

GWYNEDD PENSIONS FUND ANNUAL MEETING BETWEEN MEMBERS OF GWYNEDD COUNCIL'S PENSION COMMITTEE AND REPRESENTATIVES OF THE EMPLOYERS AND UNIONS 8/09/15

Present:

Members of the Pensions Committee

Councillors W. Tudor Owen, Stephen Churchman, Trevor Edwards, Peredur Jenkins, John P. Roberts, (Gwynedd Council), Councillor Margaret Lyon (Conwy Borough County Council) and Councillor H. Eifion Jones (Isle of Anglesey County Council)

Employers' Representatives

Geraint Owen (Head of Corporate Support), Eleanor Jones (Salaries Supervisor), Einir Griffith (Senior Salaries Officer), Huw Trainor (North Wales Police / Pension Board), Huw Jones (Conwy), Osian Richards (Pension Board), Lynn Patterson (Cynnal), Marc Jones (Cartrefi Cymunedol Gwynedd), Tony Deakin (Cartrefi Conwy / Pension Board), Alison Evans (Llandrillo Menai Group), Nia Jones (Cwmni'r Fran Wen)

Members of Staff who Serve the Fund

Dafydd Edwards (Head of Finance), Caroline Roberts (Investment Manager), Gareth Jones (Pensions Manager), Nicholas Hopkins (Deputy Pensions Manager), Delyth Jones Thomas (Pensions and Treasury Management Accountant), Marina Parry Owen (Investments and Pensions Officer), Gwennan Williams (Pensions Officer), Meirion Jones (Communication Officer (Pensions)), Susan Edwards (Communication Officer (Pensions)), Richard Owen (Senior Pensions Officer), Gruff Thomas (Pensions Unit Systems Officer), and Lowri Haf Evans (Members' Support and Scrutiny Officer) (Gwynedd Council);

1. ELECTION OF CHAIR

RESOLVED TO ELECT COUNCILLOR W. TUDOR OWEN AS CHAIRMAN OF THE MEETING.

2. ELECTION OF VICE-CHAIR

RESOLVED TO ELECT COUNCILLOR STEPHEN CHURCHMAN AS VICE-CHAIRMAN OF THE MEETING.

3 APOLOGIES

Councillors Glyn Thomas, Gethin Glyn Williams (Gwynedd Council), Jo Worrall (Snowdonia National Park Authority), Wendy Jones (Conwy Voluntary Community Support), Katherine Owen, Caernarfon Town Council Clerk, Sharon Warnes (Pension Board Chair), Victoria Hallaron (Cartrefi Cymunedol Gwynedd / Pension Board), and Colwyn Bay Town Council.

4. **DECLARATION OF PERSONAL INTEREST**

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

5. **URGENT BUSINESS**

None to note

6. **PENSION FUND**

The Annual Report of the Pension Scheme for 2014/15 was submitted by the Head of Finance, who drew attention to an information sheet on the Pension Fund which summarised the Fund's background and the main facts.

Particular attention was given to the main matters of the report, namely:

- **Investment Performance**

In 2014/15, an increase in the value of the Fund's assets had been successfully secured from £1.3bn (31/03/2014) to almost £1.5bn (31/03/2015) - an increase of £187m during the year. Following an improved performance than the 2013/14 market, 2014/15 had been a mixed year for companies who invested on behalf of the Pension Fund. In terms of the expectations of investment (5.9% returns per year), this year's extremely encouraging returns of 12.2% for the Fund reflected the great performance of the stock market in general.

In 2014/15, the markets had produced a better performance than the previous year in general. Equity had been performing well and property had performed exceptionally well, although our fund had suffered relatively as a result of failing to achieve the unexpectedly high returns on this year's bonds. Reference was made to the outstanding performance of the Fidelity company, who invested in equity on behalf of the fund, and also the very good performance of UBS and Threadneedle when investing in property. Several companies had reached their benchmarks, while improved returns were expected in the medium-term from Veritas and Partners, who had niche markets.

- **Triennial actuarial valuation 31 March 2016 -**

The high price of bonds, with a low level of returns on bonds, would have a negative impact on the discount rate, and would inflate the estimated value of our pension commitments. Thus, despite a very significant increase in the value of our assets on the stock market, that would be counter-balanced by a significant increase in commitments. Employers would be aware of the increase in commitments, which had been calculated in accordance with the international accounting standard (FRS17, IAS19, etc). A "snapshot" of that was given in its context.

- At the Triennial Actuarial Valuation 2013, the funding level of the Scheme had been 85%, ahead of the 79% average across the whole of the LGPS in England and Wales, where funds used a variety of actuarial assumptions and methodologies.

- This would place Gwynedd comfortably for both deficit and recovery period across all LGPS, but pension funds' own published results were not on a like-for-like basis. Following on from the release of the valuation results, the Gwynedd Fund's actuary, Hymans Robertson, had conducted an in-depth review and had rebased these results on a single set of assumptions. When the true relative picture had been revealed, Gwynedd's funding position had been amongst the top ten English and Welsh funds overall.
- Gwynedd's implied deficit recovery period, on a common funding basis, was eight years, the shortest of all Welsh funds, and the seventh shortest of all 88 LGPS funds. Other Welsh funds' implied deficit recovery periods ranged from 11 to 44 years, hence our Fund had a lower risk funding strategy and a relatively credible funding plan.
- Earlier on this year, SAC and PWC had reported to Welsh Government on the situation of Wales' funds, and it had been noted on a like-for-like basis that Gwynedd's Fund had been notionally funded 99%, compared with a range of between 71% and 97% for the 7 other funds.
- While the position of individual employers within our Fund would differ, generally, the Fund's strength should allow us to take a flexible approach to contribution rates after the next valuation (2016). Clearly, minimising any increase in pension contribution rates by 2017,18 would be important, especially given the ongoing squeeze on public spending.
- The primary objective was to ensure that employers would have affordable, fair and sustainable contribution strategies which reflected their own individual circumstances.

- **Pensions Administration**

The administrative unit had continued their effective performance as measured against their targets, and a significant amount of work had been undertaken to implement new systems to ensure as smooth an implementation as possible, in the context of a significant increase in requests for pension estimates due to several employers' savings plans. It was highlighted that the number of pensioners was still rising, from 7,584 to 7,940 in 2014/15.

- **Recent Developments**

For the Pension Fund, it was reported that several amendments and consultations were in the pipeline. The collaboration project which had been developed by the eight Welsh funds had identified that better efficiency could be achieved by collaborating to invest through one framework or a common investment tool. A further investigation into this would be held during 2015/16. It was reported that Welsh Government, encouraged by trade unions on its Partnership Council, was considering encouraging the merging of Welsh funds. By now, they had received the SAC and PWC report in May, which supported the establishment of a joint investment tool, rather than merging. The Government was expecting cost savings as investment pool funds, and if the voluntary proposals did not go far enough, the Government would enforce their blueprinting. The Pensions Committee would discuss these matters.

- **Pensions Board**

Gwynedd's Fund had always believed that good governance was essential to achieving a successful management plan and was supportive of the national focus on LGPS governance. Gwynedd's Pensions Committee had comprehensively governed our Fund for several years, with elected members of other large employers voting side by side with Gwynedd Council members. However, it was reported that a Pensions Board had been established this year to scrutinise the fund's governance methods.

The members of the Pensions Committee were thanked for their positive and conscientious contributions over the last year. Councillor Peter Read, former chair of the Pensions Committee who had stood down due to suffering from an injury, was wished a speedy recovery. Gareth Jones was also thanked, who was attending his last meeting in the role of the Manager of the Administrative Unit prior to retiring in December, following years of loyal service to the Fund. Employers were also thanked for their support.

The Chairman thanked the Head of Finance and his staff for a clear and comprehensive report.

In response to a question, what risk was there for the fund's employers should one employer fail to pay debts in future, it was noted that the fund looked at the existence of a guarantor or that tax bodies raised funds from taxing. If an employer stood alone and went bankrupt without a resource to support him, then the debts would be shared equally across the fund. As a result, and to avoid risk, it was emphasised that access checks to the fund were essential.

In response to a question regarding forming one fund and as a result, potentially losing out on our own successes, it was noted that Welsh Government's emphasis on merging had been put to one side, and that there was now a focus on a joint 'investment tool'.

RESOLVED TO ACCEPT THE ANNUAL REPORT OF THE PENSION FUND FOR 2014/15.

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

CHAIRMAN