
PENSION BOARD 9/03/16

Present: Anthony Deakin (Cartrefi Conwy), Cllr Aled Evans (Gwynedd Council), Victoria Hallaron (Cartrefi Cymunedol Gwynedd), Osian Richards (Members' Representative) and Sharon Warnes (Members' Representative)

Officers:- Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Nicholas Hopkins (Deputy Pensions Manager), Meirion Jones (Communication Officer - Pensions) and Lowri Haf Evans (Member Support and Scrutiny Officer).

1. APOLOGIES

An apology was received from Huw Trainor (North Wales Police)

2. DECLARATION OF PERSONAL INTEREST

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

3. URGENT ITEMS

None to note

4. MINUTES

The Chairman signed the minutes of the previous meeting of this committee, held on 17 December 2015, as a true record.

5. WHAT IS THE REMIT OF THE PENSIONS COMMITTEE?

Submitted - for information, the Investment Manager's report notifying the Board of the Pensions Committee's responsibilities. It was reported that the Local Government Pension Scheme's Regulations demanded that every Pension Fund issued a Governance Policy Statement which noted how the Council fulfilled its governance responsibilities. It was explained that the Governance Policy Statement had been adopted in October 2008 and it now needed to be updated to include the role of the Pension Board.

It was highlighted that the Governance Policy Statement was clear on the rights and main responsibilities of the Pensions Committee - noted clearly how matters were delegated in relation to the Gwynedd Pension Fund along with the terms of reference, and an executive framework and procedure for this delegation. It was reiterated that Gwynedd Council had delegated different powers and duties that involved administrating the Fund for the Pensions Committee.

In the context of administrating the Pension Fund, it was noted that the procedure followed the Westminster Government's strict guidelines (apart from the appeals period). Should further resources be required, the Committee's approval would be needed.

In response to a question regarding the need for clarity in terms of the Pensions Committee's responsibilities and what the officers' role was, it was reported that it would be possible to provide this information and also include the role of the Pension Board in relation to the Pensions Committee.

In order to facilitate the procedure for communicating and reporting back, it was suggested that the Board Members be present at Pensions committees as observers. It was proposed that a representative be chosen for each Committee and to seek a rota to ensure fairness.

In response to a request to consider updating the Governance Policy Statement, drawing attention to the fact that it had been adopted in 2008, it was reported that this would be good practice and timely and updating it would include the Pension Board's role.

It was suggested to submit the Board's observations on the current Policy Statement and submit the Pensions Committee's observations before reviewing the policy statement.

The report was accepted and the Investment Manager was thanked for the information

6. ROLE OF ADMINISTRATIVE AUTHORITY

Submitted – for information, the comprehensive report of the Pension Fund's Senior Communication Officer highlighting the Local Government Pension Scheme (LGPS) governance arrangements and the role of the Administrative Authority. It was explained that the LGPS was one of the largest public sector pension schemes in the UK - a national pension scheme for people working in local government or working for an employer that took part in the scheme.

Different elements of the work were reported and attention was drawn to the main responsibilities and duties of the Administrative Unit.

The following issues were discussed:

- How easy was the transfer process? Proposal to consider transferring to an equivalent scheme
- How could the cost of the fund be measured? Accepted that you could get a good fund locally, but could suffer nationally and everyone to adapt to a new scheme
- A company with fewer than 15 members of staff was not cost-efficient
- Good practices shared with other funds
- Highlighted the '*i-connect*' pilot which was a suitable process for small employers and brought problems to light sooner
- Now operating a bondsman to ensure protection

The report was accepted.

7. COMMUNICATING WITH EMPLOYERS'

Submitted – for information, the Pension Fund's Senior Communication Officer's report, highlighting to Board Members the communication methods used by the Gwynedd Pension Fund to communicate with employers. The report listed the different methods used to cooperate with employers to ensure a good relationship. It was reported that

every attempt had been made to discuss with employers face to face as this offered a more effective and professional service.

The report was accepted and the team were thanked for their work

8. POOLING OF INVESTMENTS

Submitted - for information, the Investment Manager's report notifying Members of the emphasis on pooling funds, and to respond to Westminster Government's consultation. It was reported that the Gwynedd Pension Fund had been working in collaboration with the seven other funds in Wales for several years and had reached the stage of appointing experts to support them to achieve efficiency and savings by pooling investments.

In addition, it was reiterated that the Westminster Government had decided that the Local Government Pension funds in England and Wales would be required to pool investments to achieve savings. Reference was made to the consultation document '*Local Government Pension Scheme; Investment Reform Criteria and Guidance*' published on 24 November to receive responses on 19 February 2016. The Government's expectation was that the funds should comprise six British Wealth Funds, each with assets of at least £25bn, which would be able to invest in infrastructure and drive local growth.

It was reported that the eight funds in Wales decided to respond as a group although their total assets were £12bn. A joint response to the consultation was drawn up and it was decided to send a letter, in the Pensions Committee Chair's name, supporting that response at the Pensions Committee meeting on 11 February 2016. It was reiterated that the Committee's report was attached along with a copy of the letter.

It was noted that no response had been received from the Westminster Government and so there was a lack of progress. It was suggested that the response would either be to accept one fund for Wales or forcing us to merge with others across the border as the size of the fund did not reach the objective. The advantage of one fund in Wales would be that the Welsh funds had collaborated for years and the desire to continue with the procedure in order to retain ownership and ensure influence. A strong governance procedure had to be considered should the pool become too large. It was reiterated that Leighton Andrews AM (Minister for Public Services) supported one fund across Wales that would invest in Welsh infrastructure.

In response to the report it was noted that the Westminster Government's guidelines were very bare and the benefit of the scheme, not its political basis, should be considered.

It was reported, should a response be received by the date of the Pensions Committee meeting (17.3.16), it would be shared with the Pension Board Members.

Thanks was expressed for the report.

9. INVESTMENT REGULATIONS

Submitted - the Investment Manager's report, clarifying to the Board Members how the Local Government Pension Scheme Regulations set out the framework for pension fund investments. It was reported that a recent consultation on changes to these Investment Regulations had been completed. It was noted that Gwynedd's response to the consultation was attached and the Board was asked for observations on the response.

The proposal to adopt a local approach to investment was agreed, but in terms of the proposal for the Secretary of State's power of intervention, an observation was made that the guidelines were unclear. While discussing investments, it was noted that there was a need to consider these in the context of the benefit of the investments to the scheme and not political elements. The proposed intervention exhibited a political bias rather than benefits. It was reiterated that values needed to be considered when investing and it was highlighted that the fund was dependent upon investment regulations to make flexible decisions. A suggestion was made that the ethical element would be considered when establishing investment regulations for pooling investments.

It was noted that a response to the consultation had not been received, although action needed to be taken by 1st April.

10. ACTUARIAL ASSUMPTIONS FOR VALUATION IN 2016

In a report to the Board it was noted that the pension fund was required to revalue the pension liabilities every three years. It was noted that the last valuation date was 31 March 2013 with the valuation process for March 2016 already in the pipeline with the intention of completing and signing a final report by March 2017. It was reiterated that Hymans Robertson was the Gwynedd Pension Fund's actuary and a meeting had been arranged with them for 17 March 2016 to discuss the valuation approach and the employers' data requirements. Board Members were invited to attend the meeting and take part in other relevant sessions.

Further training on the actuarial valuation and the opportunity to attend a meeting that would fully explain the process on 17 March was welcomed.

11. WORK PROGRAMME (DRAFT)

A (draft) work programme for the Pension Board was presented in accordance with the discussion held at the previous meeting where items for future meetings had been prioritised. The Board was asked to consider the draft programme and propose additions as needed.

The work programme was accepted and the following items were suggested as standing items on the agenda:

- Quarterly Investment Performance
- Matters arising from the Pensions Committee
- Updating the Work Programme

The meeting commenced at 1.00 pm and concluded at 3.00 pm

CHAIRMAN