



# Complete Agenda

**Democratic Service**  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH

Meeting

**PENSION BOARD**

Date and Time

**2.00 pm, MONDAY, 19TH APRIL, 2021**

Location

**Virtual Meeting**

Contact Point

**Lowri Haf Evans**

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(DISTRIBUTED 09/04/21)

## **PENSION BOARD**

### **MEMBERSHIP**

#### **EMPLOYER REPRESENTATIVES**

Councillor Aled Ll. Evans Cyngor Gwynedd Council

Huw Trainor North Wales Police

Sioned Parry Conwy Borough County Council

#### **MEMBER REPRESENTATIVES**

Hywel Eifion Jones (retired – formerly Anglesey Council)

Osian Richards Members Representative

Sharon Warnes (retired - formerly Gwynedd Council)

# **A G E N D A**

**1. APOLOGIES**

To receive any apologies for absence

**2. DECLARATION OF PERSONAL INTEREST**

To receive any declaration of personal interest

**3. URGENT ITEMS**

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

**4. MINUTES**

4 - 8

The Chairman shall propose that the minutes of the meeting of this committee held on the 22<sup>nd</sup> of February 2021 be signed as a true record.

**5. MINUTES OF PENSIONS COMMITTEE**

9 - 11

To submit, for information, minutes of the Pensions Committee meeting held on the 25<sup>th</sup> of March 2021

**6. PENSION BOARD CHAIR DRAFT REPORT FOR 2020/21 FOR GWYNEDD PENSION FUND'S ANNUAL GENERAL REPORT**

12 - 15

To consider the contents of the report

**7. PENSION ADMINISTRATION**

16 - 20

To consider the report

**8. WALES PENSION PARTNERSHIP UPDATE**

21 - 24

To consider the report

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## PENSION BOARD 22-02-21

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**Present:** Osian Richards - Chair (Members' Representative), Cllr Aled Evans (Employer's Representative), H. Eifion Jones (Scheme Members' Representative), Sioned Parry (Employer's Representative) and Huw Trainor (North Wales Police) and Sharon Warnes (Members' Representative).

**Officers:** Dafydd Edwards (Head of Finance Department), Delyth Jones Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer)

**Others invited:** Councillor Peredur Jenkins – Chair of the Pensions Committee

### 1. APOLOGIES

None to note

### 2. DECLARATION OF PERSONAL INTEREST

None to note

### 3. URGENT ITEMS

None to note

### 4. MINUTES

The Chair signed the minutes of the previous meeting of this committee held on 23 November 2020 as a true record.

### 5. PENSIONS COMMITTEE MINUTES

Received, for information, the minutes of the Pensions Committee held on 21 January 2021

Members had no further observations arising from the minutes.

### 6. RISK REGISTER

The Investment Manager and the Pensions Manager presented the current risk register that highlighted the relevant risks to the Pension Fund. It was highlighted that the register was an active document, that it was reviewed regularly, and updated in response to any substantial risks that were likely to develop.

Gratitude was expressed for the information.

During the ensuing discussion, the following observations were noted:

- Risk: External factors that cannot be controlled - need to review / reduce the risk score

- Risk: Wales Investment Pool - need to review and reduce the risk score under the headings of impact and likelihood. The Investment Pool was now established and operational.

Suggestions on how to format the register:

- Colour-coding the matrix - using RAG?
- Adding a column to include numbers on the risks for ease of reference
- Arranging the risks per risk level - highlight the high-risk matters at the beginning of the document so they can be prioritised - need to agree with the high score level - suggest 20
- Need to review the document, considering how to highlight the risks that have been overcome or that are no longer 'risks'. It must, however, be ensured that there is a record of those 'risks'

In response to a question regarding how the register is used, it was noted that the document was live and available for the Members of the Board, Members of the Pensions Committee and to relevant Officers to record and monitor the risks

#### **RESOLVED**

- **To accept the information**
- **Members to review the document and submit suggestions on further amendments to the register to the Pensions Manager**

#### **7. AMENDED WORK PROGRAMME**

Submitted - an amended work programme for 2021/2022 following observations received in previous meetings of the Board, as well as matters arising in the field. Members were reminded that the document was a working document, to be amended as required.

Members expressed their thanks for the report.

During the ensuing discussion, the following suggestion was made:

- It was suggested that one administrative matter and one investment matter appeared every other meeting, with a governance procedure matter to be submitted at each meeting

In response to the comment, it was noted that investment matters were likely to be discussed outside the Board meetings, with the Members being invited to the quarterly meetings of the Investment Panels, jointly with Members of the Pensions Committee. Any other investment matter could be presented as it appears - it would be difficult to programme this beforehand.

In response to a question regarding the timing of publishing new legislation, guidance or standards, the Pensions Manager noted that there was no pattern to publications, but it would be possible to present them to the Board when appropriate.

It was reiterated that proposals for developing markets would be submitted in September 2021 and the actuary principles for the valuation would be presented to the Board during the Spring 2022.

**RESOLVED to approve the work programme**

## 8. TRAINING REQUIREMENTS OF THE PENSION BOARD

Submitted - a report by the Pensions Manager including the results of Hymans Robertson's National Knowledge Assessment of the information and understanding of the Board Members to administer the Pension Scheme successfully. The main aim was to seek access to Members' knowledge in the fields that had been identified by the CIPFA Information and Skills Framework and Code of Practice 14 of the Pensions Regulator (TPR).

It was highlighted that the Board's average score for the assessment was 66.67%. A detailed analysis of the results was also received, which measured the Board's score against the national average. Sections on financial markets, the role of the Committee and legislation were the fields that scored highest for the Board, with strong performance in the governance field, which was encouraging considering the Board's responsibility.

It appeared that the Board's knowledge in the other fields was good on the whole, although actuarial methods and pension administration would be key fields to focus on in the future. It was reported that Hymans Robertson had already suggested a training plan to address these fields. It was reiterated that all Board members had participated in the assessment and the Gwynedd Fund had the highest engagement in relation to completing the assessment.

Members expressed their thanks for the report.

During the ensuing discussion, the following suggestions were made:

- That it was difficult to compare results due to the failure of each Fund to participate in full - Gwynedd's figures were encouraging and set a framework for training fields in the future.
- Suggestion to include feedback / updates from training sessions attended as an item on the Board's programme when the need arises

In response to a question regarding training programmes, it was highlighted that the Wales Pension Pool offered a training programme as well as webinars by relevant companies. It was reiterated that the Pensions Regulator also offered on-line courses and that this information could be referred to the Members every month

**RESOLVED to accept the information.**

## 9. PRESENTING THE PENSIONS ADMINISTRATION UNIT AND INVESTMENT UNIT 2021/22

Submitted - the report of the Investment Manager, outlining the budget for the 2021-2022 financial year, for the Pensions Administration Unit and Investment Unit.

It was noted that 2019/2020 was the first time for the budget for the Units to be submitted to the Pensions Committee for approval, and it was now intended to submit the information annually. The 2019/20 budget was amended according to changes to the staffing structure of the Pensions Administration and Investment Sections - there were only minor adjustments to the 2021/22 budget, with the basic budgets remaining the same.

It was noted that the Pensions Committee had approved the budget on 21/01/2021

**RESOLVED to accept the information.**

## **10. THE OBJECTIVES OF ADVISORS**

Submitted - the report of the Investment Manager, reporting on progress against the objectives set for the investment advisors, as well as details of the 2020/21 objectives. It was reported, following a review of the of the investment consulting and fiduciary management markets, the Competition and Markets Authority noted that Pension Scheme Trustees should set objectives for their investment advisors, and clearly stipulate the expectations upon them.

Reference was made to the current objectives as well as the progress made against those objectives in 2020. It was highlighted that the objectives had been operational since December 2019, and that the compliance statement for 2020 had been signed by the Chair of the Pensions Committee by the required closing date (7 January 2021).

It was reported that Hymans was delivering good work, providing comprehensive reports for the investment panel, offering practical and prompt advice, responses and correspondence, and performing in accordance with the objectives.

In response to a request for an explanation for the difference between objective 5 and objective 6, it was highlighted that objective 5 referred to the time it took to develop suitable policies with Hymans playing a very useful role in drawing up and developing policies in line with the Council's instruction. It was reiterated that the intention of objective 6 is to ensure that the work reflects the requirements of the policy.

**RESOLVED to accept the information.**

## **11. RESPONSIBLE INVESTMENT AND LOW-CARBON INVESTMENTS**

Submitted - the report of the Chair of the Pensions Committee, providing an update for the Board on the Fund's activities in the fields of responsible investment and low-carbon investments, as well as submitting a draft statement that provided the Fund's perspective in terms of un-investing in fossil fuels.

It was reported that low-carbon investments had been highlighted as a priority field by the Fund, with a number of developments implemented as a result of good collaboration between the Committee, the Board, Managers and Advisors. It was reiterated that the asset managers had engaged with companies in terms of their plans for a low-carbon future with the Pension Fund having pressurised companies to increase their efforts in this important field.

The proposal was to publish the statement, drawing public attention to all activity.

During the ensuing discussion, the following observations were noted:

- That the developments were positive and encouraging
- That the document was useful - nice to see the information on black and white

**RESOLVED to accept the report along with the contents of the draft statement.  
The Chair signed the statement.**

## **12. PUBLIC SECTOR EXIT PAYMENT REGULATIONS 2020**

Since the publication of the programme, a statement was received from the Government (12/02/21), abolishing the exit payment cap regulations of £95k, and therefore no discussion was held on the matter. It was suggested that it was likely that amendments or suggestions to the regulations would be submitted in the future and that those recommendations would be shared and discussed with the Board.

### **13. THE PENSIONS REGULATOR: PUBLIC SERVICE GOVERNANCE PROCEDURE SURVEY 2020**

A survey was published by the Pensions Regulator to receive the Board's feedback on the governance arrangements of the Gwynedd Pension Fund. It was explained that the closing date for responses was 12 February 2021, but the Regulator had extended the deadline in order to receive the Board's input at this meeting.

#### **The survey was completed during the meeting.**

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

- A10 - Board Membership's succession plan - it was noted that no specific 'period' had been set but that it was intended to review the Membership in May 2022. It was highlighted that a formal appointment procedure would be followed with an advertisement released for new nominations, as well as an opportunity for current members to re-apply for membership.
- That Answers A3 and B5.7 contradicted each other - there was a need to review the answer under B5.16 'other'
- That the section on cyber security (part D) needed to be updated - it was confirmed that a 'cyber risk' had been included on the amended work programme (Summer 2021)
- That sections I, J and K were new additions and a way to place focus on what needed to be implemented

The meeting commenced at 2:00pm and concluded at 3:20pm.

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## PENSIONS COMMITTEE 25-3-21

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**Attendance:** Councillor Stephen Churchman - Vice-chairman

**Councillors:** John Brynmor Hughes, Aled Wyn Jones, John Pughe Roberts (item 6 onwards), Ioan Thomas and Robin Williams (Isle of Anglesey Council)

**Officers:**

Dafydd Edwards (Head of Finance Department), Delyth Jones-Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer).

**Others invited:**

Councillor Edgar Owen (Council Chairman)  
Sioned Parry (observing – Pension Board Member)

**1. APOLOGIES**

Apologies were received from Councillor Peredur Jenkins and Councillor Simon Glyn

**2. DECLARATION OF PERSONAL INTEREST**

None to note

**3. URGENT ITEMS**

None to note

**4. MINUTES**

The Chair accepted the minutes of the meeting held on 21 January 2021 as a true record.

**5. TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2021/22**

Submitted - the report of the Investment Manager, noting in accordance with Welsh Government's Statutory Guidance on Local Government Investments, the Council was required to prepare an Annual Investment Strategy as part of its treasury management role. As good practice, it was considered that the Gwynedd Pension Fund (the "Fund"), should adopt Gwynedd Council's Treasury Management Strategy Statement (TMSS) for 2021/22, as revised for the purpose of the Pensions Fund. Gwynedd Council's TMSS for 2021/22 was approved by the full Council on 4 March 2021.

The Pensions Committee wished to allow the Pension Fund's cash balances to be pooled with the Council's financial balances. At the end of the financial year, Gwynedd Council paid interest to the Pension Fund based on the Fund's daily balances over the year. It was highlighted that the exercise was one that was determined annually as the returns received were better, with the risks reduced when the money was pooled with the Council's funds.

The sum available to pool varied and had grown recently to around £20m-£25m. In recent discussions at the Investment Panel, it was recommended to invest up to £20m in the WPP ARB fund - the Investment Manager confirmed that £10m had now been invested. The type of investments available jointly with the Council as seen in the report were Banks and Building Societies, other Authorities, Cash Market Funds and pooled funds.

The main advantages of the exercise were attracting higher interest, minimising bank costs and avoiding duplication of work within the Council. It was confirmed that keeping the Fund safe and protecting the money was the priority and not to take risks.

It was proposed and seconded to accept the recommendations.

During the ensuing discussion, the following observations were noted:

- That there was no point in having a different strategy
- The arrangement worked well

**RESOLVED:**

- **To adopt the Treasury Management Strategy Statement for 2021/22 as adapted for the purposes of the Pension Fund**
- **To request that the Council (although not a separate body) allow the surplus cash balances of the Pension Fund to continue to be pooled with the Council's general cash flow from 1 April 2021 onwards.**

**6. WALES PENSION PARTNERSHIP BUSINESS PLAN 2021-24**

Submitted for information - a report by the Investment Manager noting the Wales Pension Partnership's wish for each individual committee within the partnership to approve their Business Plan. It was explained that the Business Plan had been submitted to the Joint Governance Committee for approval on 24 March 2021, where two amendments were recommended - 2 elements relating to annual training and the disclosure / 'Whistleblowing' policy.

It was highlighted that the Business Plan provided a detailed overview of what the WPP was doing, as well as how they achieved their objectives. It was reiterated that the Plan would be monitored regularly and be reviewed and agreed upon annually.

Proposed and seconded – to approve the Business Plan as well as the additions recommended by the Joint Governance Committee

**RESOLVED to approve the Wales Pension Partnership Business Plan**

**7. RISK REGISTER**

The Investment Manager and the Pensions Manager presented the current risk register that highlighted the relevant risks to the Pension Fund. It was highlighted that the register was an active document, that it was reviewed regularly, and updated in response to any substantial risks that were likely to develop.

It was highlighted that the register, since it was formed, has been submitted to the Pension Board regularly, with the Board reviewing its contents and making observations on the risk scores and the register's format. Since the Board had been submitted in

February 2021, it was highlighted that the risks that had been reviewed, the assessments had been amended and the register was up-to-date with the current situation.

Gratitude was expressed for the information.

During the ensuing discussion, the following observations were noted:

- Welcomed the colour-coding to highlight the risk; although it was not considered that purple reflected 'catastrophic'
- Risk number 1.2 - conflict of interest... - needed to highlight the interests clearly
- Risk number 2.1 - making inappropriate decisions as a result of insufficient information - the Pension Board needed to be included as a Mitigation Measure to reinforce the statement - the Board played an important role by challenging and scrutinising the administration and management of the Pension Fund

In response to a question regarding risk number 7.5 - pension benefits continuing to be paid to deceased pensioners...' - it was confirmed that a request was made for a copy of the death certificate

**RESOLVED, to accept, for information, including the Risk Register**

The meeting commenced at 11:00am and concluded at 11:30am.

# Agenda Item 6



Meeting:	<b>Pension Board</b>
Date:	<b>19/04/2021</b>
Title:	<b>Pension Board Chair draft report for 2020/21 for Gwynedd Pension Fund's annual general report</b>
Purpose:	<b>Assist the Chair to complete the annual report</b>

## **Introduction**

The Chairman of the Pension Board is required to submit an annual report as part of the Pension Fund's annual report and as part of the Fund's annual meeting.

This draft report (See **Appendix A**) has been prepared.

## **Timetable**

The final report is required to be submitted by: 31/07/2021.

The fund's annual meeting will take place during the Autumn and all Board members are welcome to attend.

## **Content of draft report**

The draft report has been written in line with the layout of the 2020 report. A number of factual statements have been left unchanged for the 2020 report but have been updated to take account of the topics discussed during the year.

## **Conclusion**

Board members are asked to consider the content of the draft report in order to discuss its content and propose amendments at the meeting.

As noted above, the Chairman is required to submit the final report to Delyth Jones-Thomas, Investment Manager by 31/07/2021.

## **Appendix A**

### **Annual Report of the Gwynedd Pension Board for 2020/21 (the year to 31 March 2021)**

#### **Background / Constitution**

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

Over the period 1 April 2020 to 31 March 2021, the Board has met on three occasions. Board members are invited as observers to Pensions Committee meetings, and have agreed to take this role in turn to promote understanding as well as communication. This arrangement is balanced with the Chairman of the Pensions Committee now attending Board meetings, where he has been accountable, with officers for the governance and administration of the Fund. At times, the Board has asked for its views and recommendations to be formally submitted for consideration by the Committee.

#### **Function of the Board**

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

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

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

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

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

#### **The work of the Board**

Once again the past year has been a busy year for senior staff of the Administering Authority with the Covid-19 crisis meaning that Fund staff have to work from home, and adapt to a new way of working. Therefore, Board members were aware of the need to prioritise requests in order for officers to prepare reports for the Board.

## Attendance

	20/07/2020	23/11/2020	22/02/2021
<b>Cynghorydd Aled Evans</b>	✓		✓
<b>H. Eifion Jones</b>	✓	✓	✓
<b>Osian Richards</b>	✓	✓	✓
<b>Huw Trainor</b>	✓	✓	✓
<b>Sharon Warnes</b>	✓	✓	✓
<b>Sioned Evans Parry</b>	✓	✓	✓

## Work Plan

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

- Investment Strategy Statement
- Update to the Risk Register
- Board Training Requirements
- The Fund's budget
- Investment Adviser Objectives
- Responsible Investment and Low Carbon
- Pension Fund investment performance
- Pension Administration
- Working from home during Covid-19
- Wales Pension Partnership
- The Fund's Communication Policy
- The Fund's Accounts

During the discussions, input was given and a number of comments were made by Board members which has assisted administrative authority officials to complete their work.

Board members also attended the Fund's virtual annual meeting in November 2020, and noted that the fund has performed highly satisfactory, compared with other LGPS funds.

The Board completed the Pensions Regulator's public service governance review. The survey was a mix of factual questions and opinion polls. Following discussion between Board members, the review was submitted to the Regulator within the specified timescale. During discussion, the following issue was identified as requiring attention:

- Need an update on cyber security

The work plan for 2021/22 include:

- Update to the Risk Register
- General Pensions Administration Update
- Welsh Pension Partnership update
- Gwynedd Pension Fund investment performance update
- McCloud project update
- Cyber Risk
- Pension Fund Statement of Accounts

## **Training**

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

During 2020/21 Board members have participated in the Hymans Robertson National Knowledge Assessment. The main aim of the assessment was to seek access to Members' information in the areas identified by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's Code of Practice 14 (TPR).

Board members have also attended a number of virtual meetings and presentations. These include:

**Need to know from board members what sessions they have attended for this part**

## **Thanks**

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

**Osian Roberts  
Chair**

# Agenda Item 7



<b>Meeting:</b>	Pension Board
<b>Date:</b>	19/04/2021
<b>Title:</b>	Pension Administration
<b>Author:</b>	Meirion Jones, Pensions Manager
<b>Purpose:</b>	For information only

## 1. Introduction

This report provides a general overview of pension administration over the last 6 months. It contains information on the work that has been accomplished over the period, an update on various projects that has previously been mentioned, changes in the regulations and also lists the challenges that the department faces from day to day.

## 2. Staffing

Since the last administration update 2 members of staff have gone on maternity leave and one has moved to the Accounts department. Due to this change, interviews have been taking place over the last few months to fully staff the department. As a result of the interviews 3 Pension Assistants have joined the team in recent months.

All 3 have settled well so far, but training remotely can be a challenge compared to face-to-face training.

## 3. i-Connect

As previously noted, i-Connect updates members' data in our pensions administration system on a monthly basis, avoiding the need for employers to send information at the end of the year.

Data is taken directly from a payroll system by i-Connect which then automatically identifies and updates new members, opt-outs and leavers.

Since the last administration update, great progress has been made again with the i-Connect project.

All major employers are now using i-Connect, with the information generally being received promptly by all employers.

This now leaves only two small employers (with 1 member each) who do not use i-Connect to submit their details. Work will be underway in the 2021/22 tax year to move these employers to i-Connect.

## 4. Member Self Service

The Member Self Service website continues to be very popular, with a large number of members visiting the site daily.

Approximately 16,000 have registered for the service to date.

## 5. Training

In the last update, it was mentioned that four members of staff had started studying towards a Foundation Degree in Pensions Administration and Management. The foundation degree is a mixture of assignments and exams and will take 2 years to complete. I am pleased to report that all four are still progressing well with this course, with all assignments and exams to date successfully completed.

A further 4 members of staff will start studying towards a Certificate in Pensions Administration in May 2021. This is a 9 month course that provides a basic understanding of pension schemes in the UK.

Karl White, LGA Training Officer, recently held a training session on Death Benefits for relevant departmental staff. This session looked at the calculation of dependents' benefit and death grants. Positive feedback has been received and it is hoped that the session will help us to better understand this complex set of regulations.

## 6. Increase

The Consumer Price Index for September 2020 was 0.5%. This is the figure used in April 2021 to increase pension payments for our Pensioners and deferred benefits.

A letter will be sent in April to all pensioners informing them of their increased pension amount and payment dates for 2021/22.

## 7. Measuring Data

In 2015, the Pensions Regulator (tPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, tPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data.

Once again, we commissioned our software provider Aquila Heywood to produce a Data Quality Report for our Fund in September 2020.

The report is split into 2 sections:

- **Common Data:** e.g. name, address, NI number, sex, date of birth, status and date of commencement
- **Scheme Specific Data:** e.g. scheme benefits, transfer details, AVCs, salary details, contributions, service, lifetime allowance, annual allowance and GMP.

We give below a summary of the results:

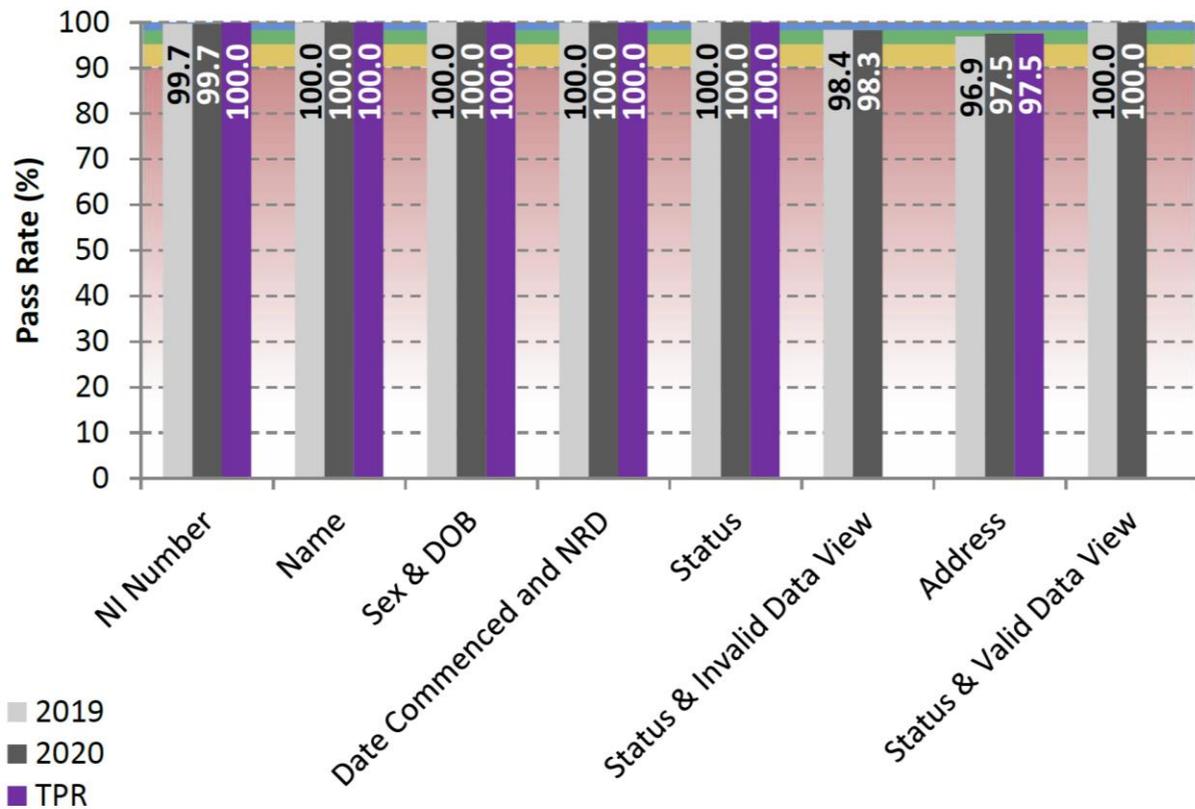
### Summary of Common Data Results

The graph below shows Gwynedd's performance for each data category against the agreed plan benchmarks and the 2019 test results. The results presented here are generated from data extracted from Altair Gwynedd Live Service on 29 September 2020 for all tests. The overall percentage of tests passed for Gwynedd common data is **99.4%** (no change from 2019 score)

7 of the 8 categories achieved the highest benchmark of over 98% with 3 categories not recording a single failure. A further 3 categories have been rounded to 100% with pass rates over 99.95%. The only category that did not reach the highest benchmark was **member addresses** with a score of **97.5%**. With the exception of members' addresses, the general quality of the common data in Gwynedd is of a high standard. To improve the member address score we have used a company called ATMOS in March 2021 to carry out work to track the address of members who have been

"lost". This service has found around 1,400 new addresses for us. By updating these addresses we hope that the address score will bring this category to the highest benchmark next time.

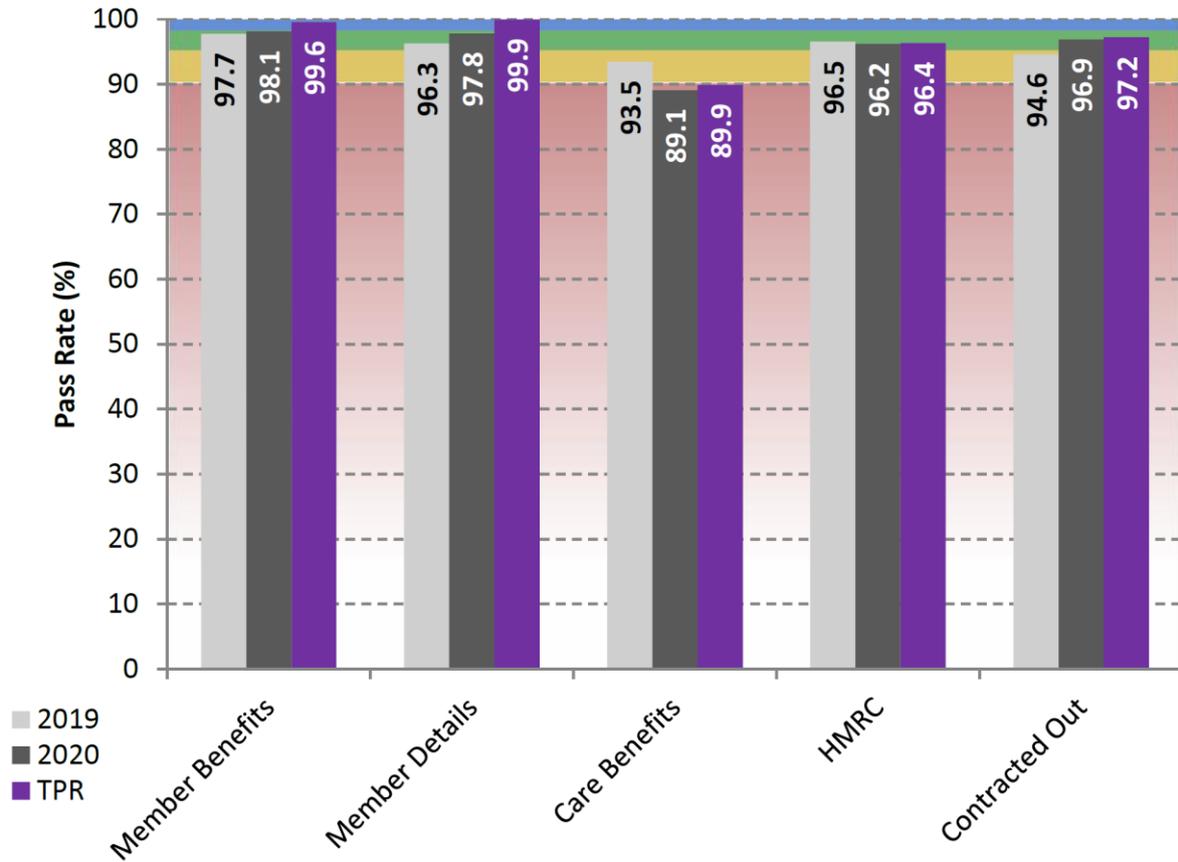
The percentage of member entries with no common data failure is **97.5%** (96.9% last year) and this is the figure that the TPR will receive on scheme returns



### Summary of Scheme-specific Data Results

The graph below shows Gwynedd's performance for each data category against the agreed plan benchmarks and the 2019 test results. The results presented here are generated from data extracted from Altair Gwynedd Live Service on 29 September 2020 for all tests. The overall percentage of tests passed for scheme-specific data is **98.1%**.

The percentage of member entries without a single scheme-specific data failure is **92.1%** (91.7% last year) and this is the figure that the TPR will receive on scheme returns.



An action plan is being developed in relation to implementing any data cleansing that has been highlighted as a part of this exercise and this data cleansing is expected to improve the data scores for next year.

### 8. McCloud Judgment

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges and Firefighters' Pension schemes were discriminated against because the protections do not apply to them.

The Government has confirmed that there will be changes to all major public sector schemes, including the LGPS, to eliminate age discrimination. This judgment is often called the 'McCloud judgment' after a member of the Judges Pension Scheme has become involved.

When the LGPS switched from a final salary scheme to a career average pension scheme in 2014, members who were within 10 years of their Normal Pension Age (usually 65) on 1 April 2012 received protection called an 'underpin'. When a protected member takes their pension, the benefits payable under the career average and final salary schemes are compared and the higher amount paid.

Following the McCloud ruling the Government needs to provide protection equal to the basic protection provided to older members in order to eliminate discrimination.

In order to provide this protection we will have to recalculate the benefits of retired, deceased and scheme members who have left since April 2014, as well as updating the records of active fund member with details of hours and breaks in service.

This is a major project, and we estimate that 20,000 records will need to be revisited.

We are currently waiting to see what our computer system will be able to do in relation to the calculations before we really start work.

In the meantime we have contacted all small and medium sized employers to ask them to confirm the details of hours etc. for their staff. We will be arranging meetings with major employers in the coming months to discuss our data provision requirements.

We anticipate that we will begin the serious work of correcting records in 2022 and it is likely that a special team will be needed to work on this project.

Despite all the work, most members are unlikely to see an increase in their pension, and when an increase is applied, it is likely to be small. This is because most members will build up a higher pension in the career average pension scheme than they would have received under the final salary scheme.

## **9. Complaints**

Fortunately, the number of complaints we receive is very low. Here are the details of the complaints we have received during 2020/21:

- **Ill Health Retirement:** Members unhappy that their application to retire under the ill health retirement option has not been successful. This decision is outside the control of the fund - These complaints are referred back to the relevant employer.
- **Death Grant Payments:** The fund has discretion in relation to the payment of a death grant following the death of a member. In unclear cases we use this discretion to pay the money to the estate and some beneficiaries are not happy with this.
- **Inaccurate language in correspondence:** We have received 2 complaints about inaccurate language in Welsh correspondence that have been sent out. The letters in question were letters sent out by individual members of staff, and not one of the department's standard templates. We are trying to create additional templates to avoid this happening again. We also send all templates for proof reading by the Council's Translation department to ensure language accuracy.

MEETING: PENSION BOARD  
DATE: 19 APRIL 2021  
TITLE: WALES PENSION PARTNERSHIP UPDATE  
AUTHOR: DELYTH JONES-THOMAS, INVESTMENT MANAGER

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## 1. Introduction

The collaboration has been going from strength to strength since its establishment in 2017 with officers meeting frequently.

The performance to date has been very satisfactory, many developments are underway, and therefore this paper provides an update for the Board.

## 2. Global Equity funds

These funds were established in February 2019 and their performance up to 31 December 2020 can be seen below.

### Global Growth Fund

This is a Global fund consisting of three underlying investment managers (Baillie Gifford, Veritas and Pzena) and Link as the investment manager.

	Three Months	One Year	Since Inception
Performance	13.30	17.41	16.86
Benchmark	8.46	12.67	14.02
<b>Excess returns</b>	<b>4.84</b>	<b>4.74</b>	<b>2.84</b>

The Fund performed well above the benchmark in the December quarter of 2020. Value stocks outperformed their growth peers for the first time on a quarterly basis since 2018. This enabled Pzena to perform very well in the quarter. Baillie Gifford generated sterling annual returns of nearly 33%, investing in companies where they believe they have a sustainable competitive advantage in their industries and will grow earnings faster than the market average.

### **Global Opportunities Fund**

This is a Global and Regional fund consisting of seven underlying investment managers (Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWQ and Oaktree) and Russell Investments as the investment manager.

A decarbonisation overlay has been recently commissioned which reduces the carbon footprint of the fund by 25%.

	<b>Three Months</b>	<b>One Year</b>	<b>Since Inception</b>
Performance	9.86	13.63	14.63
Benchmark	8.46	12.67	13.34
<b>Excess returns</b>	<b>1.40</b>	<b>0.96</b>	<b>1.29</b>

The Fund recorded positive returns over the fourth quarter and finished above the benchmark. This quarter saw a significant recovery in value, most notably in November, on the back of more favorable fundamentals. This boosted Sanders' earnings and Jacobs Levy's more multi-factorial approach. While it remains an underperforming factor for the year, the value has been slowly recovering its losses. Small-cap stocks also experienced a positive quarter as investor appetite increased with the release of COVID-19 vaccines. As such, Numeric's low volatility strategy struggled to find traction in the overall market environment. On the other side of the spectrum, momentum and growth methods dragged on for the first time this year, pressing Morgan Stanley.

### **3. Fixed Income Funds**

The Partnership launched five fixed income sub funds in July and September 2020 and Gwynedd Pension Fund has invested in two of them: Multi Asset Credit Fund and Absolute Return Bond Fund.

#### **Multi Asset Credit Fund**

Our global equity from Fidelity transferred to this fund in July 2020. This fund has five underlying investment managers (ICG, Man GLG, BlueBay, Barings and Voya) and Russell Investments as the investment manager. The performance up to 31 December 2020 was as follows:

	<b>Three Months</b>	<b>Since Inception</b>
Performance	5.71	5.49
Benchmark	1.00	1.56
<b>Excess returns</b>	<b>4.71</b>	<b>3.93</b>

The Fund outperformed the benchmark in this period. Investors' positive risk appetite boosted credit demand in this quarter. The Fund's corporate credit position was rewarded in this environment. In the USA, the underweight for high yield industrial and financial elements added relative value. In Europe, prolonged exposure to high yield industrial components

contributed to this. Elsewhere, an underweight to investment grade credit in Latin America declined. Within rates, an underweight to Spain was negative at a time when earnings fell.

### **Absolute Return Bond Fund**

Our bonds from Insight was transferred to this fund in September 2020. This fund has four underlying managers (Wellington, Putnam, Aegon and Insight) and Russell Investments as the investment manager. The performance up to 31 December 2020 was as follows:

	<b>Three Months</b>	<b>Since Inception</b>
Performance	0.91	0.91
Benchmark	0.51	0.51
<b>Excess returns</b>	<b>0.40</b>	<b>0.40</b>

The Fund finished ahead of the benchmark in the fourth quarter. Financial support and reduced direct concerns about volatility provided a positive environment for the fund. The fund's exposure to advance strategies was a key driver of its positive returns. Exposure to developing market rates, mainly Indonesia, Mexico, Colombia and Russia, was positive. Prolonged exposure to the high earnings of Europe and the USA reduced the fund overall.

## **4. Developments**

### **4.1 Emerging Markets**

The next transition that will take place is Emerging Markets. The fund structure, potential managers and fee estimates have been approved by the Joint Committee, and the prospectus was approved by the FCA in March 2021.

The Gwynedd fund will move our Emerging Markets share from Fidelity to this fund with an expected launch date of October 2021.

### **4.2 Private Markets**

A working group has been established looking at the options of combining assets into this category with the assistance of Hymans Robertson. An assessment of the requirements of each fund has been made with ongoing discussion to determine the appropriate structure and mechanism for the investments.

Private Credit and Infrastructure are two of the main focus areas with global properties also being considered.

### **4.3 Publications**

The WPP have a number of Publications and policies which are consistently reviewed. These include:

- Responsible Investment Policy
- Voting Policy
- Communication Policy
- Governance Matrix
- Training Policy and Training Plans

- Climate Risk Policy
- Procedures and Conflict of Interest Policy
- Risk Policy and Risk Register
- Business Plan

Further information can be found on the WPP website: [www.walespensionpartnership.org](http://www.walespensionpartnership.org).

#### **4.4 Member Representative on the Joint Governance Committee**

At its meeting on 24th March 2021 the Joint Committee considered a report on the Scheme Member Representative, which detailed the recommended appointment process and person specification prepared by the Officer Working Group.

With regard to the appointment process, the report recommended that each local Pension Board should nominate one scheme member representative who would submit an expression of interest setting out its particular merits against the person specification. The appointment process would be undertaken by a Joint Governance Committee sub-group who would submit an appointment recommendation for approval by the Joint Governance Committee.

Once the person specification and appointment process had been formally approved, the Inter Authority Agreement would need to be amended and the eight constituent authorities would need to approve the amendments.

In terms of the appointment process it was agreed that the appointment should be two years and that the appointment should include a deputy representative from a different Pension Board to the Scheme Member Representative.

The process is expected to take between six and twelve months as changes to the Inter Authority Agreement require full Council approval from each constituent authority.

#### **5. Recommendation**

The Board is asked to note the information.