this year which would set the criteria in detail as well as legislation to ensure that the administrative authorities who had not submitted ambitious enough plans must accumulate. The work that had been undertaken by Welsh funds had showed that joint investment was the way forward and that a further development of the collaboration on business cases displayed the commitment expected by the Government.

The next step would be to establish a joint-contribution framework for Welsh Funds with the aim of reducing fees and initially concentrating on equity investments.

(b) The recommendations were proposed and seconded

(c) During the discussion, the following observations were noted

- If investment decisions were made jointly, the Pensions Committee would lose some control as a result.
- Agree on the element that fees needed to be saved, but it must be considered what the implications of this would be for Gwynedd's Fund (which was currently amongst the best in the country).
- The best for Gwynedd needed to be considered, but also the best for the members of the fund and that we were not pushed by the Government to make decisions that could place the fund at risk.
- The value of a reduction in fees would be less significant than the change in the level of investment value returns if we accepted smaller returns?
- One element of collaboration should be focused upon first e.g., passive investments
- In terms of the leftover investment control elements, it was necessary to assess the situation further.

(ch) In response to the above observations, the Head of Finance noted that there would be an option to join a wider framework in November on the passive investments element. In terms of the remaining investment control, we had a duty to continue to look in more detail on the business case.

(d) It was agreed to support further work and accept the recommendations, adding that it was necessary for the business case to identify governance matters in suggested frameworks including the investment company selection procedure.

RESOLVED to support further work, specifically to:

1. **Research opportunities to reduce fees for passive investments**

2. **Jointly assess the detailed business case for suggested pooling frameworks.**

3. **Ensure that the business case identifies governance matters in suggested frameworks.**

6. TREASURY MANAGEMENT 2014/2015

(a) A report was submitted by the Investment Manager detailing how the Pension Fund's cash was invested along with the Council's money in 2014/15. The report responded to the requirements of the Welsh Government's Statutory Guidance.

(b) The report outlined how money was managed to maximise the benefits. Additionally, an update was provided on the situation of recovering the investments made by the Heritable Bank. It was reported that 98% of the investments had now been recovered, and that there was more to follow.

(c) The recommendation to accept the report was proposed and seconded.

THE REPORT OF THE INVESTMENT MANAGER WAS RECEIVED FOR INFORMATION

7. 'KNOW YOUR ONIONS' - LOCAL GOVERNMENT PENSION SCHEME TRUSTEES' CONFERENCE

(a) Submitted - the report of the Head of Finance notifying Members of the content and value of the Local Government Pension Scheme Trustees' conference, which had been held in June 2015. Specific attention was drawn to the complexities of reconciling the pension scheme's commitments (GMP) with HMRC records, which would be an enormous task for the Pension Fund's administrative staff. This needed to be completed by April 2018. It was added that internal discussions were being held to seek a solution for the situation.

ACCEPTED, FOR INFORMATION, THE REPORT OF THE HEAD OF THE FINANCE DEPARTMENT

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The meeting commenced at 3pm and concluded at 3.30pm

COMMITTEE	**PENSIONS COMMITTEE**
DATE	**10 NOVEMBER 2015**
PURPOSE	**Confirm investment limits and agree consultation process**
TITLE	**STATEMENT OF INVESTMENT PRINCIPLES**
AUTHOR	**CAROLINE ROBERTS, INVESTMENT MANAGER**

1. INTRODUCTION

1.1 It is necessary to review the Pension Fund's Statement of Investment Principles (SIP). The full process requires consultation with interested parties and should be completed by March 2016. However, there are three decisions that need to be made now.

2. LIMITS ON INVESTMENTS

2.1 Schedule 1 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 sets limits for different types of investments. At the meeting of the Pensions Committee held on 23 March 2012 decisions were made to increase some of the limits to the maximum amounts as permitted under the regulations as follows:

- Increase the sum that can 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 after three years.

2.2 Therefore it is necessary to review the decisions that were made and consider whether they are still appropriate for the pension fund.

3. THE REGULATIONS

3.1 The Regulations give the right to administering authorities to increase the percentages to be held in some types of investments to the maximum stated in the Regulations. Before an administering authority can decide to increase the investment limits it must comply with the following requirements:

- it must have taken proper advice;
- that its investment policy must be formulated with a view to the advisability of investing fund money in a wide variety of investments and to the suitability of particular investments and type of investments;
- the decision must specify:
    - a) the description of investment to which it applies;
    - b) the limit on the amount of the investment;
    - c) the reason for that decision;
    - ch) the period for which that decision will apply;
    - d) if the authority intend to review the decision before the end of the period in (ch), the date when the decision will be reviewed; and
    - dd) that the decision complies with these Regulations.

3.2 In revising the previous decisions to increase the percentage it is necessary to comply with the above requirements again.

3.3 The Administering Authority must also revise and publish its written statement of Investment Principles.

4. PROPOSAL TO INCREASE THE LIMIT ON INVESTMENTS

4.1 I have sought the advice of Paul Potter, the Fund's Advisor on these issues and his response is as follows:

"In our view, the Committee should retain the increased limits available under Schedule 1 of the current LGPS (Management and Investment of Funds) Regulations relating to insurance contracts and partnership investments.

The 35% limit in relation to insurance contracts allows the Fund to have all of its passively managed assets with Blackrock rather than having to use two passive managers. Having the assets with one manager allows any rebalancing or asset transfers to be carried out in a more cost-effective manner.

The increased limits on partnership investments are beneficial in our view as they allow the Fund to improve the diversification of its growth assets. Currently, these limits relate to the target allocations to private equity (5%) and infrastructure (2.5%). However, partnership structures are also used for accessing other types of investment which may also be attractive to the Fund in future such as private forms of debt or global property. These types of investment allow the Fund, as a long term investor, to benefit from the illiquidity premium."

4.2 These limits would normally be reviewed by the Pensions Committee every three years as part of the SIP. However, the Regulations are likely to be changed in the next few months in order to allow the new 'pooling environment' to happen. It is expected that the specific limits will be removed and new regulations could come in as soon as 1 April next year.

5. REVISION OF THE STATEMENT OF INVESTMENT PRINCIPLES

5.1 As indicated in paragraph 1 above a general review of the Statement of Investment Principles is due. This normally takes place following completion of the triennial actuarial valuation but due to the recent considerations regarding collaboration with other funds the review was postponed. The postponement was noted by the Wales Audit Office in their report following the annual audit of the Pension Fund accounts.

5.2 The review involves consultation with interested parties before the final Statement is adopted. The intention is to publish the revised SIP by March 2016.

5.3 In order to do this it is suggested that the preliminary review of the Statement of Investment Principles be produced by officers and that the draft is circulated to interested parties during November and December 2015.

5.4 If the Regulations are amended and the specific limits are removed before 1 April 2016 the SIP will be amended to reflect the changes before presentation to this committee.

5.5 The final version of the SIP following the consultation will be presented to the Pensions Committee in March 2016 for discussion and approval.

6. RECOMMENDATION

6.1 I recommend that the Pensions Committee, having regard to the advice given in Section 4 above, and bearing in mind the diversification afforded, that the limit on the amount which can be invested in ay one single insurance contract be kept at 35% and that the limits on all contributions to any single partnership be kept at 5% and all contributions to partnerships be kept at 15%.

6.2 That the above limits should apply until such time as the decision is revoked by the Committee; and that the decision is reviewed by 31 March 2018.

6.3 In order that this decision may take effect, that the Statement of Investment Principles notes that the following limit have been set:

Investment in any single insurance contract	35%
All contributions to any single partnership	5%
All contributions to partnerships	15%

and the revised statement will be published by 31 March 2016.

6.4 The Committee is asked to agree on the way forward for the formal review of the Statement of Investment Principles.

MEETING:	**PENSIONS COMMITTEE**
DATE:	**10 NOVEMBER 2015**
TITLE:	**TREASURY MANAGEMENT 2014/15**
PURPOSE:	**CIPFA's Code of Practice requires that a report be produced on the results of the Council's actual Treasury Management on behalf of the Pension Fund.**
RECOMMENDATION:	**RECEIVE THE REPORT FOR INFORMATION**
AUTHOR:	**CAROLINE ROBERTS, INVESTMENT MANAGER**

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1. Introduction and Background

CIPFA's revised Code of Practice on Treasury Management was adopted by the Council on 1st March 2011 and the Council fully complies with its requirements. The Code requires that I report on the results of the Council's actual treasury management in the previous financial year against expectations.

In accordance with the Welsh Assembly Government's Statutory Guidance on Local Government Investments, which requires an authority to produce an Annual Investment Strategy, it was considered best practice for the Gwynedd Pension Fund (the "Fund") to adopt Gwynedd Council's Treasury Management Strategy Statement (TMSS) for 2014/15, as amended for the purpose of the Pension Fund. The Pensions Committee approved the TMSS at its meeting on 17 March 2014. As a result, I am required to report on the results of the actual treasury management in 2014/15 against expectations.

2. Investment Activity

The Welsh Assembly Government's (WAG's) revised Investment Guidance came into effect on 1st April 2010 and reiterated the need to focus on security and liquidity, rather than yield. It also recommended that strategies include details of assessing credit risk, reasons for borrowing in advance of need and the use of treasury advisers.

Pension Fund Balances	Balance on 31/03/2014 £m	Balance on 31/03/2015 £m
Balances	10.7	12.0

As requested by the Pensions Committee on 17 March 2014, the pension fund's money was pooled with the Council's general cashflow. As agreed at the Pensions Committee on 24 March 2015 this arrangement continues in 2015/16. Currently interest rates are very low but there is no reason to change this decision.

The table below shows a summary of where this pooled money was invested during 2014/15.

Investments	**Balance on 01/04/14 £'000**	**Investments Made £'000**	**Maturities/ Investments Sold £'000**	**Revalue to Fair Value £'000**	**Balance on 31/03/15 £'000**	**Average Rate %**
Call Accounts with Banks with ratings of A- or higher - short term	20,825	157,650	(160,055)	0	18,420	0.47
Investments with Banks and Building Societies with ratings of A- or higher - short term	27,000	52,597	(42,595)	0	37,002	0.78
Building Society Covered Bond – long term	0	1,088	0	33	1,121	0.45
Money Market Funds	0	89,796	(89,796)	0	0	2.09
TOTAL INVESTMENTS	**47,825**	**301,131**	**(292,446)**	**33**	**56,543**	
Increase/ (Decrease) in Investments £m					8,718	

Security of capital remained the Authority's main investment objective. This was maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15. Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating was A- across rating agencies Fitch, S&P and Moody's), credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating	Average Life (days)
31/03/2014	5.69	A	5.80	A	102
30/06/2014	5.19	A+	5.12	A+	139
30/09/2014	5.01	A+	3.21	AA	118
31/12/2014	5.39	A+	3.49	AA	148
31/03/2015	5.24	A+	3.62	AA-	64

Scoring:
-Value weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 26
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014-15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

S&P also revised the Outlook for major Canadian banks to negative following the government's announcement of a potential bail-in policy framework.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.
In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, [whose constituent banks are on the Authority's lending list], is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is not on the Authority's lending list for investments, has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test.

The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25bn (£20bn) in total – none of the failed banks featured on the Authority's lending list.

In October following sharp movements in market signals driven by deteriorating global growth prospects, especially in the Eurozone, Arlingclose advised a reduction in investment duration limits for unsecured bank and building society investments to counter the risk of another full-blown Eurozone crisis. Durations for new unsecured investments with banks and building societies which were previously reduced. Duration for new unsecured investments with some UK institutions was further reduced to 100 days in February 2015.

The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities, means that the risks of making unsecured deposits rose relative to other investment options. The Authority therefore has started to use secured investment options or diversified alternatives such as covered bonds, in addition to unsecured bank and building society deposits. Deposits were generally made over short periods in order to reduce the risk. Use of secured options including non-bank investments and pooled funds as well as covered bonds is likely to increase in order to reduce the risk of default.

Update on Investment with Heritable Bank

The authority has now recovered 94% of its investment in Heritable Bank. It is likely that further distributions will be received and that the full amount should be recovered. The timing of future distributions is unclear and depends on settlement of the ongoing court case. Notice that a dividend will be paid in August 2015 has been received but the amount is not yet known.

4. Recommendation

The Pensions Committee is asked to receive the report for information on investment of the Fund's cash, pooled with the Council's cash, in 2014/15.

APPENDIX

Credit Score Analysis

Scoring:

Long-Term Credit Rating	**Score**
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit

The Council aimed to achieve a score of 7 or lower, to reflect the Council's overriding priority of security of monies invested and the minimum credit rating of threshold of A- for investment counterparties.

MEETING:	**PENSIONS COMMITTEE**
DATE:	**10 NOVEMBER 2015**
TITLE:	**TREASURY MANAGEMENT 2015/16 – MID YEAR REVIEW**
PURPOSE:	**CIPFA's Code of Practice recommends that a report on the Council's actual Treasury Management during the current financial year is produced.**
RECOMMENDATION:	**RECEIVE THE REPORT FOR INFORMATION**
AUTHOR:	**DAFYDD L EDWARDS, HEAD OF FINANCE**

1. INTRODUCTION

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).

The Council's Treasury Management Strategy for 2015/16 was approved by full Council on 5 March 2015 which can be accessed on
https://www.gwynedd.gov.uk/en/Council/Councillors-and-committees/Meetings,-minutes-and-agendas/Meetings,-minutes-and-agendas.aspx?pwyllgor=/2014-15/Cyngor Llawn_Full Council/2015-03-05

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. EXTERNAL CONTEXT

As the year began, economic data was largely overshadowed by events in Greece. Markets' attention centered on the never-ending Greek issue stumbled from turmoil to crisis, running the serious risk of a disorderly exit from the Euro. The country's politicians and the representatives of the 'Troika' of its creditors - the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) – barely saw eye to eye. Greece failed to make a scheduled repayment to the IMF on 30th June, in itself not a default until the IMF's Managing Director declares it so. Prime Minister Tsipras blindsided Greece's creditors by calling a referendum on 5th July on reform proposals which by then were off the table anyway. The European Central Bank froze liquidity assistance provided to Greek banks and capital controls within the country severely restricted individuals' and corporates' access to cash.

On 12th July, following a weekend European Union Summit, it was announced that the terms for a third bailout of Greece had been reached. The deal amounting to €86 billion was agreed under the terms that Greece would see tax increases, pension reforms and privatisations; the very reforms Tsipras had vowed to resist. On 27th August, Alexis Tsipras resigned from his post as Prime Minster of Greece after just eight months in office by calling a snap election, to be held on 20th September. Presumably aiming to solidify his government's position of power, opinion polls in Greece suggest this may have backfired, with the centre-right New Democracy party gaining support and running neck-and-neck with Syriza. Political uncertainty continues.

The summer also saw attention shift towards China as the Shanghai composite index (representing China's main stock market), which had risen a staggering 50%+ since the beginning of 2015, dropped by 43% in less than three months with a reported $3.2 trillion loss to investors, on the back of concerns over growth and after regulators clamped down on margin lending activity in an effort to stop investors borrowing to invest and feeding the stock market bubble. Chinese authorities intensified their intervention in the markets by halting trading in many stocks in an attempt to maintain market confidence. They surprised global markets in August as the People's Bank of China changed the way the yuan is fixed each day against the US dollar and allowed an aggressive devaluation of the currency. This sent jitters through Asian, European and US markets impacting currencies, equities, commodities, oil and metals. On 24th August, Chinese stocks suffered their steepest one-day fall on record, driving down other equity markets around the world and soon becoming known as another 'Black Monday'.

UK Economy: The economy has remained resilient over the last six months. Although economic growth slowed in Q1 2015 to 0.4%, year/year growth to March 2015 was a relatively healthy 2.9%. Q2 2015 GDP growth bounced back and was confirmed at 0.7%, with year/year growth showing slight signs of slowing, decreasing to 2.6%. GDP has now increased for ten consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to 0.1%, before returning to 0.1%, 0.0% and 0.1% in May, June and July respectively. In the August Quarterly Inflation Report, the Bank of England projected that GDP growth will continue around its average rate since 2013. The Bank of England's projections for inflation remained largely unchanged from the May report with them expecting inflation to gradually increase to around 2% over the next 18 months and then remain there in the near future. Further improvement in the labour market saw the ILO unemployment rate for the three months to April fall to 5.5%, although this ticked back up to 5.6% in subsequent months. In the August report, average earnings excluding bonuses for the three months to June rose 2.8% year/year.

The outcome of the UK general election, largely fought over the parties' approach to dealing with the consequences of the structural deficit and the pace of its removal, saw some very big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics.

The US economy slowed to 0.6% in Q1 2015 due to bad weather, spending cuts by energy firms and the effects of a strong dollar. However, Q2 GDP showed a large improvement at a revised 3.7% (annualised). This was largely due to a broad recovery in corporate investment alongside a stronger performance from consumer and government spending and exports. With the Fed's decision on US interest rate dependent upon data, GDP is clearly supportive. However it is not as simple as that and the Fed are keen to see inflation rise alongside its headline economic growth and also its labour markets. Markets remained split between predicting a rate rise in September or December.

Market reaction: Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. China led stock market turmoil around the globe in August, with the FTSE 100 falling by around 8% overnight on 'Black Monday'. Indices have not recovered to their previous levels but some improvement has been seen. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Concerns around China saw yields dropping again through August. Bond markets were distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory

Investment Activity

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held.

The Welsh Government's Investment Guidance gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

The transposition of European Union directives into UK legislation now places the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors through potential bail-in of unsecured bank deposits.

Given the increasing risk and continued low returns from short-term unsecured bank investments, it is the Council's aim to diversify into more secure and/or higher yielding asset classes during 2015/16. The majority of the Council's surplus cash has been invested in short-term unsecured bank deposits, certificates of deposit and money market funds. Diversification into securities with underlying collateral and investments with organisations which are not subject to bail-in will represent develop going forward.

Investment Activity in 2015/16

Investments	Balance on 01/04/15 £'000	Investments Made £'000	Maturities/ Investments Sold £'000	Balance on 31/08/15 £'000	Average Rate %
Unsecured Investments with financial institutions rated A- or higher - call accounts - deposits and CDs	18,420 37,002	56,470 42,000	(69,765) (46,002)	5,125 33,000	0.42 0.70
Secured Investments with financial institutions - covered bonds	1,121	1,102	0	2,223	1.75
Investments with Corporates - corporate bonds issued by companies	0	2,018	0	2,018	0.87
Money Market Funds	0	81,945	(69,945)	12,000	0.46
TOTAL INVESTMENTS	56,543	183,535	(185,712)	54,366	
Decrease in Investments				(2,177)	

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating for institutions defined as having "high credit quality" is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council diversified into more secure and higher yielding asset classes such as covered bonds which are secured on the financial institutions' assets.

Credit Risk
Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/15	5.24	A+	3.62	AA-
30/06/15	4.94	A+	2.95	AA

Scoring:
-Value weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 26
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Investments were made with banks and building societies and included call accounts, fixed-rate term deposits and certificates of deposit, Money Market Funds, covered bonds and a corporate bond.

Counterparty Update

All three credit ratings agencies have reviewed their ratings in the last quarter to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions have seen upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS) to BBB+ from A, Deutsche Bank to A from A+, Bank Nederlandse Gemeeten to AA+ from AAA and ING to A from A+. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thueringen.

S&P reviewed UK and German banks in June downgrading Barclays' long-term rating to A- from A, RBS to BBB+ from A- and Deutsche Bank to BBB+ from A. As a result of this the Council has made the decision to temporarily suspend Deutsche Bank as a counterparty for new unsecured investments. S&P has also revised the outlook of the UK as a whole to negative from stable, citing concerns around a planned referendum on EU membership and its affect on the economy.

National Australia Bank (NAB) announced its plans to divest Clydesdale Bank, its UK subsidiary. NAB is looking to list Clydesdale on the London Stock Exchange and transfer ownership to NAB's current shareholders. Fitch placed the long- and short-term ratings of the bank on rating watch negative which the agency is expected to resolve once the transaction has been completed. S&P has also placed the long-term rating of Clydesdale Bank on CreditWatch negative following the announcement.

Budgeted Income and Outturn

The average cash balances were £57.3m during the five months. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels. New deposits were made at an average rate of 0.70%. Investments in Money Market Funds generated an average rate of 0.46%.

The Council's budgeted investment income for the year is estimated at £0.40m. The Council anticipates an investment outturn of 0.53% for the whole year.

Update on Investments with Icelandic Banks
The Council has now received repayment of 98% of the investment in Heritable Bank. The outstanding amount is now £80,376. It is likely that a further distribution will be received although the administrator has not yet made an official estimate of the final recovery.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	100%	100%	100%
Actual	100%		
Upper limit on variable interest rate exposure	50%	50%	50%
Actual	0%		

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£40m	£30m	£25m
Actual	£3.22m	£2.22m	£2.22m

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average [credit rating] or [credit score] of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit score	6.0	2.95

Investment Training
During the period officers have attended investment training with Arlingclose and CIPFA relevant to their roles.

Outlook for Q3 and Q4 2015/16

Arlingclose's expectation for the first rise in the Bank Rate (base rate) remains the second calendar quarter of 2016. The pace of interest rate rises will be gradual and the extent of rises limited. The appropriate level for Bank Rate for the post-crisis UK economy is likely to be lower than the previous norm. We would suggest this is between 2.0% and 3.0%. There is also sufficient momentum in the US economy for the Federal Reserve to raise interest rates in 2015, although risks of issues from China could possibly push this back.

The weak global environment and resulting low inflation expectations are likely to dampen long term interest rates. We project gilt yields will follow a shallow upward path in the medium term, with continuing concerns about the Eurozone, and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued. The uncertainties surrounding the timing of UK and US interest rate rises, and the Chinese stock market-led turmoil, are likely to prompt short term volatility in gilt yields.

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Average
Official Bank Rate														
Upside risk			0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.32
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.08
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-0.70

MEETING	**PENSIONS COMMITTEE**
DATE	**10 NOVEMBER 2015**
PURPOSE	**To inform the Pensions Committee of the training arrangements for members of the Committee**
TITLE	**KNOWLEDGE AND SKILLS**
AUTHOR	**CAROLINE ROBERTS, INVESTMENT MANAGER**

1. INTRODUCTION

1.1 The Pension Fund has formally adopted the following Knowledge and Skills Policy Statement:

This organisation recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

It therefore seeks to utilise individuals who are both capable and experienced and it will provide training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

1.2 The Knowledge and Skills policy also applies to members appointed to the Pension Board.

2. CURRENT TRAINING

2.1 Under current training arrangements all members of the Pensions Committee are required to attend a three day Trustee Training Fundamentals Course, after which they receive an “LGPS Fundamentals” training certificate. Members of the Pension Board are now attending these sessions.

2.2 From time to time members are also sent on refresher courses and attend appropriate conferences on a rota basis. In addition, many of the reports to the Investment Panel present new information to officers and elected members and therefore contribute to their knowledge of investment matters.

3. FUTURE TRAINING

3.1 The next step will be to undertake a training needs assessment. This will be based on completion of a self-assessment questionnaire which will be distributed to members of the Pensions Committee and the Pension Board in January 2016 after the Trustee Training Fundamentals Course has finished.

3.2 The information received will be used to arrange any training required as identified by the questionnaire. Such training could involve internal training within existing meetings or in additional specific sessions and external courses as appropriate. Combined training sessions will be held for members of the Pensions Committee and Pension Board as appropriate.

4. CONCLUSION

4.1 Members are asked to note the training policy and the requirement to complete the questionnaire in order to provide appropriate training and ensure compliance with the Knowledge and Skills Policy.

MEETING	**Pensions Committee**
DATE	**10 November 2015**
TITLE	**Proposal to implement an integral document Imaging system with Altair.**
PURPOSE FOR THE REPORT	**To seek Committee approval to fund the initial purchase of Altair Image and a budget for the annual licence fees**
AUTHOR	**Gareth Jones – Pensions Manager**
RECOMMENDATION	**To approve the additional funding required for implementing and running 'Altair Image'.**

1. Background

1.1 The Pensions Unit is required to keep individual records for each current and former members of the scheme. Paper files were initially transferred to microfiche in the 1990's as part of the then Gwynedd County Council establishing a unit specialising in the field and in order to save the increasing need for office storage space.

1.2 Since then electronic imaging has taken over using 'Scanfile', a very basic and non-integrated system intended as in interim measure pending the introduction of the corporate EDRMS document management system. Scanfile has now been in use, in one way and another for over eight years.

1.3 From recent discussions with the Council's IT and Information Units it has become apparent that EDRMS will not accomplish the full requirements of the Pension Section. The recommendation was that the section considers moving to Heywood's 'Altair Image', a fully integrated and workflow linked system.

1.4 Scanfile as it stands is only capable of scanning and has not integration with either the main Altair or the sections' workflow systems.

1.5 Microsoft withdrew support agreement for Widows Server 2003 from July 2015. 'Scanfile' runs on windows Server 2003.

2. 'Altair Image' - An overview

2.1 Altiar Image is an integrated document management system developed to address the document storage and retrieval requirements of a modern pension administration office. It will: -

- improve efficiency by reducing the time taken to retrieve documentation from another system which is not currently indexed.
- improve document security
- enable on-line access to all documents for an individual member in a structured manner, linked to workflow
- allow hierarchic document storage to store non-member related documents, such as pension articles and pension committee papers, cutting down on the need for storage space

- be fully integrated with the core Altair pensions administration system and other Altair modules including Workflow, Document Production, and Member Self-Service currently run by Gwynedd Pension Fund
- allow access to all documents associated with the member directly from the member's records including imaged documents which have been scanned in and system produced documents
- automatic display of the list of documents related to the procedure being processed for the member
- facilities to move system produced documents by COLD (Computer Output to Laser Disc) interface to optical media rather than printing and then scanning and shredding documents as is the currently arrangement.

3. Software Costs

3.1 In line with fund membership of over 35,000 (currently total membership in excess of 38,000) the following prices have been quoted for implementing and running Altair Image:

	Initial Licence	**Implementation and Consultancy (T&M)**	**Support and Maintenance Annual Fee**
Fees	£58,525	£20,560	£11,705
Payable	Payable on signing the contract	Payable in arrears as incurred	Payable on Acceptance of software and subject to annual indexation

Additional Notes

- The above costs assume a five year contract term and are subject to VAT (Gwynedd Council can reclaim VAT)
- Any travel and expenses would be in addition to the costs quoted (on site implementation if required)
- These costs do not include the conversion of images currently held on the Scanfile system for which bespoke software would be necessary. (A report on this will submitted to Committee at a future date)

4. Scanning Hardware

4.1 For the new imaging system to work to its full potential it will require a new Scanner. Heywood has quotation £5,673.48 for a Fujitsu model 6670 and £3,032.00 for three year maintenance (all plus VAT).

4.2 In the meantime Gwynedd Council’s IT department is seeking a better price for a comparable similarly specified model.

5. Recommendation

5.1 The Committee is requested to approve the funding for installing, maintaining and annual licencing of ‘Altair Image’ and for the purchase of an appropriate scanner in accordance with the facts outlined in point ‘4’ above.

Agenda Item 10

MEETING	**Pensions Committee**
DATE	**10 November 2015**
TITLE	**Administration Authority Discretions**
PURPOSE FOR THE REPORT	**To review and update policies in context of the Local Government Pension Scheme Regulations 2014**
AUTHOR	**Gareth Jones – Pensions Manager**
RECOMMENDATION	**To agree or amend administration authority policies as the Committee sees fit**

1. Background

1.1 The introduction of the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme Regulations (Transitional Provisions and Savings) Regulations 2014 make it necessary for the Council, as an Administering Authority, to create and review policies for discretions contained within both sets of Regulations.

2. Discretions

2.1 Appendix 1 lists the discretions available under the main pension scheme regulations whilst Appendix 2 lists those available under the transitional and savings provisions.

2.2 Many of the listed discretions already formed part of scheme administration prior to 2014, however the introduction of the new CARE arrangement provided the opportunity to review and update into the two sets now presented for agreement.

2.3 For future convenience and clarity the proposals, as presented, amalgamate the existing discretions with the ones contained in the new legislation.

3. Recommendation

3.1 Members are asked to agree or amended the proposed policies as they see fit.

Appendix 1

GWYNEDD PENSION FUND ADMINISTRATION POLICIES

Local Government Pension Scheme Regulations 2013

Regulation	Proposed Policy
Reg. 4 (2) (b): Whether to agree to an admission agreement with a Care Trust or NHS Scheme employing authority.	Each application will be considered on its individual merits.
Reg. 5 (5) & Sched. 2, Part 3, Para 1: Whether to agree to an admission agreement with a body applying to be an admission body.	Each application will be considered on its individual merits, based on risk and level of guarantees.
Sched. 2, Part 3, Para 9 (d): Whether to terminate a transferee admission agreement in the event of: • Insolvency, winding up or liquidation of the body. • Breach by that body of its obligations under the admission agreement. • Failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so.	The Administering authority will exercise its discretion and terminate the admission agreement where such circumstances arise.
Sched. 2, Part 3, Para. 12 (a): Define what is meant by 'employed in connection with'.	This is defined as **ONLY** employees who are employees of the body who are transferred and employed in the provision of the service and listed in the admission agreement.
Reg. 16 (1): Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment).	Not to turn down any requests but that amounts of £50 or less will require payment by way of a single payment.
Reg. 16 (10): Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC.	The Fund will not require a satisfactory medical where APC/SCAPC is for reinstating unpaid leave, or paying by means of a single payment. The Fund will require completion of a signed medical questionnaire from the member's GP for purchasing additional pension APC/SCAPC by means of monthly contributions over a period of 12 months or more.

Reg. 17 (12): Decide to who any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member.	The administering authority resolves to pay any AVC monies under the instructions received via the 'Death Grant Expression of Wish' form. Where there is any doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, the death grant is released to the Executors of the Estate.
Reg. 22 (3) (c): Pension account may be kept in such form as is considered appropriate.	Pension accounts will be kept in accordance with the LGPS regulations
Reg. 30 (8): Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement.	The Administering Authority may use its discretion to determine not to apply all or part of this reduction if the employer has become defunct. However, this discretion will only be used where there is a robust business case justifying the cost.
Reg. 30 (8): Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age.	The Administering Authority may use its discretion to determine not to apply all or part of this reduction if the employer has become defunct. However, this discretion will only be used where there is a robust business case justifying the cost.
Reg. 68 (2): Whether to require any strain on Fund costs to be paid 'up front' by an Employing authority, following the payment of benefits under the LGPS 2013 Regulations, Regulation 30(6) (flexible retirement), Regulation 30(7) (redundancy / business efficiency), or the waiver (in whole or in part) under Regulation 30(8) of any actuarial reduction that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age or to benefits drawn on flexible retirement.	The administering authority resolves that it will require Employers to pay in full the cost of pension strain arising from early retirements, within a period not normally exceeding five years, but reserves the right to demand full immediate payment where there is a perceived risk the employer will cease membership of the fund or if remaining active members are considered to be too low to justify extended payment periods.
Reg. 32 (7): Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	The Administering Authority resolves to exercise this discretion
Reg. 34 (1): Decide whether to commute small pension.	The administering authority resolves to exercise the discretion available under Reg. 34 to commute all small pensions that are not unauthorised payments under HMRC rules.

Reg. 36 (3): Approve medical advisors (IRMP) used by employers (for ill health benefits).	A list of approved independent occupational health physicians' list (IDRP) has been established in partnership with the Clwyd Pension Fund. Only IRMP's included on this list, all holding the highest qualification requirements as set by Regulation, will be accepted.
Reg. 38 (3): Decide whether deferred beneficiary meets criteria of being permanently incapable of his / her former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner where the former employer has become defunct.	The Administering Authority will determine eligibility in accordance with the LGPS regulations and medical advice where the employer has become defunct.
Reg. 38 (6): Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health where the former employer has become defunct.	The Administering Authority will determine eligibility in accordance with the LGPS regulations and medical advice where the employer has become defunct.
Reg. 40 (2), 43(2) & 46(2): Decide to whom death grant is paid.	The administering authority resolves to pay the death grant under the instructions received via the 'Death Grant Expression of Wish form'. Where there is doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, the death grant is released to the Executors of the Estate.
Regulation 49 (1) (c): Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership.	The administering authority resolves that it shall pay the member (or their beneficiaries) the highest value benefit.
Regulation 54 (1): Whether to set up a separate admission agreement fund.	The administering authority resolves not to exercise this discretion.
Regulation 59 (1) & (2): Whether to have a written pensions administration strategy and, if so, the matters it should include.	In the medium term to consult, and agree with Fund employers on the written administration strategy to include • Agree time scales for submitting relevant notices of starters, terminations etc. • Set out deadlines for submitting annual contribution returns. • Agree response times for requests for estimates and payment of benefits to members.

Regulation 61: Communication policy must set out the policy on provision of information and publicity to, and communicating with, members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the promotion of the Scheme to prospective members and their employers.	The Communication Policy Statement will be reviewed and presented to a future meeting of the Committee
Regulation 64 (4): Whether to obtain revision of Employer's contribution rate if there are circumstances which make it likely a Scheme Employer will become an exiting Employer.	The administering authority resolves to exercise this discretion in all such cases.
Regulation 65: Decide whether to obtain a new 'rates and adjustments certificate' if the Secretary of State amends the Benefits Regulations as part of the 'cost sharing' under the LGPS 2013 Regulations, Regulation 63.	The administering authority resolves to exercise this discretion in all such cases.
Regulation 69 (1): Decide frequency of payments to be made over to Fund by Employers and whether to make an admin charge.	The administering authority resolves to exercise the discretion.
Regulation 69 (4): Decide form and frequency of information to accompany payments to the Fund.	The administering authority resolves to exercise the discretion.
Regulation 70: Whether to issue Employer with notice to recover additional costs incurred as a result of the Employer's level of performance.	The administering authority resolves to consider each case on its merits, with any decision on costs being delegated to the Head of Finance.
Regulation 71 (1): Whether to charge interest on payments by Employers which are overdue.	The administering authority resolves to exercise the discretion to charge interest at the rate of 1% above base, compounded quarterly, in respect of the late receipt of pension contributions and combined benefit payments.
Regulation 76 (4): Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised.	The administering authority has resolved that Stage 2 IDRP functions be carried out by the Head Of Legal Services.
Regulation 79 (2): Whether the administering authority should appeal against Employer decision (or lack of a decision).	The administering authority resolves to consider each case on its individual merits.

Regulation 80 (1) (b): Specify information to be supplied by Employers to enable administering authority to discharge its functions.	The administering authority resolves to exercise this discretion through negotiation and agreement with each individual Employer.
Regulation 82 (2): Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in S.6 of the Administration of Estates (Small Payments) Act 1965.	The administering authority resolves to pay the death grant under the instructions received via the 'Death Grant Expression of Wish form'. Where there is any doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, the death grant is released to the Executors of the Estate.
Regulation 83: Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	The Administering Authority resolves to consider each case on its individual merits
Regulation 89 (5): Date to which benefits shown on annual benefit statement are calculated.	The Administering authority resolves to use the 31 March to illustrate the current value of benefits on Annual Benefit Statements.
Regulation 98 (1) (b): Agree to bulk transfer payment.	The Administering Authority resolves to exercise its discretion and will consider each case on its merits.
Regulation 100 (68): Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS.	Extensions only to be allowed in exceptional circumstances or where the delay is caused by the Fund or employer concerned.
Regulation 100 (7): Allow transfer of pension rights into the Fund.	The Administering Authority resolves to consider each case on its individual merits.
Schedule 1: Decide to treat child as being in continuous education or vocational training despite a break.	The administering authority resolves to continue to count one academic year's break as being continuous education or vocational training.
Schedule 1: Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	The Administering Authority, upon the death of the member, will request evidence, as defined in the regulations.

Appendix 2

Local Government Pension Scheme Regulations (Transitional Provisions, Savings & Amendment) Regulations 2014

Regulation	Proposed Policy
Reg 15 (1) (d): Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds (where AVC/SCAVC arrangement was entered into before 1/4/14).	The administering authority resolves to exercise the discretion available under Regulation 15 to levy a charge against a member's AVC Fund where a member has requested the calculation of a conversion from the AVC Fund for a second time and fails to proceed with the conversion within three months of being informed of the calculation. The cost to be linked to the CETV charge on the divorce schedule.
Reg 10 (9): Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment).	The Administering Authority resolves that it will aggregate the ceased concurrent employment with the ongoing employment which appears to be in the best interests of the member.
Schedule 2, Paragraph 1 (2) & 2 (2): Whether to 'switch on' the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 in cases where the employer has become defunct.	The Administering Authority will consider each case on its own merits and may only agree where there is a robust business case justifying the cost where the employer has become defunct.
Reg 3(1) & Schedule 2, Paragraph 2(1)& 2(2): Whether to waive any actuarial reduction on pre and/or post April 2014 benefits in cases where the employer has become defunct.	The Administering Authority may use its discretion to determine not to apply all or part of this reduction if the employer has become defunct. However, this discretion will only be used where there is a robust business case justifying the cost.
Schedule 2, Paragraph 2 (3): Whether to require any strain on Fund costs to be paid 'up front' by employing authority following flexible retirement under LGPS 2013, Regulation 30(6) or waiver of actuarial reduction under the 2014 Transitional Regulations, Schedule 2, paragraph 2(1) or release of benefits before age 60 under the BMC Regulations 2007, Regulation 30 or Regulation 30A.	The administering authority resolves that it will require Employers to pay in full the cost of pension strain arising from early retirements, within a period not normally exceeding five years.
Reg 12 (6): Whether to use a certificate produced by an IRMP under the 2008 Scheme for the purposes of making an ill health determination under the 2014 Scheme.	The Administering Authority will exercise its discretion where the Employer has become defunct.

Reg 17 (5 to 8): Decide to whom death grant is paid.	The Administering authority resolves to pay the death grant under the instructions received via the 'Death Grant Expression of Wish form'. Where there is any doubt as to the validity of the deceased member's wishes; where an expression of wish is challenged; or where the expression of wish is unreasonable, the death grant is released to the Executors of the Estate.
Reg 22 (2): Whether to issue Employer with notice to recover additional costs incurred as a result of the Employer's level of performance.	The administering authority resolves to consider each case on its merits, with any decision on costs being delegated to the Head of Finance.
Reg 22 (1): Specify information to be supplied by Employers to enable administering authority to discharge its functions.	The administering authority, when reasonable, resolves to exercise this discretion through negotiation and agreement with each individual Employer.
Reg 3 (6), 4 (6) (c), 8 (4), 10 (2) (a), 17 (2) (b): Where member to whom Regulation 10 under the BMC 2007 Regulations applies (use of average of 3 years pay for final pay).	Administering Authority will exercise its discretion on behalf of the deceased member by choosing the most beneficial period of final pay.
Reg 3 (6), 4 (6) (c), 8 (4), 10 (2) (a), 17 (2) (b): Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08.).	Administering Authority will exercise its discretion on behalf of the deceased member by choosing the most beneficial period of final pay.
Regulation 17 (9): Decide to treat child as being in continuous education or vocational training despite a break.	The administering authority resolves to exercise the discretion available under Schedule 1 and will consider each case on its merits.
Regulation 17 (9) (b): Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	The Administering Authority, upon the death of the member, will request evidence, as defined in the regulations.
Regulation 3 (13): Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment.	The Administering authority had resolved not to apply abatement from 1 July 2014 with the exception of Tiers 1 and 2 ill health retirements. This policy is to continue as it stands.
Regulation 15 (1) (c): Extend time period for capitalisation of added years contract.	The administering authority resolves to exercise the discretion to deem elections for the capitalisation of added years' contracts to have been made at the date of retirement, where it is in the interest of the member concerned.

MEETING	**Pensions Committee**
DATE	**10 November 2015**
TITLE	**Staffing of the Pensions Unit from January 2016**
PURPOSE FOR THE REPORT	**Proposals for establishing a team to administer the reconciliation of Guaranteed Minimum Pension (GMP).**
AUTHOR	**Dafydd L Edwards – Head of Finance**
RECOMMENDATION	**To approve funding for resourcing staff for reconciling GMP's and to accept a new administration unit structure.**

1. Bachgroundr

1.1 In its meeting of 16 June 2015 it was reported to Committee of Gwynedd Pension Fund's need to reconcile individual members' Guaranteed Minimum Pensions against that held by HMRC. Committee agreed to fund £8,300 pa for appropriate software so as to start on preliminary work of comparing HMRC's figures with Fund data.

1.2 In response to a request by the Local Government Pensions Committee (LGPC) the estimated cost of the exercise was £200,000 based on basic research work by other funds already started and linked to number of records Gwynedd requires reconciling.

2. Staffing Implications

2.1 The Fund's present Pensions Manager retires on 31 December 2015, when faced by the challenging reconciliation work and the 2016 valuation. Following discussions between the Head of Corporate Support Services and the Head of Finance, he offered to return two days a week, for 12 months, to set up and supervise a team to undertake the reconciliation task and to offer his valuation advice and experience to his successor. The Committee is asked to approve the cost of the flexible post.

2.2 Also an experienced member of the staff will need to be seconded to lead, with one full time, initially on a temporary 12 month contract to start the work. If the Committee agrees a progress report will be presented after six months containing further recommendations on how to proceed.

2.3 As yet the job descriptions haven't been evaluated, but based on current unit's job descriptions it is believed that the following costs will be incurred during the first year:

Details / Job title	Proposed Grade	Annual full time equivalent salary	Total annual cost of the posts
GMP reconciliation supervisor and valuation adviser (16 hours a week)	S3	£27,123	£11,729
GMP reconciliation Team Leader F/T (seconded)	S2	£24,472	£24,472
GMP reconciliation assistant F/T (to be recruited)	GS5	£17,372	£17,372
ANNUAL TOTAL			**£53,573**

2.5 It is envisaged that the task will take at least two years to complete, with the ‘Supervisor’ role ending after 12 months and after establishing procedures and completing valuation work.

3. <u>Recommendation</u>

3.1 Members are asked to approve expenditure for establishing a team to reconcile GMP’s in accordance with 2.1 to 2.5 above, at a maximum cost of **£53,573** in the first 12 months. It should be emphasised that this is a one-off exercise and that the costs represent the first year only.

3.2 To accept a work progress report after six months with possible recommendations for further resources to complete the task.