
PENSION BOARD 12/07/21

Present: Osian Richards – Chair (Member Representative), Cllr Aled Evans (Employer's Representative), H. Eifion Jones (Member Representative), Sioned Parry (Employer's Representative) and Huw Trainor (Employer's Representative) and Sharon Warnes (Member 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
Huw Ynyr – Assistant Head of Finance - Information Technology

1. ELECT CHAIR

RESOLVED to elect Councillor Aled Evans as Chair of the Board for 2021-22

Mr Osian Richards was thanked for his work as Chair of the Board over the past two years, and that despite the pandemic he had carried out the work in a committed and conscientious manner.

2. ELECT VICE CHAIR

RESOLVED to elect Mr Eifion Jones as vice-chair of the Board for 2021-22.

3. APOLOGIES

None to note

4. DECLARATION OF PERSONAL INTEREST

None to note

5. URGENT ITEMS

None to note

6. MINUTES

The Chair signed the minutes of the previous meeting of this committee, held on 19 April 2021, as a true record.

7. MATTERS ARISING FROM PENSION COMMITTEE

Councillor Peredur Jenkins (Chair of the Committee) referred to an item that had been discussed at the Committee (which was also included on the Board's agenda). He expressed that there had been public interest in the matter 'responsible investment' with questions from the Anglesey, Conwy and Gwynedd electorate having been submitted to the Committee. The electors had been invited to the Committee, and a full response had been provided to the questions. Since the Committee, he noted that the electors (members of the Divest Gwynedd group) had not provided a direct response, but they would be holding a demonstration in response to the responses they had received. He noted that Officers representing the Pensions Committee had provided a statement as a further response, and that the Committee were keen for the Board to discuss the item and support the statement.

8. GWYNEDD PENSION FUND'S DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

Submitted, for information, the report of the Investment Manager providing details of the Pension Fund's financial activities during the year ending 31 March 2021. As the Responsible Financial Officer, the Head of Finance Department stated that he had already certified the draft accounts, which were now subject to audit by Audit Wales.

He reported that the accounts followed the statutory CIPFA format, with the guidance interpreting what was presented in the accounts. Members were reminded that last year's accounts had been signed with an 'emphasis of matter' paragraph, due to the uncertainty with property valuations. It was highlighted that the four Property Managers had stated that there was no uncertainty this year. He drew attention to the Fund Account, which noted a normal year for contributions and benefits without any significant change. Nevertheless, a significant change was reported in management costs. The officer referred to note 12a which explained that the increase in Private Equity (Partners) performance fees was responsible for the change, with strong performance in three funds specifically. (The Managers had provided a full explanation when their fees were challenged).

In the context of the net assets statement, attention was drawn to the change in the investment assets (Note 14a) which had now reached £2.5 billion, with a significant increase in the Wales Pension Partnership after a portion of Fidelity and Insight had transferred to the fixed income funds during the year.

The members expressed their thanks for the detail in the report.

It was accepted that the increased costs were justified and were based on good performance, but members also asked, what would happen should the performance dip? In response, the officer noted that apart from good performance, illustrating returns was also an important consideration and that asset managers were required to take account of returns when investing.

In response to a question about limiting investment periods, he noted that it was possible to adjust the investment period of listed assets, but if they were not registered / listed, then it would be unwise to consider selling. It was noted it was acceptable to persevere with Partners Group.

The information was ACCEPTED.

9. RESPONSIBLE INVESTING

Submitted – a report by the Investment Manager updating Members on revisions to the Fund's Responsible Investment statement. She explained that since submitting the Responsible Investment Statement in February 2021, which provided the Fund's position on divesting from fossil fuels, the situation was changing daily therefore the statement was likely to be updated and presented frequently to the Committee and to the Pension Board for approval.

The members expressed their thanks for the report. They considered that the revisions were an important step in the right direction.

In response to a question regarding Hymans' suggestion that the Gwynedd Fund could set its own targets, the Head of Finance Department noted that some Funds did set their own targets but had not considered how they would reach those targets. She stated that the Gwynedd Fund had resolved to take real action rather than set a target, and that not having a target did not mean there was no progress. As a result, it was considered that campaigners had an opportunity to influence by acting responsibly rather than making empty promises. In response to a supplementary question regarding the position of the Wales Pension Partnership, she noted that the eight authorities within the Fund were supportive of responsible investment, but that each Fund set its own direction and individual timeframe / target.

During the ensuing discussion, the following observations were made by members:

- There were continuous opportunities for the Fund e.g. carbon infrastructure
- Engagement and openly discussing principles with companies could lead to improving situations in future
- We should take advantage of Investment Managers' efforts e.g. the principle of planting trees is under discussion
- A suggestion that all Funds establish a Task Group to report on comparatives

RESOLVED:

To approve the statement

The Chair of the Board, Councillor Aled Evans, to sign the statement

10. PENSION FUND INVESTMENT PERFORMANCE 2020/21

Submitted – a report by the Investment Manager informing the Members of the quarterly (and yearly) monitoring being undertaken by the Investment Panel on the Pension Fund's investments performance. She reported that the Gwynedd Pension Fund was in a relatively healthy position as the value of the fund had increased steadily since 2011, but had dropped on 31 March 2020 because of the impact of Covid-19.

The Fund had experienced very positive returns on equity investments with the markets bouncing back from the dip in the last quarter of 2019/20, together with very strong performance by the funds of the Wales Pension Partnership. In the context of Property Investment Managers' performance, she noted that property returns had been positive, with the recovering capital values reflecting the increasing confidence amongst investors. Despite this, she highlighted that the high street had not performed so well because uncertainty remained regarding the future of shops and offices.

Members expressed their thanks for the report, and commended the figures.

The Chair of the Pensions Committee noted that the Wales Pension Partnership was a strong Welsh unit, and that the Councils worked well together. He added that the performance reflected returns from having a wider choice of possible options.

The Head of Finance Department added that the situation was healthy and that it had been a successful year despite the Covid-19 pandemic.

RESOLVED to accept the information

11. THE PENSION BOARD CHAIR'S REPORT FOR THE FUND'S ANNUAL REPORT

Submitted – the report of the Chair of the Pension Board for 2020/21, after having received the Members' comments at the previous meeting. The Members were reminded that the Chair of the Pension Board was required to submit an annual report as part of the Pension Fund's annual report and as part of the Fund's annual meeting. A final version of the report was due by 31/07/21.

He explained that the layout of the report corresponded to the 2019/20 report, and offered factual statements that reflected the subjects discussed.

The members thanked him for the report

RESOLVED to approve the report

12. GOVERNANCE POLICY STATEMENT

Submitted – the report of the Pensions Manager, highlighting the requirement for the Fund to publish a Governance and Compliance Statement under Regulation 55 of the Local Government Pension Scheme (as amended) Regulations 2013 and to review that statement on an ongoing basis. The purpose of the statement was to set out the Fund's Governance Structure, the scheme of delegation, and the terms of reference for its Governing Bodies, the Pensions Committee and the Local Pension Board.

He stated that the current statement had been in force since 2008 and that the service had been reviewing and updating the statement in preparation for the Scheme Advisory Board's Good Governance Project that would come into force in April 2022. He explained that the main changes included providing more information on the responsibilities of pension fund staff and also introducing a new part to the policy in relation to the role and responsibilities of the Pension Board.

Members thanked the officer for the report, and agreed with the requirement to comply with the Regulations and report on the current situation.

In response to a question regarding whether there was any intention to open the Committee to representation from amongst members of the Scheme (although accepting that everyone had the opportunity to attend the Fund's annual meeting, it was not a suitable forum for asking questions), the Head of Finance Department noted that in establishing the Pension Board the aim had been to establish an open, healthy and transparent forum by inviting members of the Board as

observers to the Pensions Committee and the Chair of the Pensions Committee to the Board. It was added that the Wales Pension Partnership had considered this situation, and reported that the structure could be revisited before the 2022 Election along with the likely introduction of new regulations.

RESOLVED to accept the information

13. CYBER SECURITY

Huw Ynyr – Assistant Head (Information Technology) was welcomed to the meeting.

Submitted, for information, a cover report by the Pensions Manager in response to the Members' request for an update on the Council's security resilience. He explained that as Gwynedd Council was the administrative authority for the Gwynedd Pension Fund, the Council's Information Technology Department obviously took care of and assisted with the IT aspect. The Council took cyber security seriously, and reference was made to the report prepared by the Assistant Head of Finance – Information Technology (for the Audit and Governance Committee) that detailed the provisions there were in place to mitigate the risk of a cyber attack.

The measures in place to try to prevent an attack were discussed, as well as those measures that responded effectively to those risks. The officer referred to recent local cases that served as evidence that cyber attacks were a real threat and therefore challenged the Information Technology Service to secure the resilience of their defences and their ability to recover themselves from a vulnerable situation should those defences fail.

He added that cyber activists regularly adapted their methods of cyber attack, therefore the Council reviewed its measures regularly with third party support. He noted that the Council was currently in a good place, but an element of risk always existed.

The members thanked him for the report

In response to a question regarding the increase in virtual meetings and how the IT Department ensured that outside attendees to meetings were 'secure', he noted that there were several stages in a network that provided DMZ defence which enabled organisations to defend their internal networks.

In response to a question about the existence of a disaster recovery plan, the officer noted that such a plan did exist and that the Council was also part of the Cyber Essentials Trust that assisted them to protect the Council from cyber attacks. He added that penetration tests were also undertaken regularly.

In response to a question as to whether the service had a sufficient budget to protect from attacks, and whether more could be done to improve the situation, the Assistant Head noted there was a lot of work involved to keep on top of the situation, but they must take the situation seriously. If there was under-investment in this area, the matter would be highlighted as a risk and would subsequently lead to discussions in pursuit of a decision to invest further.

During the ensuing discussion, the following observations were made by members:

- It was important to monitor the situation, and this relied on expertise in the

field

- A likely risk would be to lose expertise
- Need to ensure that key people stay in Gwynedd

To accept the information

To thank the Information Technology Department for their support

14. OBSERVING 2021/22 PENSIONS COMMITTEE MEETINGS

21-10-21 Sioned Parry

17-01-22 Eifion Jones

24-03-22 Osian Richards

The meeting commenced at 2.30 pm and concluded at 4.00 pm

CHAIRMAN