



Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSION BOARD

Date and Time

2.30 pm, MONDAY, 12TH JULY, 2021

Location

Virtual Meeting

Contact Point

Lowri Haf Evans

01286 679878

lowrihafevans@gwynedd.llyw.cymru

(DISTRIBUTED 02/07/21)

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. ELECT CHAIR

To elect Chair for 2021/22

2. ELECT VICE CHAIR

To elect Vice chair for 2021 /22

3. APOLOGIES

To receive any apologies for absence

4. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

5. URGENT ITEMS

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

6. MINUTES

5 - 7

The Chairman shall propose that the minutes of the meeting of this committee held on 19th April 2021 be signed as a true record.

7. MATTERS ARISING FROM PENSION COMMITTEE

To consider matter arising from Pensions Committee 24-06-21

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

8 - 51

To consider the report

9. RESPONSIBLE INVESTING

52 - 55

To approve the statement and for the Chair to sign the declaration.

10. PENSION FUND INVESTMENT PERFORMANCE 2020/21

56 - 60

To inform the Board of performance of pension fund investments

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

61 - 64

To approve the final version of the annual report

12. GOVERNANCE POLICY STATEMENT

65 - 81

To receive feedback from the Board on the new Governance Policy Statement

13. CYBER SECURITY

82 - 87

To update the Board on Gwynedd Council's cyber security resilience

14. OBSERVING 2021/22 PENSIONS COMMITTEE MEETINGS

Board Members to consider availability for observing 2021/22 Pension Committee meetings

21-10-21

17-01-22

24-03-22

PENSION BOARD 19-04-21

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)

1. APOLOGIES

Apologies were received from Councillor Peredur Jenkins - Chair of the Pensions Committee

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 22 February 2021, as a true record.

In response to a question, following information shared by the Pensions Regulator in a recent webinar regarding consultation on a draft version of the single practice code, the Head of Finance noted that he would try to find out more information about the situation. He suggested that any response would be formulated between the Board and the Pensions Committee following guidance from Hymans.

5. PENSIONS COMMITTEE MINUTES

The minutes of the Pensions Committee held on 25 March 2021 were accepted for information.

It was reported that some of the items discussed at the Committee had already been pre-scrutinised by the Board. It was noted that an update of the Risk Register had been submitted to the Committee following implementation of the amendments suggested by the Board.

6. GWYNEDD PENSION BOARD ANNUAL REPORT (draft) FOR 2020-21

The Chair of the Pension Board's initial draft report for 2020/21 was submitted, with Members invited to contribute additions or amendments to the report. The members were reminded that the Chair of the Pension Board was required to submit an annual

report as part of the Pension Fund annual report and as part of the Fund's annual meeting. It was noted that the reported needed to be completed by 31/07/21.

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

Gratitude was expressed for the report.

Possible additions and amendments to the draft:

- Add the 19/04/21 meeting to the attendance table
- There was a need to include more information regarding training - Members were requested to submit information about training sessions they had attended

In response to a question regarding creating a central record for a training register, it was noted that an arrangement had now been established.

RESOLVED to accept the report subject to including the above observations.

7. PENSIONS ADMINISTRATION

A comprehensive report was submitted by the Pensions Manager, providing a general overview of pensions administration over the past six months, along with information about the work completed over the period, an update on various projects along with a list of the challenges faced by the Administration Unit on a daily basis.

Gratitude was expressed for the report.

In response to an observation regarding the suggestion of establishing a small team to complete the work deriving from the McCloud ruling, the Pensions Manager expressed that recent investments in the Unit would allow hours to complete this additional work. It was agreed that the staff needed to be responsible, experienced and trained. It was noted that the closing date suggested to complete the work (March 2022) was unrealistic as the solution had not been introduced to the process.

In response to an observation regarding correspondence with individuals by letter, perhaps every five years, regarding the death grant, it was noted that the Pensions Unit communicated with Members, but was striving to avoid doing so by letter. It was highlighted that 'the nominee' was included on annual statements, and that it was possible for members to update their policies online via the Self Service portal. In addition, as old information was uncovered, the Unit also sent relevant forms to the member in question asking them to update their details. It was emphasised that the Council's Communication and Engagement Service had been supporting the Pensions unit to upgrade information sharing methods, and that a 'My pension online' tile had been added to the Council's staff intranet.

In response to an observation regarding the reason the benefits of the career average element appeared low in the summary table of Scheme-specific data results, it was noted that work was being done to improve this by adding more data / records to the system. It was noted that the results submitted had been produced from data extracted from the Gwynedd Altair live service on 29 September 2020. It was hoped that the Unit would invest in software to produce its own reports in future - this would make it possible to obtain information regarding the latest situation, and accurate, current data.

RESOLVED to accept the information

8. WALES PENSION PARTNERSHIP UPDATE

The Investment Manager submitted a report, updating members on the Partnership's work, the performance of the Fund, and ongoing developments since its establishment in 2017. A summary was provided of the funds' performance up to 31/12/20, with attention drawn to the key messages.

It was reported that regular meetings via Teams allowed matters to be discussed in a timely manner, and this appeared to be effective, with matters progressing more quickly. It was reported that the easy transfers had been implemented, and work was now being undertaken on matters that seemed more challenging, such as Private Markets. It was emphasised that Hymans supported the work of asset pooling in this category, with continuous business discussions arranged to discuss the appropriate structure and mechanisms for investment.

Attention was drawn to the discussion around the Member representative appointment process for the Joint Governance Committee. It was highlighted that the recommendation put forward in a report to the Joint Committee (24 March 2021) was that each local Pension Board should nominate one scheme member representative who would meet the requirements of the job description. The appointment process would be undertaken by a sub-group who would recommend a nomination for approval by the Joint Governance Committee. The Head of Finance expressed that he would support Osian Richards (Chair of Gwynedd Pension Board) to become a member of the Joint Committee.

Gratitude was expressed for the report

In the context of Private Markets, and in response to a question regarding the term 'infrastructure' and whether the field would include 'technology', it was expressed that the term covered a very wide base and that there was no formal detail to the field at the present time. A tendency to keep to traditional matters within the field was reported, but that there was a willingness to consider other alternative options. It was added that there were interesting opportunities ahead, some of which would be relevant to Wales.

In response to a question regarding the percentage split within the key fields of focus (5% for Private Equity and 2.5% for Infrastructure), it was noted that returns were consistent, but that it was likely the split would need to be reviewed in the future.

The Head of Finance's proposal to support Osian Richards as a member of the Joint Governance Committee was supported

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

Agenda Item 8

MEETING

PENSION BOARD

DATE

12 JULY 2021

TITLE

**Gwynedd Pension Fund's Draft Statement of Accounts
for the year ended 31 March 2021**

AUTHOR

Dafydd L Edwards, Head of Finance

1. INTRODUCTION

This report introduces the statutory Statement of Accounts for the 2020/21 financial year, which provides details of the Pension Fund's financial activities during the year which ended on 31 March 2021.

The document in Appendix A is the draft Statement of Accounts in the statutory format.

2. AUDIT BY AUDIT WALES

The draft accounts here are currently subject to audit by Audit Wales. It is possible that some changes will be necessary before a final version is submitted for approval.

Gwynedd Pension Fund

STATEMENT OF ACCOUNTS 2020/21

NARRATIVE REPORT

Introduction

Gwynedd Pension Fund's accounts and notes for the year 2020/21 are presented here on pages 4 to 42.

The accounts consist of the Gwynedd Pension Fund Account and Net Assets Statement.

These accounts are supported by this Narrative Report, the Accounting Policies and various notes to the accounts.

The Pension Fund accounts, and accompanying notes, summarise the financial transactions and net assets related to the provision of pensions and other benefits payable to former employees of all the Fund's employers, including Anglesey, Conwy and Gwynedd Councils, Snowdonia National Park Authority, Police and Crime Commissioner for North Wales, Cartrefi Conwy, Adra, various town and community councils, and other scheduled and admitted bodies.

The Covid-19 pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, year-end valuation reports provided to the Gwynedd Pension Fund on 31st March 2020 included a statement that there is a material valuation uncertainty related to the UK property funds managed on behalf of the Fund. No material uncertainties in property valuations are being reported as at 31 March 2021.

The Statement of Accounts and further information is available on Gwynedd Pension Fund's website www.gwyneddpensionfund.wales.

The Fund has two important statements which set out the strategies for ensuring pensions are funded now and in the future as follows:

- Funding Strategy Statement – the statement sets out the fund-specific strategy which will identify how employer pensions liabilities are best met going forward. It is reviewed every three years after the triennial actuarial valuation and includes individual employer rates for the following period.
- Investment Strategy Statement - the statement sets out the types of investments and broad limits on each type of investment.

Both these statements are available on the Fund's website under the investments section.

An Actuarial Valuation is required every three years to establish the level of assets available to pay pensions now and in the future. The most recent valuation was at 31 March 2019 and any changes to employers' contributions were made from 1 April 2020 onwards.

Further information relating to the accounts is available from:

Delyth Jones-Thomas
Investment Manager
01286 679128

Finance Department
Gwynedd Council
Council Offices
Caernarfon
Gwynedd
LL55 1SH

It is part of the Fund's policy to provide full information relating to the Fund's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection will be notified on the Pension Fund website at the appropriate time.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE PENSION FUND'S RESPONSIBILITIES

Gwynedd Council as administrating authority (effectively the trustee) for Gwynedd Pension Fund is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Gwynedd Council, that "Section 151 Officer" is the Head of Finance. It is also the administrating authority's responsibility to manage its affairs to secure economic, efficient and effective use of its resources, to safeguard its assets, and to approve the Statement of Accounts.

24th June 2021

Pensions Committee Chair

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing the statement of accounts, the Head of Finance has selected suitable accounting policies and then applied them consistently; has made judgements and estimates that were reasonable and prudent; and complied with the Code.

The Head of Finance has also kept proper accounting records which were up to date, and has taken reasonable steps for the prevention and detection of fraud and other irregularities.

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Pension Fund at 31 March 2021 and the Pension Fund's income and expenditure for the year then ended.



16th June 2021

Dafydd L. Edwards B.A., C.P.F.A., I.R.R.V.
Head of Finance, Gwynedd Council

GWYNEDD PENSION FUND ACCOUNTS
2020/21

THE FUND ACCOUNT

31 March 2020 £'000		Notes	31 March 2021 £'000
	Dealings with members, employers and others directly involved in the Fund		
74,416	Contributions	7	78,252
5	Other Income	8	4
4,887	Transfers in from other pension funds	9	3,356
79,308			81,612
(62,328)	Benefits	10	(62,378)
(4,669)	Payments to and on account of leavers	11	(3,052)
(66,997)			(65,430)
12,311	Net additions/ (withdrawals) from dealings with members		16,182
(13,121)	Management Expenses	12	(22,669)
(810)	Net additions/ (withdrawals) including fund management expenses		(6,487)
	Returns on investments		
9,318	Investment income	13	30,768
(151,518)	Profit and losses on disposal of investments and changes in the market value of investments	14	565,511
(142,200)	Net returns on investments		596,279
(143,010)	Net Increase/ (Decrease) in the net assets available for benefits during the year		589,792
2,081,347	Opening net assets of the scheme		1,938,337
1,938,337	Closing net assets of the scheme		2,528,129

The notes on pages 6 to 42 form part of these Financial Statements

NET ASSETS STATEMENT

31 March 2020		Notes	31 March 2021
£'000			£'000
1,928,515	Investment assets	14	2,515,169
783	Cash deposits	14	146
0	Investment liabilities	14	(126)
1,929,298	Total net investments		2,515,189
11,929	Current assets	20	16,153
(2,890)	Current liabilities	21	(3,213)
1,938,337	Net assets of the fund available to fund benefits at the end of the reporting period		2,528,129

The Financial Statements do not take into account the Fund's liability to pay pensions and other benefits to all the present contributors to the Fund after the financial year-end, but rather summarises the transactions and net assets of the Fund. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (most recently as at 31 March 2019) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will be able to meet future liabilities. The actuarial present value of promised retirement benefits is shown in Note 19.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE I – DESCRIPTION OF FUND

The Gwynedd Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by Gwynedd Council. The Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Gwynedd Pension Fund Annual Report 2020/21 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Gwynedd Council to provide pensions and other benefits for pensionable employees of Gwynedd Council, two other local authorities and other scheduled, resolution and admission bodies within the former Gwynedd County Council area. Teachers, police officers and firefighters are not included as they are in other national pension schemes. The Fund is overseen by the Pensions Committee, which is a committee of Gwynedd Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Gwynedd Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Resolution bodies, which are city, town and community councils. They have the power to decide if their employees can join the LGPS and pass a resolution accordingly.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

NOTE I – DESCRIPTION OF FUND (continued)

The following bodies are active employers within the Pension Fund:

Scheduled Bodies	
Gwynedd Council	Snowdonia National Park Authority
Conwy County Borough Council	Bryn Eilian School
Isle of Anglesey County Council	Emrys ap Iwan School
Police and Crime Commissioner for North Wales	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
GwE	North and Mid Wales Trunk Road Agency
North Wales Economic Ambition Board	
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	Conwy Town Council
Llanfairfechan Town Council	
Admission Bodies	
Adult Learning Wales (formerly Coleg Harlech WEA)	North Wales Society for the Blind
CAIS	Community and Voluntary Support Conwy
Conwy Citizens Advice Bureau (until 30/04/20)	Careers Wales North West
Holyhead Joint Burial Committee	Mantell Gwynedd
Cwmni Cynnal	Medrwn Môn
Cwmni'r Fran Wen	Menter Môn
Community Admission Bodies	
Cartrefi Conwy	Adra (formerly Cartrefi Cymunedol Gwynedd (CCG))
Byw'n Iach	
Transferee Admission Bodies	
ABM Catering	Caterlink
Kingdom Services Group	A E & A T Lewis

NOTE I – DESCRIPTION OF FUND (continued)

Membership details are set out below:

	31 March 2020	31 March 2021
Number of employers	47	47
Number of employees in scheme		
Gwynedd Council	14,656	14,518
Other employers	3,926	3,777
Total	18,582	18,295
Number of pensioners		
Gwynedd Council	8,562	8,902
Other employers	1,767	1,878
Total	10,329	10,780
Deferred pensioners		
Gwynedd Council	10,637	10,473
Other employers	1,968	1,958
Total	12,605	12,431
Unclaimed benefits		
Gwynedd Council	1,833	1,864
Other employers	230	230
Total	2,063	2,094
Undecided Leavers		
Gwynedd Council	3,847	5,280
Other employers	531	759
Total	4,378	6,039
Total number of members in pension scheme	47,957	49,639

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 2.75% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employer contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Currently, employer contribution rates range from 7.7% to 33.3% of pensionable pay.

NOTE 1 – DESCRIPTION OF FUND (continued)

d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre-1 April 2008	Service post-31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the Fund became a career average scheme as summarised below:

	Service post-31 March 2014
Pension	Each year worked is worth 1/49 x career average revalued earnings (CARE)
Lump Sum	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Accrued pension is increased annually in line with the Consumer Prices Index.

There are a number of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Gwynedd Pension Fund scheme handbook available from Gwynedd Council's Pensions Section.

Benefits are index-linked in order to keep pace with inflation.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2020/21.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

a) Contribution Income

Normal contributions are accounted for on an accrual basis as follows:

- Employee contributions rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommend by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the fund’s actuary or on receipt if earlier than the due date.

Employers’ augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer in and out relate to members who have joined or left the fund.

Individual transfers in/ out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 9).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds including property

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

e) Management expenses

The fund discloses its management expenses in line with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accrual basis as follows:

Administrative expenses

All staff costs of the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the fund.

Oversight and governance costs

All costs associated with oversight and governance are separately identified, apportioned to this activity and charged as expenses to the fund.

Investment management expenses

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments.

Fees charges by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Transaction costs are associated with the acquisition or disposal of fund assets and are disclosed in the notes to the accounts.

f) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets statement

g) Financial assets

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirement of the Code and IFRS 13 (see note 14). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/ Investment Association, 2016).

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains and losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net assets statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Additional voluntary contributions

Gwynedd Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. There are three AVC funds. They are held with Clerical Medical, Utmost Life and Standard Life. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information only in Note 22.

m) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity and infrastructure investments

The fair value of private equity investments and infrastructure are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2021 was £211.6 million (£157.2 million at 31 March 2020).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from assumptions and estimates made.

The items in the net assets statement for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pension depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and return on fund assets. Hymans Robertson is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Private equity and infrastructure	Private equity and infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines (December 2018) and the Special Guidance issued March 2020 concerning the impact of COVID 19 on valuations. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity and infrastructure investments in the financial statements are £211.6 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE REPORTING DATE

There are no significant events after the year end to report.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

By category

2019/20		2020/21
£'000		£'000
17,914	Employees' contributions	18,671
	Employers' contributions:	
56,376	• Normal contributions	59,581
126	• Deficit recovery contributions	0
56,502	Total employers' contributions	59,581
74,416	Total contributions receivable	78,252

By type of employer

2019/20		2020/21
£'000		£'000
27,055	Gwynedd Council	25,328
42,075	Other scheduled bodies	47,917
2,076	Admission bodies	1,749
2,623	Community admission bodies	2,712
221	Transferee admission bodies	140
312	Resolution bodies	352
54	Closed fund*	54
74,416		78,252

* Closed fund – These are contributions received from North Wales Magistrates Court Committee which was an admitted body but is now a closed fund.

NOTE 8 – OTHER INCOME

2019/20		2020/21
£'000		£'000
2	Interest on deferred contributions	2
3	Income from divorce calculations	2
5		4

NOTE 9 – TRANSFERS IN FROM OTHER PENSION FUNDS

2019/20		2020/21
£'000		£'000
4,887	Individual transfers	3,356
4,887		3,356

NOTE 10 - BENEFITS PAYABLE

By category

2019/20		2020/21
£'000		£'000
48,356	Pensions	50,411
12,343	Commutation and lump sum retirement benefits	10,807
1,629	Lump sum death benefits	1,160
62,328		62,378

By type of employer

2019/20		2020/21
£'000		£'000
17,714	Gwynedd Council	18,773
31,958	Other scheduled bodies	31,703
1,520	Admission bodies	1,502
1,472	Community admission body	1,133
223	Transferee admission body	108
119	Resolution body	174
9,322	Closed fund	8,985
62,328		62,378

NOTE 11 - PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2019/20		2020/21
£'000		£'000
161	Refunds to members leaving service	92
1	Payments for members joining state scheme	0
4,507	Individual transfers	2,960
4,669		3,052

NOTE 12 - MANAGEMENT EXPENSES

2019/20		2020/21
£'000		£'000
11,434	Investment management expenses	21,128
1,307	Administrative costs	1,268
380	Oversight and governance costs	273
13,121		22,669

Management expenses have been reanalysed for 2019/20 to be consistent with 2020/21

NOTE 12a – Investment Management Expenses

2020/21	Management fees £'000	Transaction costs £'000	Total £'000
Pooled Funds			
Fixed Income	865	0	865
Equities	2,733	442	3,175
Other Investments			
Pooled Property	1,565	0	1,565
Private Equity	12,274	0	12,274
Infrastructure	3,044	0	3,044
	20,481	442	20,923
Custody Fees			205
Total			21,128

2019/20	Management Fees £'000	Transaction Costs £'000	Total £'000
Pooled Funds			
Fixed Income	1,297	0	1,297
Equities	3,462	924	4,386
Other Investments			
Pooled Property	1,551	0	1,551
Private Equity	2,511	0	2,511
Infrastructure	1,572	0	1,572
	10,393	924	11,317
Custody Fees			117
Total			11,434

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled investment vehicles. There are no performance-related fees paid to investment managers. In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. They are reflected in the cost of investment purchases and in the proceeds of sales of investments in Note 14a.

The WPP Global Opportunities, Multi Asset Credit and Absolute Return Bond funds are investments which are appointed via a manager of manager approach which have their own underlying fees. The return for this mandate are net of the underlying manager fees which is reflected in Note 14a within the Change in Market value- for transparency, the fees in 2020/21 were £1,846,000 (£820,000 in 2019/20).

Transition costs have been incurred as a result of moving investments from Insight and Fidelity into WPP. These costs were £71,000 and are included in the Net Asset Value (NAV).

NOTE 12b- Administrative Costs

2019/20		2020/21
£'000		£'000
563	Direct employee costs	576
377	Other direct costs	316
367	Support services, including IT	376
1,307		1,268

Administrative costs include amounts charged to the Pension Fund by Gwynedd Council for staff costs, support services and accommodation.

Note 12c- Oversight and Governance Costs

2019/20		2020/21
£'000		£'000
150	Actuarial fees	88
47	Investment consultancy fees	44
13	Performance monitoring service	13
34	External audit fees	34
66	Pensions Committee and Local Pension Board	6
70	Wales Pensions Partnership	88
380		273

Note 12d- Wales Pension Partnership

The Investment Management Expenses in Note 12a are fees payable to Link Fund Solutions (the WPP operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the NAV.

The oversight and governance costs in Note 12c are the annual running costs of the pool which includes the Host Authority costs and other External Advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales.

The following fees are included in Note 12 in relation to the Wales Pension Partnership and further details on the WPP can be found in the Annual Report.

	2019/20	2020/21
	£'000	£'000
Investment Management Expenses		
Fund Manager fees	1,656	1,955
Transaction costs	924	442
Custody fees	102	179
	2,682	2,576
Oversight and governance costs		
Running Costs	70	88
Total	2,752	2,664

NOTE 13 – INVESTMENT INCOME

2019/20		2020/21
£'000		£'000
0	Fixed Income	1,579
1,463	Equities	20,587
529	Private Equity	1,108
101	Infrastructure	888
6,929	Pooled property investments	6,507
296	Interest on cash deposits	99
9,318	Total before taxes	30,768

During 2020/21 Link Asset Services paid distributions in respect of the income earned since inception on all Wales Pension Partnership sub-funds in which the fund invests. This was automatically reinvested into the pooled funds to increase the market value of the holdings.

The Gwynedd Pension Fund has two bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year.

The Pension Fund also has a Euro account to deal with receipts and payments in Euros and to minimise exchange transactions and relevant costs.

NOTE 14 – INVESTMENTS

31 March		31 March
2020		2021
£'000		£'000
	Investment assets	
	Pooled Funds	
280,279	Fixed income	484,315
1,299,750	Equities	1,624,630
	Other Investments	
191,256	Pooled property investments	194,581
112,661	Private equity	165,423
44,569	Infrastructure	46,220
1,928,515		2,515,169
783	Cash deposits	146
1,929,298	Total investment assets	2,515,315
	Investment liabilities	
(0)	Amounts payable for purchases	(126)
(0)	Total investment liabilities	(126)
1,929,298	Net investment assets	2,515,189

Asset type analysis has been expanded for 31 March 2020 to be consistent with 31 March 2021

Note 14a – Reconciliation of Movements in Investments and Derivatives

2020/21	Market value at 1 April 2020	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Pooled investments	1,580,029	759,879	(727,541)	496,578	2,108,945
Pooled property investments	191,256	3,592	(281)	14	194,581
Private equity / infrastructure	157,230	29,249	(24,283)	49,447	211,643
	<u>1,928,515</u>	<u>792,720</u>	<u>(752,105)</u>	<u>546,039</u>	<u>2,515,169</u>
Cash deposits	783				146
Amount receivable from sales of investments	0				0
Amounts payable for purchases of investments	0				(126)
Fees within pooled vehicles				19,472	
Net investment assets	1,929,298			565,511	2,515,189

2019/20	Market value at 1 April 2019	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Pooled investments	1,729,681	10,545	(9,540)	(150,657)	1,580,029
Pooled property investments	179,301	20,644	(777)	(7,912)	191,256
Private equity / infrastructure	145,613	26,464	(13,054)	(1,793)	157,230
	<u>2,054,595</u>	<u>57,653</u>	<u>(23,371)</u>	<u>(160,362)</u>	<u>1,928,515</u>
Cash deposits	538				783
Amount receivable from sales of investments	0				0
Amounts payable for purchases of investments	(123)				0
Fees within pooled vehicles				8,844	
Net investment assets	2,055,010			(151,518)	1,929,298

Asset type analysis has been expanded for 31 March 2020 to be consistent with 31 March 2021

NOTE 14b – Analysis of Investments

Investments analysed by fund manager

Market Value at 31 March 2020			Market Value at 31 March 2021		
£'000	%		£'000	%	
604,237	31.3	Wales Pension Partnership	1,360,124	54.1	
565,379	29.3	BlackRock	735,481	29.2	
157,230	8.2	Partners Group	211,643	8.4	
181,742	9.4	Fidelity	67,178	2.7	
60,570	3.2	Lothbury	61,338	2.4	
47,832	2.5	UBS	47,627	1.9	
31,401	1.6	Threadneedle	31,904	1.3	
625	0.0	Veritas	20	0	
280,282	14.5	Insight	0	0	
1,929,298	100.0		2,515,315	100.0	

The following investments represent more than 5% of the net assets of the Fund:

Market Value at 31 March 2020			Market Value at 31 March 2021		
£'000	%		£'000	%	
305,618	15.8	WPP Global Opportunities Fund	442,964	17.5	
298,619	15.4	WPP Global Growth Fund	432,845	17.1	
-	-	WPP Absolute Return Bond	307,181	12.2	
-	-	Black Rock ACS World Low Carbon Fund	297,967	11.8	
280,279	14.5	LDI Solutions Plus Bonds	-	-	
274,417	14.2	Black Rock Aquila Life UK Equity Index Fund	211,625	8.4	
-	-	WPP Multi Asset Credit Fund	177,134	7.0	
137,117	7.1	Fidelity Institutional Select Global Equity	-	-	
119,881	6.2	Black Rock Aquila Life GI Dev Fundamental Fund	172,052	6.8	

Note 14c – Stock Lending

The Fund's investment strategy permits stock lending subject to specific approval. The income earned by the fund through stock lending was £93,813. Currently the Wales Pension Partnership has total quoted equities of £469m on loan. These equities continue to be recognised in the relevant fund's financial statements. No liabilities are associated with the loaned assets.

NOTE 15 – FAIR VALUE- BASIS OF VALUATION

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market- based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

NOTE 15 – FAIR VALUE- BASIS OF VALUATION (continued)

Description of Asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the Valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short- term nature of these financial instruments	Not required	Not required
Pooled investments- equity funds	Level 2	The ‘NAV’ (net asset value) is calculated based on the market value of the underlying assets	Evaluated price feeds	Not required
Pooled investments- fixed income	Level 2	The ‘NAV’ is calculated based on the market value of the underlying fixed income Securities	Evaluated price feeds	Not required
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price is published	‘NAV’- based set on a forward pricing basis	Not required
Private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board’s Special Valuation Guidance (March 2020)	<ul style="list-style-type: none"> • EBITDA multiple • Revenue multiple • Discount for lack of marketability • Control premium 	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Infrastructure	Level 3	Valued using discounted cashflow techniques to generate a net present value	Discount rate and cashflow used in the models	Rate of inflation, interest, tax and foreign exchange

Sensitivity of assets valued at level 3

The values reported in the Level 3 valuations represent the most accurate estimation of the portfolio values as at 31 March 2021. Any subjectivity related to the investment value is incorporated into the valuation.

Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2020/21.

Note 15a – Fair Value Hierarchy

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Gwynedd Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2021	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Fixed income	0	484,315	0	484,315
Equities	0	1,624,630	0	1,624,630
Pooled property investments	0	194,581	0	194,581
Private equity	0	0	165,423	165,423
Infrastructure	0	0	46,220	46,220
Cash deposits	146	0	0	146
	146	2,303,526	211,643	2,515,315
Financial liabilities at fair value through profit and loss				
Payables for investment purchases	(126)	0	0	(126)
Total	20	2,303,526	211,643	2,515,189

Note 15a – Fair Value Hierarchy (continued)

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Values at 31 March 2020				
Financial assets at fair value through profit and loss				
Fixed income	0	280,279	0	280,279
Equities	0	1,299,750	0	1,299,750
Pooled property investments	0	0	191,256	191,256
Private equity	0	0	112,661	112,661
Infrastructure	0	0	44,569	44,569
Cash deposits	783	0	0	783
	783	1,580,029	348,486	1,929,298
Financial liabilities at fair value through profit and loss				
Payables for investment purchases	0	0	0	0
Net financial assets	783	1,580,029	348,486	1,929,298

Asset type analysis has been expanded for 31 March 2020 to be consistent with 31 March 2021

Note 15b – Reconciliation of Fair Value Measurements within Level 3

	Market Value 1 April 2020 £'000	Transfers out of Level 3 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains/ (losses) £'000	Realised (gains)/ losses £'000	Market Value 31 March 2021 £'000
Property Unit Trusts	191,256	(191,256)	0	0	0	0	0
Private Equity	112,661	0	18,796	(7,115)	45,538	(4,457)	165,423
Infrastructure	44,569	0	10,453	(7,952)	3,909	(4,759)	46,220
Total Level 3	348,486	(191,256)	29,249	(15,067)	49,447	(9,216)	211,643

	Market Value 1 April 2019 £'000	Transfers into Level 3 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains/ (losses) £'000	Realised (gains)/ losses £'000	Market Value 31 March 2020 £'000
Property Unit Trusts	111,254	68,047	20,644	(777)	(7,817)	(95)	191,256
Private Equity	107,218	0	19,408	(5,144)	(3,101)	(5,720)	112,661
Infrastructure	38,395	0	7,056	(1,746)	1,307	(443)	44,569
Total Level 3	256,867	68,047	47,108	(7,667)	(9,611)	(6,258)	348,486

Note 16 - CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2020			As at 31 March 2021		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
1,580,029			2,108,945		
191,256			194,581		
112,661			165,423		
44,569			46,220		
	8,883			12,282	
	3,829			4,017	
1,928,515	12,712	0	2,515,169	16,299	0
Financial liabilities					
		(2,890)			(3,339)
0	0	(2,890)	0	0	(3,339)
1,928,515	12,712	(2,890)	2,515,169	16,299	(3,339)

Asset type analysis has been expanded for 31 March 2020 to be consistent with 31 March 2021

Note 16a – Net gains and losses on financial instruments

31 March 2020		31 March 2021
Fair value		Fair value
£'000		£'000
Financial assets		
(160,362)	Fair value through profit and loss	546,039
0	Loans and receivables	0
(160,362)	Total financial assets	546,039
Financial liabilities		
0	Fair value through profit and loss	0
0	Financial liabilities at cost	0
0	Total financial liabilities	0
(160,362)	Net financial assets	546,039

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Pension's Fund operations, then reviewed regularly to reflect changes in activity and market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a risk factor analysis to ensure that risk remains within tolerable levels;
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or by factors affecting all such instruments in the market.

The Fund is exposed to share price risk. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within the limits set in the Fund investment strategy.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period.

Asset type	Potential market movement (+/-)	
	31 March 2020	31 March 2021
	%	%
UK Equities	27.5	16.7
Global Equities	28.0	17.4
Emerging Markets Equities	25.4	22.1
Private Equity	28.4	28.5
Absolute Return Bond	3.9	2.1
Infrastructure	20.1	21.0
Property	14.2	14.2
Diversified Credit	8.7	6.2
Cash	0.3	0.3
Total Fund	18.9	11.7

The potential volatilities disclosed above are consistent with a one-standard deviation movement in the change of value of the assets over the latest three years. The total fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Had the market price of the Fund investments increased/decreased in line with the above, the change in the market price of the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2021 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
UK Equities	211,625	16.7	246,966	176,283
Global Equities	1,345,827	17.4	1,580,001	1,111,653
Emerging Markets Equities	67,178	22.1	82,025	52,332
Private Equity	165,423	28.5	212,568	118,277
Absolute Return Bonds	307,181	2.1	313,632	300,730
Infrastructure	46,220	21.0	55,926	36,514
Property	194,581	14.2	222,211	166,950
Diversified Credit	177,134	6.2	188,116	166,152
Cash	12,282	0.3	12,318	12,245
Debtors and Creditors	678	0.0	678	678
Total assets available to pay benefits	2,528,129		2,914,441	2,141,814

Asset type	Value as at 31 March 2020 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
UK Equities	274,417	27.5	349,881	198,952
Global Equities	980,710	28.0	1,255,309	706,111
Emerging Markets Equities	44,625	25.4	55,960	33,290
Private Equity	112,661	28.4	144,544	80,778
Absolute Return Bonds	280,279	3.9	291,210	269,348
Infrastructure	44,569	20.1	53,528	35,611
Property	191,255	14.2	218,414	164,097
Cash	8,883	0.3	8,910	8,856
Debtors and Creditors	938	0.0	938	938
Total assets available to pay benefits	1,938,337		2,378,694	1,497,981

Asset type analysis has been expanded for 31 March 2020 to be consistent with 31 March 2021

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2020	As at 31 March 2021
	£'000	£'000
Cash and cash equivalents	8,100	12,136
Cash balances	783	146
Pooled Fixed Income	280,279	484,315
Total	289,162	496,597

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Carrying amount as at 31 March 2021	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	12,136	121	(121)
Cash balances	146	1	(1)
Pooled Fixed Income *	484,315	4,843	(4,843)
Total change in assets available	496,597	4,965	(4,965)

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

Asset type	Carrying amount as at 31 March 2020	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	8,100	81	(81)
Cash balances	783	8	(8)
Pooled Fixed Income *	280,279	33,633	(33,633)
Total change in assets available	289,162	33,722	(33,722)

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

The impact that a 1% change in interest rates would have on interest received is minimal as the average interest rate received on cash during the year was 0.61% amounting to interest of £88,037 for the year.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

A 1% increase in interest rates will not affect the interest received on fixed income assets but will reduce their fair value, as shown in the tables above. Changes in interest rates do not impact on the value of cash / cash equivalents but they will affect the interest income received on those balances. Changes to both the fair value of assets and income received from investments impact on the net assets to pay benefits but as noted above this does not have a significant effect on the Fund.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds assets denominated in currencies other than £UK.

The Fund has made commitments to private equity and infrastructure in foreign currency (€364 million and \$88.6 million). These commitments are being drawn down on request from the investment manager over a number of years. The current commitments still outstanding are shown in Note 24. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the Fund is fully funded. The Fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

The Fund's currency rate risk has been calculated based on the volatility of the currencies which would affect the value of the investments and any cash held in those currencies.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the likely volatility associated with foreign exchange rate movements has been calculated with reference to the historic volatility of the currencies and their relative amounts in the Fund's investments.

The 1 year expected standard deviation for an individual currency as at 31 March 2021 is 9.8%. The equivalent rate for the year ended 31 March 2020 was 10%. This analysis assumes that all other variables, in particular interest rates, remain constant.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The tables below show a breakdown of the Fund's exposure to individual currencies as at 31 March 2021 and at the end of the previous financial year:

Currency exposure - by asset type	Carrying amount as at 31 March 2021	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Global Equities	1,345,827	1,477,718	1,213,936
Emerging Markets Equities	67,178	73,762	60,595
Private Equity	165,423	181,634	149,211
Absolute Return Bonds	307,181	337,285	277,077
Infrastructure	46,220	50,750	41,690
Diversified Credit	177,134	194,493	159,775
Property	0	0	0
Total change in assets available	2,108,963	2,315,642	1,902,284

Currency exposure - by asset type	Carrying amount as at 31 March 2020	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Global Equities	980,710	1,078,780	882,639
Emerging Markets Equities	44,625	49,088	40,163
Private Equity	112,661	123,927	101,395
Absolute Return Bonds	280,279	308,307	252,251
Infrastructure	44,569	49,026	40,112
Diversified Credit	0	0	0
Property	226	249	203
Total change in assets available	1,463,070	1,609,377	1,316,763

Asset type analysis has been expanded for 31 March 2020 to be consistent with 31 March 2021

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The benchmark for the concentration of the funds held with investment managers is as follows.

Investment Manager	Percentage of Portfolio
BlackRock	29.5%
Fidelity	2.5%
Wales Pension Partnership Global Growth	14.0%
Wales Pension Partnership Global Opportunities	14.0%
Wales Pension Partnership Multi Asset Credit	7.5%
Wales Pension Partnership Absolute Return Bond	15.0%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10.0%
Partners Group	7.5%

All investments held by investment managers are held in the name of the Pension Fund so, if the investment manager fails, the Fund's investments are not classed amongst their assets.

Contractual credit risk is represented by the net payment or receipt that remains outstanding. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

In order to maximise the returns from short-term investments and cash deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements, any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts. As the short-term investments are made in the name of Gwynedd Council, they are shown in full on the Council's Balance Sheet. The Pension Fund element of the short-term investments and cash deposits at 31 March 2021 was £12.5m (£8.2m at 31 March 2020).

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution. In addition, the Council invests an agreed percentage of funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency. The Council believes it has managed its exposure to credit risk, and has had only one experience of default or uncollectable deposits when Heritable Bank went into administration in 2008. Full details can be seen in Note 27.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so the Administering Authority monitors membership movements on an annual basis.

New employers to the Fund will need to agree to the provision of a bond or obtain a guarantee to reduce the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. As shown in Note 25 two employers have provided bonds. Any future liabilities falling on the Fund as a result of cessation are borne by the whole Fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a legal judgement, which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments to pay pensions and other costs and to meet investment commitments.

The Council has a cash flow system that seeks to ensure that cash is available if needed. In addition, current contributions received from contributing employers and members far exceed the benefits being paid. Surplus cash is invested and cannot be paid back to employers. The Fund's Actuary establishes the contributions that should be paid in order that all future liabilities can be met.

There is no limit on the amount that the Pension Fund bank account can hold. The amounts held in this account should meet the normal liquidity needs of the Fund. Any temporary surplus is invested by the Council in accordance with the Treasury Management Strategy Statement to provide additional income to the Pension Fund. Surplus cash is invested in accordance with the Statement of Investment Principles.

The Fund also has access to an overdraft facility through the Council's group bank account arrangements. This facility would only be used to meet short-term timing differences on pension payments. As these borrowings would be of a limited short-term nature, the Fund's exposure to credit risk is considered negligible.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2021 the value of illiquid assets was £406m, which represented 16.1% of the total Fund assets (31 March 2020: £348m, which represented 18.0% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2021 are due within one year as was the case at 31 March 2020.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

NOTE 18 – FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Administration) Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation is due to take place as at 31 March 2022.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement and was reviewed as part of the 2019 valuation.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- to ensure that employer contribution rates are reasonably stable where appropriate.
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers).
- to reflect the different characteristics of different employers in determining contribution rates by having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years.
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The Funding Strategy Statement sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

NOTE 18 – FUNDING ARRANGEMENTS (continued)

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the Funding Strategy Statement, there is still around a 70% chance that the Fund will return to full funding over the 17 years.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £2,081 million, were sufficient to meet 108% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2019 valuation was £156 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the Funding Strategy Statement. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method used to Value the Liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.9%
Salary increase	2.6%
Benefit increase (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, assuming the current rate of improvements has reached a peak and will converge to a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

NOTE 18 – FUNDING ARRANGEMENTS (continued)

Mortality assumption	Male Years	Female Years
Current pensioners	21.3	23.4
Future pensioners (aged 45 at the 2019 valuation)	22.2	25.1

Copies of the 2019 valuation report and the Funding Strategy Statement are available on the Pension Fund's website www.gwynedd-pensionfund.wales

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is likely to be an improvement to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18) and has also used them to provide the IAS19 and FRS102 reports for individual employers in the Fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2020 and 2021 are shown below:

	31 March 2020 £m	31 March 2021 £m
Active members	1,279	1,939
Deferred members	445	631
Pensioners	809	882
Total	2,533	3,452

As noted above, the liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2019 triennial funding valuation (see Note 18) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS (continued)

Assumptions used

The financial assumptions used are those adopted for the Administering Authority's IAS19 report as shown below and are different as at 31 March 2020 and 2021. The actuary estimates that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £756m. It is estimated that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £42m.

Assumption	31 March 2020	31 March 2021
	%	%
Pension increase rate	1.90	2.85
Salary increase rate	2.20	3.15
Discount rate	2.30	2.00

The life expectancy for the longevity assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male Years	Female Years
Current pensioners	21.5	23.9
Future pensioners (aged 45 at the 2019 valuation)	22.7	25.9

The commutation assumption allows for future retirements to elect to take 50% of the maximum tax-free cash up to the HMRC limit for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate % increase to liabilities	Approximate monetary amount £m
	%	
0.5% p.a. increase in the pension increase rate	10	333
0.5% p.a. increase in the salary increase rate	1	46
0.5% p.a. decrease in the real discount rate	11	388

The principal demographic assumption is the longevity assumption. For sensitivity purpose the actuary estimates that a one year increase in life expectancy would increase the liabilities by approximately 3–5%.

NOTE 20 – CURRENT ASSETS

31 March 2020 £'000		31 March 2021 £'000
403	Contributions due – employees	421
1,234	Contributions due – employers	1,402
2,192	Sundry debtors	2,194
3,829	Total debtors	4,017
8,100	Cash	12,136
11,929	Total	16,153

NOTE 21 – CURRENT LIABILITIES

31 March 2020 £'000		31 March 2021 £'000
1,828	Sundry creditors	1,671
1,062	Benefits payable	1,542
2,890	Total	3,213

NOTE 22 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The market value of the funds are stated below:

	Market value at 31 March 2020 £'000	Market value at 31 March 2021 £'000
Clerical Medical	3,674	4,372
Utmost Life	193	193
Standard Life	5	5
Total	3,872	4,570

AVC contributions were paid directly to the managers as follows:

	2019/20 £'000	2020/2021 £'000
Clerical Medical	601	597
Standard Life	10	0
Total	611	597

NOTE 23 - RELATED PARTY TRANSACTIONS

Gwynedd Council

The Gwynedd Pension Fund is administered by Gwynedd Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1,231,146 (£1,275,899 in 2019/20) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also one of the largest employers of members of the Fund and contributed £25.33m to the Fund in 2020/21 (£27.06m in 2019/20). At the end of the year the Council owed £0.09m to the Fund which was primarily in respect of interest paid on the Pension Fund's balances and contributions for March 2021 and the Fund owed £1.25m to the Council which was primarily in respect of recharges to the Council for the administrative costs.

The Gwynedd Pension Fund has two bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2020/21, the Fund received interest of £88,037 (£266,995 in 2019/20) from Gwynedd Council.

Governance

There were two members of the Pensions Committee who were in receipt of pension benefits from the Gwynedd Pension Fund during 2020/21 (committee members P. Jenkins and J.B. Hughes). In addition, committee members P. Read (member until May 2020), S.W. Churchman, R.W. Williams, J.B. Hughes, A.W. Jones, I. Thomas, G. Edwards and S. Glyn are active members of the Pension Fund. The late D. Cowans was also an active member of the Pension Fund.

Two members of the Pension Board were in receipt of pension benefits from the Gwynedd Pension Fund during 2020/21 (board members H.E. Jones and S. Warnes). In addition, Board members A.LI. Evans, O. Richards, H. Trainor and S.E. Parry are active members of the Pension Fund.

Key Management Personnel

The CIPFA Code of Practice on Local Authority Accounting exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances in the Code satisfy the key management personnel disclosure requirements of IAS24. This also applies to the accounts of Gwynedd Pension Fund.

The disclosures required can be found in the accounts of Gwynedd Council.

NOTE 24 - COMMITMENTS UNDER INVESTMENT CONTRACTS

Outstanding capital commitments (investments) at 31 March were as follows:

	Total commitments	Commitment at 31 March 2020	Commitment at 31 March 2021
	€'000	€'000	€'000
P.G. Direct 2006	20,000	776	776
P.G. Global Value 2006	50,000	3,477	3,477
P.G. Secondary 2008	15,000	1,960	1,960
P.G. Global Value 2011	15,000	2,096	2,096
P.G. Global Infrastructure 2012	40,000	8,147	7,019
P.G. Direct 2012	12,000	1,181	1,181
P.G. Global Value 2014	12,000	1,531	1,531
P.G. Direct Equity 2016	50,000	2,826	2,826
P.G. Global Value 2017	42,000	25,973	23,120
P.G. Global Infrastructure 2018	28,000	23,688	21,516
P.G. Direct Equity 2019	48,000	n/a	30,964
PG Direct Infrastructure 2020	32,000	n/a	29,602
Total Euros	364,000	71,655	126,068
	\$'000	\$'000	\$'000
P.G. Emerging Markets 2011	7,000	1,082	1,082
P.G. Secondary 2015	38,000	18,401	17,640
P.G. Direct Infrastructure 2015	43,600	20,840	13,780
Total Dollars	88,600	40,323	32,502

'PG' above refers to Partners Group, the investment manager which invests in 'alternatives' (private equity and infrastructure) on behalf of the Fund.

These commitments relate to outstanding call payments on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of the original commitment.

NOTE 25 – CONTINGENT ASSETS

Two admitted body employers in the Gwynedd Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

NOTE 26 – CONTINGENT LIABILITIES

There are no contingent liabilities identified.

NOTE 27 – IMPAIRMENT LOSSES

Impairment of Icelandic bank deposit

During 2008/09 the Council made a deposit of £4m with Heritable Bank which is a UK registered bank under Scottish Law. The pension fund's share of that investment was £565,200. The company was placed in administration on 7 October 2008. The Council has received a return of £3,976,718, equating to 99.4% from the administrators up to 31 March 2021. The final dividend was received in July 2020 and the administration has now been completed.

Agenda Item 9

MEETING:	PENSION BOARD
DATE:	12 JULY 2021
TITLE:	RESPONSIBLE INVESTING
PURPOSE:	Updating Gwynedd Pension Fund's Responsible Investment Statement
AUTHOR:	DELYTH JONES-THOMAS, INVESTMENT MANAGER

1. INTRODUCTION

- 1.1 The purpose of this report is to present the Fund's revised Responsible Investment statement. This statement has been approved by the Pensions Committee in its meeting on 24th June.

2. STATEMENT FROM THE FUND

- 2.1 Gwynedd Pension Fund has been working for some time now to ensure that our advisors and asset managers look to invest in sustainable assets. In February 2021, with importance of the field increasing, a Responsible Investment Statement was presented, which provided the Fund's position on fossil fuel divestment.

3. DEVELOPMENTS

- 3.1 There have been a number of developments since February therefore we have updated the statement with the changes highlighted in yellow in Appendix 1 and these are explained further below:
- Global Growth Fund (17% of the Gwynedd Fund) – it was reported in February that Baillie Gifford had developed a fund that divests from fossil fuel extractors and fossil fuel service providers (Pensions Committee decision, 21 January 2021) and now Pzena has decided to sell its holding in a company that contributed to 35% (as at 31 December 2020) of the carbon emissions of this particular fund.
 - Global Opportunities Fund (17% of the Gwynedd Fund) –the decarbonisation overlay from Russell Investments that reduces the carbon footprint of this fund by 25% is now operational.
 - Russell Investments (Wales Pension Partnership Investment Management Solution Provider) – have stated that they will achieve a standard of net-zero carbon emissions in their investment portfolios globally by 2050.
 - GRESB ESG Benchmark – it was announced in February that USB was ranked number 1 in its peer group for its GRESB ESG score in 2020, but since then we have confirmed that Black Rock is ranked number 2.

4. RECOMMENDATION

The Board is asked to approve the statement and for the Chair to sign the declaration.

Gwynedd Pension Fund: Divesting from Fossil Fuels (June 2021)

We **continue to receive requests** for an ambitious timetable for total de-investment of fossil fuels, but as trustees of pension funds it is more responsible for us to plan appropriately, take real action, and influence where possible for the benefit of our environment.

The Gwynedd Pension Fund has a fiduciary duty to all scheme employers, their staff and pensioners. **We in Gwynedd have asked the Scheme Advisory Board (SAB) for clarity of this 'fiduciary duty'**, which informs the decisions of the Pensions Committee. The Fund does not divest solely for non-financial reasons, not least because this could lead to legal challenge.

The Pension Fund's assets are invested to provide financial returns to ensure the financial security of staff and pensioners. Returns also reduce the cost to employers, which in turn reduces the cost to Council Tax payers, or avoids cutting local services. This is an important social responsibility of which the Pensions Committee is well aware.

However, managers and the Pensions Committee have been working for some time to ensure that the Gwynedd Pension Fund, our advisers and asset managers look to invest in sustainable assets. We have asked our asset managers to engage with companies on their plans for a low carbon future. Through this, the Pension Fund has put pressure on companies to increase efforts in this important area.

The Pensions Committee, at various seminars and meetings, has regularly discussed environmental, social and governance ('ESG') issues. At the November 2018 meeting, the Pensions Committee decided to revise the Fund's Investment Strategy Statement to set out our responsible investment principles. This Environmental, Social and Governance Policy outlines the -

“Need to consider the specific risks arising from climate change when considering investments.”

Further, responsible investment is an issue that is addressed at every meeting of our investment panel, where we discuss with companies that invest on our behalf. These investment companies have ongoing plans to improve our carbon footprint and we are working with them and the Pensions Committee to implement these plans. **These are our current developments:**

- Black Rock (12% of Gwynedd fund) - A further low carbon fund has been developed which screens fossil fuels before low carbon optimisation, thus reducing carbon by an additional 44% (Pensions Committee decision, 14 October 2020).
- **Global Growth Fund (17% of Gwynedd fund) – Efforts have been made by investment managers within this fund to reduce its carbon footprint.** Baillie Gifford have developed a fund which disinvests from fossil fuel extractors and fossil fuel service providers (Pensions Committee decision, 21 January 2021)

and Pzena have decided to sell their holding in a company which contributed to 35% (at 31 December 2020) of carbon emissions of this particular fund.

- Global Opportunities Fund (17% of Gwynedd fund) - Wales Pension Partnership have implemented a 'decarbonisation overlay' by Russell Investments which reduces the carbon footprint by 25%. Also, it is possible the same 'overlay' could be implemented on our next transfer to the WPP emerging markets (3% of Gwynedd fund) in Autumn 2021.
- ESG GRESB Benchmark- this is a global benchmark for environmental, social and governmental factors within the property field. Our Fund has a 10% allocation to property investments and our property managers, USB and Black Rock have kept their first and second position in its peer group for their 'ESG GRESB' score in 2020.

In addition to implementing these particular schemes, we will continue to invest responsibly by engaging with companies and our asset managers.

Responsible investment is important to all LGPS funds, and we are able to work together through the Local Authority Pension Fund Forum (LAPFF). The LAPFF aims to promote the highest standards of corporate governance to protect the long-term value of local authority pension funds. The Forum engages directly with hundreds of companies and their chairs. This is done by building trust and having a two-way dialogue on corporate responsibility in the areas of stewardship, climate risk, social risk and governance risk. We are stronger together, and because the LAPFF recognizes that **'climate change is a significant and urgent investment risk'**, LAPFF is a very useful forum to ensure a positive impact.

Hopefully this summary will convince you that the Gwynedd Pension Fund is not complacent about the climate change agenda, but that the solution has to be more sophisticated than simple divestment from fossil fuels.



DAFYDD L EDWARDS
HEAD OF FINANCE



CYNG. PEREDUR JENKINS
CHAIR OF THE PENSIONS
COMMITTEE

CHAIR OF THE
PENSON BOARD

Agenda Item 10

MEETING:	PENSION BOARD
DATE :	12 JULY 2021
TITLE:	PENSION FUND INVESTMENT PERFORMANCE 2020/21
PURPOSE:	TO INFORM THE BOARD OF PERFORMANCE OF PENSION FUND INVESTMENTS
RECOMMENDATION:	NOTE THE INFORMATION
AUTHOR:	DELYTH JONES-THOMAS, INVESTMENT MANAGER

1. Introduction

The investment performance of individual asset managers is monitored by the Investment Panel on a quarterly basis. The asset managers are invited to present to the Panel in turn.

Whilst quarterly and annual monitoring takes place, it should be noted that pension fund returns over the longer term are the aim, and there will inevitably be some fluctuations from year to year, and more volatile performance from quarter to quarter. Generally, individual asset managers' performance is assessed over 3 years.

2. Pension Fund Investment Performance in 2020/21

As at 31st March 2021, the market value of the Pension Fund was £2,528 million with performance against the benchmark set out below:

	3 Months %	1 Year %
Fund	4.5	29.3
Benchmark	3.8	24.2
Relative Performance	+0.7	+5.1

Following the uncertainty in the markets at the beginning of 2020, there was a sustained recovery period in the year. There was a strong performance of 29.3% by the Fund, which is position 16 out of 100 LGPS funds, mainly due to the performance of our equity and alternatives investments.

Equity Investment Manager's Performance

The table below summarises the performance of the individual equity Investment Managers as at 31st March 2021:

	Market Value 31/03/21 £m	Performance 3 Months %	Performance 1 Year %
Black Rock Aquila Life UK Equity	211.6	5.3	26.7
Benchmark		5.2	27.2
Relative Performance		+0.1	+0.5
Black Rock ACS Low Carbon	298.0	3.7	11.8
Benchmark		3.6	11.5
Relative Performance		+0.1	+0.3
Black Rock Aquila Life Global Dev	172.1	10.4	43.5
Benchmark		10.3	42.7
Relative Performance		+0.1	+0.8
Fidelity Emerging Market Equity	67.2	1.3	50.3
Benchmark		1.3	42.2
Relative Performance		0.0	+8.1
WPP Global Growth Fund	432.8	5.3	49.5
Benchmark		3.6	38.9
Relative Performance		+1.7	+10.6
WPP Global Opportunities Fund	442.9	5.9	42.0
Benchmark		3.6	38.9
Relative Performance		+2.3	+3.1

During the period, there have been very positive returns on equity investments with markets bouncing back after the collapse due to the pandemic in March 2020. The Wales Pension Partnership funds performed very strongly as value stocks performed well and the blended approach worked well.

Fixed Income Manager's Performance

	Market Value 31/03/21 £m	Performance 3 Months %	Performance Since Inception %
WPP Multi Asset Credit Fund	177.1	0.6	6.0
Benchmark		1.0	2.6
Relative Performance		-0.4	+3.4
WPP Absolute Return Bond Fund	307.1	1.7	2.3
Benchmark		0.5	1.0
Relative Performance		+1.2	+1.3

The fixed income funds launched in the year have performed well with the market conditions being favourable. This fund is in its infancy and therefore a more typical performance will develop in the future.

Property Investment Manager's Performance

The table below summarises the performance of the individual Property Asset Managers:

	Market Value 31/03/21 £m	Performance 3 Months %	Performance 1 Year %
UBS	47.6	4.2	5.1
Lothbury Property Trust	61.3	1.0	1.2
Black Rock Property Fund	53.7	2.2	4.0
Threadneedle Property Fund	31.9	2.2	1.6
Threadneedle Property Unit Trust		2.6	2.0
Benchmark		2.2	2.5

Property returns have been positive with a recovery in capital values reflecting increase in investor confidence. Industrial and logistic properties are growing due to the impact e-commerce has on the supply chain.

Partners Group

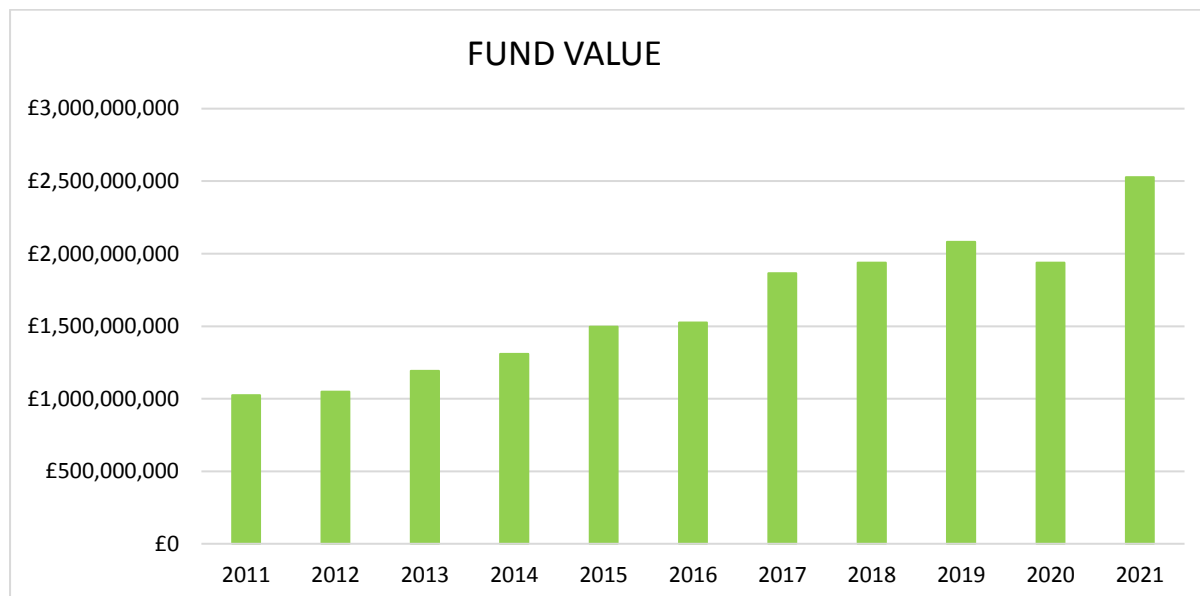
Partners Group is responsible for managing the Fund's private equity investments and infrastructure.

	Market Value 31/03/21 £m
Partners Private Equity	165.4
Partners Infrastructure	46.2
Total	211.6

Monitoring the performance of private equity and infrastructure investments is much more difficult than traditional assets, such as quoted bonds and equities. Private equity funds have a fixed life span of about 10-15 years. Real profits / returns can only be confirmed when individual assets are sold, so actual performance cannot be assessed until the fund is closed. The Fund's programme for private equity and infrastructure investments is reviewed annually by our consultants, Hymans Robertson.

3. Pension Fund historical performance over 10 years

The market value of the Gwynedd Pension Fund over the last 10 years is shown in the graph below:

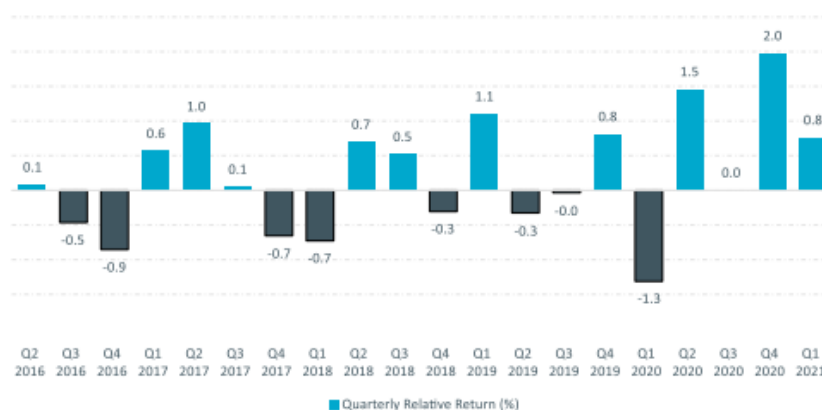


The Gwynedd Pension Fund is in a relatively healthy position with the value of the fund steadily increasing apart from the decrease on 31st March 2020 due to the effect of the pandemic. The performance of the fund's investments has been above the benchmark in each of the periods measured, as shown in the table below:

	1 Year %	3 Years % p.a.	5 Years % p.a.
Fund	29.3	9.2	10.4
Benchmark	24.2	7.4	9.5
Relative Performance	+5.1	+1.8	+0.9

The chart below shows the quarterly performance of the fund over the last 5 years.

Relative performance (quarterly)



It is widely recognised that longer-term performance is a more valid performance indicator than a single year because strategies designed for long-term good performance can occasionally suffer short-term losses.

4. Recommendation

The Board is asked to note the information.



Meeting:	Pension Board
Date:	12/07/2021
Title:	The Pension Board Chair's report for the Fund's annual report
Purpose:	To approve the final version of the annual report

Introduction

The Chair 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.

The report (See **Appendix A**) has been updated following comments from members at the April 2021 Board meeting.

Timetable

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

The fund's annual meeting will take place during the Autumn term 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 approve the amended report.

As noted above, the Chair 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 virtually 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 5th 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	19/04/2021
Cllr. Aled Evans	✓		✓	✓
H. Eifion Jones	✓	✓	✓	✓
Osian Richards	✓	✓	✓	✓
Huw Trainor	✓	✓	✓	✓
Sharon Warnes	✓	✓	✓	✓
Sioned Evans Parry	✓	✓	✓	✓

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
- Wales 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:

Wales Pension Partnership	Developments of other LGPS pools
Wales Pension Partnership	Collaboration opportunities
Wales Pension Partnership	Review process
Wales Pension Partnership	Regulatory requirements
Wales Pension Partnership	Private Markets
Hymans Robertson	Tackling LGPS Administrative Challenges
Hymans Robertson	Keeping the LGPS Connected
Hymans Robertson	Preparing for McCloud
Hymans Robertson	Club Vita
LGA	LGPS Update
The Pensions Regulator	Single Code of Practice
Arlingclose	Treasury Management
Russell Investment	Alternative Investment
Robecco	Fixed Income and Equity
LGC	LGC Investment Seminar

A number of the Board members have also taken part in The Pensions Regulators Trustee Toolkit. The Trustee toolkit includes a series of online learning modules and downloadable resources developed to help members meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.

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 Richards
Chair



Meeting:	Pension Board
Date:	12/07/2021
Title:	Governance Policy Statement
Purpose:	To receive feedback from the Board on the new Governance Policy Statement
Author:	Meirion Jones, Pensions Manager

1. Introduction

The Fund is required to publish a Governance and Compliance Statement under Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) and review that statement on an ongoing basis. This statement sets out the Fund's Governance Structure, scheme of delegation, and the terms of reference for its Governing Bodies, the Pensions Committee and the Local Pensions Board.

The document currently in force has been in existence since 2008. In preparation for the Scheme Advisory Board's Good Governance Project that will come into force in April 2022, the fund has been reviewing and updating its statements. The main changes include 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.

2. What should be included?

The Governance Policy Statement must set out:

- (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- (b) if the authority does so—
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

An administering authority must keep a statement prepared under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned above.

Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

3. Gwynedd Pension Fund's Statement

In order to meet the requirement of regulation the Governance Policy Statement (**Appendix A**) and Governance Compliance Statment (**Appendix B**) has been updated for the Gwynedd Pension Fund.

We would appreciate feedback on the policy from the Board before the policy is presented at the Pension Committee for approval.



Governance Policy Statement

April 2021

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GOVERNANCE POLICY STATEMENT

Introduction

Gwynedd Council is the Administering Authority for the Gwynedd Pension Fund. This policy sets out the governance responsibilities of the Fund and is prepared in compliance with the Local Government Pension Scheme Regulations 2013, regulation 55.

This statement sets out the delegation of matters in relation to the Gwynedd Pension Fund, along with the terms of reference, structure and operational procedures of these delegations.

Pensions Committee

The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

The Committee is comprised of 9 members, 7 of whom are elected members of Gwynedd Council, 1 member from Anglesey County Council and 1 member from Conwy County Borough Council, all of whom have voting rights. There is no member (staff) representation on the Committee.

The Pensions Committee's responsibilities are to:

1. Decide on the strategy for investing the Pension Fund's assets by approving a Funding Strategy Statement and Investment Strategy Statement;
2. Appoint and terminate the appointment of managers and consultants of the Pension Fund, and review their performance with regard to investment;
3. Ensure that safe and efficient arrangements are in hand for purchasing, selling and monitoring the council's investments;
4. Making some decisions in the context of pension administration.
5. Review and scrutinise the fund's financial affairs, and therefore receive the financial statements and auditors report.

As a duly constituted Committee of Gwynedd Council, the operation of the matters delegated to the Committee are governed by Gwynedd Council's constitution, and in particular, Parts 4 and 5 which govern the rules of procedure and Codes and Protocols which are to be followed by members of the Pensions Committee and officers.

The Pensions Committee is also charged with ensuring that an annual report on Pensions matters is prepared and presented to an annual meeting of employers and employee representatives, at which any of the said parties can question the Committee, their officers, investment adviser or Fund managers on issues relating to Fund performance, and administration and/or pensions matters in general.

In order to ensure an adequate review of investment performance, the Committee's investment adviser and each Fund manager provides the Committee with a quarterly monitoring report. Informal meetings are also held with the investment adviser and Fund managers in order to challenge performance and resolve any issues which arise.

All employers who are not members of the Pension Committee are afforded the opportunity to influence the Pension Committee's determinations through the series of informal meetings held periodically with various categories of employer.

Any issue requiring formal consideration is considered at a properly convened meeting of the Committee, in order to allow citizens to exercise their rights to attend any meeting of a Council Committee.

Chief Finance Officer

Article 12 of the Council's constitution stipulates that the Head of Finance (as the Council's Chief Finance Officer) shall have responsibility for financial strategy, and as such he is responsible to the Pensions Committee for advising on the appropriate financial strategy for the Pension Fund, and for ensuring that appropriate specialist advice is provided.

Under this Article, the Head of Finance also has responsibility for the proper administration of the Pension Fund's financial affairs. He must report to the Council and the Council's external auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is likely to cause a loss or deficiency, or if the Council is about to enter an item of account unlawfully.

The Investment Manager and team support the Head of Finance in the responsibility for the monitoring and review of the investments of the Fund including:

- preparation and maintenance of the accounts of the Gwynedd Pension Fund including preparation of the Annual Report
- regular dialogue with the Fund's advisers, investment managers and custodian
- monitoring and reconciliation of investment manager and custodian records
- preparation and maintenance of the Fund's Investment Strategy Statement, Funding Strategy Statement,
- monitoring the activity and performance of the Fund's investment managers including compliance with policy and performance objectives
- interpretation of new legislation and research in respect of the investments and accounts of the Fund
- monitoring the corporate governance activity of the Fund including attendance at the Local Authority Pension Fund Forum (LAPFF)

The Pensions Manager and team support the Head of Finance:

- to collect employee and employer contributions from participating employers
- to make payments in respect of scheme benefits
- to collect and make pension transfer payments as elected by scheme members
- to update and maintain the Fund's website
- the maintenance and update of membership records
- the calculation and authorisation of benefit payments
- the provision of membership data for actuarial valuation purposes
- the preparation and maintenance of the Communication Policy Statement and the Pensions Administration Strategy Statement.

Monitoring Officer

Article 12 also stipulates that the Head of Legal Service (as the Council's Monitoring Officer) will report to the Council if he considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Local Pensions Board

The Public Service Pensions Act (2013) required all Administering Authorities to introduce a Local Pension Board to assist the Scheme Manager. The Gwynedd Pension Board was established by Gwynedd Council on 13/07/2015.

The Pensions Board has an oversight / assisting role not a decision making role, its responsibilities are to:

1. Assist the Gwynedd Pension Fund as Scheme Manager;
2. Securing compliance with regulations and requirements enforced by the Pensions Regulator and the Department for Communities and Local Government
3. Ensuring effective and efficient governance and administration of the Fund.
4. Assist with other matters as the scheme regulations may stipulate.

The Pensions Board is comprised of 6 members, 3 of whom are employer representatives, 3 are scheme member representatives, and 1 will be elected as a chairman.

The Pensions Board will meet on a quarterly basis.

When required, the Pensions Board will be advised by the Section 151 Officer and any other Council Officers and professional Advisers and Consultants, however all board members will be required to undertake training to ensure competency.

Governance Compliance Statement

MHCLG is committed to ensure that all LGPS committees operate consistently at best practice standards. Therefore, in addition to the regulatory requirement to produce this Governance Policy, the LGPS regulations 1997 were further amended on 30 June 2007 to require administering authorities to report the extent of compliance to a set of best practice principles to be published by MHCLG, and where an authority has chosen not to comply, to state the reasons why. This Governance Policy will be updated when necessary and reviewed at least annually.

Contacting the Gwynedd Pension Fund

You can contact us in several ways:

In person or by post at our offices:

The Gwynedd Pension Fund
Gwynedd Council,
Shirehall Street,
Caernarfon,
Gwynedd.
LL55 1SH

By email:

pensions@gwynedd.llyw.cymru

By telephone:

01286 679982

Online:

www.gwyneddpensionfund.wales



Governance Compliance Statement

April 2021

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GOVERNANCE COMPLIANCE STATEMENT

Principle A – Structure

a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.
	Gwynedd Council is fully compliant with this principle. The management of the Fund clearly rests with the main Pensions Committee that has formally been in place within the Council's constitutional arrangements.
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
	Gwynedd Council is partly compliant with this principle. Representatives from two participating LGPS employers are members of the main committee. Currently there is no representation from admitted bodies or scheme members in order to retain a relatively small committee which can review manager performance in an effective manner. As the pension promise is defined by legislation for scheme members, the actions of the Committee have not hitherto been considered to impinge upon their interests and thus no representation has been afforded. All employers are afforded the opportunity to influence decisions through a series of informal employer meetings.
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
	No secondary committee or panel exists, although the informal employer meetings ensure effective communication.
d)	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.
	No secondary committee or panel exists.

Principle B – Representation

a)	<p>That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include :-</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).
	<p>Partly compliant. We do have LGPS employing authority representation on the main committee, and we also have an expert independent advisor (on an ad-hoc basis). However, no scheme members/committed bodies or independent professional observers are given membership.</p>
b)	<p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>
	<p>No lay members sit on the Committee (see Part A (b) above).</p>

Principle C – Selection

a)	<p>That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p>
	<p>Fully compliant. All members are made clear of their responsibility as laid out in the Governance Policy Statement.</p>
b)	<p>That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>
	<p>Gwynedd Council is fully compliant with this principle.</p>

Principle D – Voting

a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.
	The Pensions Committee is comprised of 9 members, all of whom have voting rights, 7 of whom are elected members of Gwynedd Council, and 1 representative from each of the other two participating LGPS employers.

Principle E – Training/Facility Time/Expenses

a)	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
	Fully compliant – all members are granted equal access to training support and appropriate expenses paid.
b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.
	The policy applies to all members of the Committee.
c)	That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
	Gwynedd council is partly compliant with this principle in that a log of all training undertaken is kept and consideration given periodically to members' training needs but no annual formal training plans are established.

Principle F – Meetings (Frequency/quorum)

a)	That an administering authority’s main committee or committees meet at least quarterly.
	Fully compliant.
b)	That an administering authority’s secondary committee or panel meet at least twice a year and is synchronized with the dates when the main committee sits.
	No secondary committee or panel exists, although the informal employer meetings are synchronized with the dates of the main committee.
c)	That an administering authority that does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.
	An Annual Meeting of the Pension Fund takes place during the Autumn. Employers and employee representatives are invited to the meeting, and they can question the Committee, the administering authority’s officers, the investment advisers or the Fund managers on issues relating to the Fund’s performance, administration and/or pensions matters in general.

Principle G- Access

a)	That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
	Gwynedd Council is fully compliant with this principle. The Pensions Committee is a public meeting and as such all relevant papers and documentation are available online by the Gwynedd Council democracy service.

Principle H – Scope

a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements
	The Pensions Committee considers all issues relating to the Local Government Pension Scheme.

Principle I- Publicity

a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.
	The Governance Policy Statement is available in the Pension Fund annual report.

Contacting the Gwynedd Pension Fund

You can contact us in several ways:

In person or by post at our offices:

The Gwynedd Pension Fund
Gwynedd Council,
Shirehall Street,
Caernarfon,
Gwynedd.
LL55 1SH

By email:

pensions@gwynedd.llyw.cymru

By telephone:

01286 679982

Online:

www.gwyneddpensionfund.wales

Agenda Item 13



Meeting:	Pension Board
Date:	12/07/2021
Title:	Cyber Security
Purpose:	Update the Board on Gwynedd Council's cyber security resilience
Author:	Meirion Jones, Pensions Manager

1. Introduction

With significant cyber breaches hitting the headlines almost daily and the Pensions Regulator's growing expectations, cyber risk has become an increasingly topical issue for the LGPS.

Even before the pandemic hit, the fact that we were living in a far more connected world, with data being shared between organisations and services increasingly moving online, meant the threat of a cyber attack was already significant. Add the impact of homeworking into the mix and it only serves to increase the potential threat from cyber-criminals.

And you don't need to look too hard in the media these days to see the disruption cyber attacks can cause. Newsfeeds regularly highlight the latest ransomware attacks, denial of service, phishing or "zero-day" attacks. All these run the risk of loss of member data, financial loss, disruption to service and reputational damage to organisations. And public sector organisations have not been immune from the threat – in fact, they are often seen as a prime target.

2. Why is the LGPS potentially vulnerable to attack?

Fundamentally, all LGPS funds hold large amounts of exploitable personal data and assets which are a prime target for fraudsters, scammers and cyber criminals. Funds also work with a wide range of providers and suppliers that handle their sensitive data (e.g. employers, AVC providers, software providers, actuaries, etc).

3. What is the situation at the Gwynedd Pension Fund?

As Gwynedd Council is the administering authority for the Gwynedd Pension Fund, IT support is taken care of by the Council's IT department. Cyber Security is taken seriously by the Council. The report in **Appendix A** prepared by Huw Ynyr, Assistant Head of Finance – Information Technology for the Audit and Governance Committee on 15/07/2021 gives information on cyber risks facing the Council and steps taken to mitigate these risks.

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: 15 JULY 2021

TITLE: RESILIENCE OF IT SYSTEMS - CYBER SECURITY

PURPOSE: To update the Committee about Gwynedd Council's cyber security resilience, and to give members an opportunity to scrutinise the situation. There has been coverage of cyber-attacks in the news recently, and with an increase in our dependency on and use of technology, it is timely to report on what is happening locally in the Council.

AUTHOR: HUW YNYR, ASSISTANT HEAD OF FINANCE - INFORMATION TECHNOLOGY

CABINET MEMBER: COUNCILLOR IOAN THOMAS

1. Summary

- 1.1 The Council has a duty to provide a wide range of services, many of them using technological resources. It is essential that we ensure that this environment is secured from threats that could undermine the Council's ability to provide services and endanger the data the Council looks after.
- 1.2 This report is for information only, outlining the cyber security provision for a lay-person, which has been prepared by the Information Technology Service. Please note that provision is in place to mitigate the risk of a cyber-attack, but that it is not possible to guarantee 100% that an attack cannot breach our defences. This statement is true of all organisations; however, further measures are in place to restore our systems should an attack breach our defences.
- 1.3 Though the media seem to place an emphasis on cyber security, in reality, the emphasis should be on cyber resilience, which includes elements of security by building defences, but also includes the ability to recover from a fragile situation should those defences fail.

2. Background

- 2.1 We are aware that Cyber activists look for weaknesses in public bodies' defences. Therefore, it would be inappropriate to take a stance that the Council is not a likely target for those who carry out cyber-attacks, however a comparatively small public body without effective defences could be an easier target for cyber terrorism.
- 2.2 As this is a live and current environment, attacks evolve all the time and it is quite a challenge to keep environment current to sustain resilient services. The standard of the security measures depends on a wide range of factors, i.e. technological, physical and administrative measures, and every individual within the Council and its partners has a crucial role to play to avoid undermining these.

2.3 The Council draws on various sources to develop and maintain a resilient environment, including:

- Good practice and standards in the field which are published by the UK Government's advisory body on cyber items, the NCSC (*National Cyber Security Centre*);
- Membership of bodies which warn about incidents and weaknesses to enable us to respond promptly;
- Investing in specific technology and services to identify and prevent changes to our environment which have the potential to be harmful, monitoring the network for suspicious activities and identifying software that need updating;
- Investing in resilient technology;
- Using third party services to evaluate our provision;
- Ensuring information technology security policies are current and complying with them;
- Undertaking exercises to educate and raise our users' awareness of dangers and good practice and policies which should be followed.

3. Risks and mitigating measures

3.1 In relation to information technology, the loss of data or loss of access to data is the risk with the highest impact for the Council as this could affect the Council's ability to provide services to the public. It is essential that the Council takes steps to prevent, and is able to respond effectively, to these risks. See below examples of the risks facing the Council.

3.2 **Public-facing resources:** Providing services to individuals, groups and organisations in a variety of locations, means that some systems' interfaces are public-facing, which presents an opening for individuals or organisations with hostile intentions.

Gwynedd Arrangements: The Council's code development processes and procedures follow specific standards to protect us from interventions with hostile intentions, with a system is in place to monitor and assess for weaknesses which is an effective way of ensuring that these processes are followed without exception.

3.3 **Denial of Services:** A *Denial of Service* attack could be realised by arranging an overload of traffic to be sent to those public-facing digital services and this overload could be more than our systems could cope with. Often, attackers would use a series of computers under their control to carry out such an attack and it would be essential for infrastructure perimeter defences to identify such attacks, preventing the traffic from becoming harmful.

Gwynedd Arrangements: There are systems in place which continuously search for this type of activity on the various tiers of perimeters of the Council's network. These are designed to identify activities which could affect services and preventing them from achieving this.

- 3.4 **Malicious Material:** Malicious material can come in many different forms, and their effects vary from mild inconvenience to an organisation's inability to operate. A well-known example of this type of software is ransomware software. Software would be installed on a computer by cyber terrorists with the intention of causing malice by encrypting the computer's data so that it is not possible to read or use it; the malicious software would spread to associated computers and store areas, encrypting every piece of data along the way. The motive of such an attack is for the criminal to demand a ransomware payment to decrypt the data. The ransomware payment would usually be required in crypto currency, such as bitcoin, enabling the criminals to remain anonymous.

There are several steps to be taken to mitigate the risks involved with this, ranging from preventing the software from reaching devices in the first instance, impacting their ability to operate, and ensuring that effective recovery measures are in place should files be damaged.

Gwynedd Arrangements: The Council has processes and systems to identify and disable malicious material, including traffic and e-mail filtering software, anti-virus and anti-malware software and good practice procedures such as controlling the number of enhanced access accounts. There is a strong emphasis on recovery should a successful attack happen and arrangements are in place to ensure that there are backups available, including several versions of files should losses need to be recovered to a specific date. We will also carry out continuous exercises to inform and remind colleagues of the risks in relation to such material.

- 3.5 **Vulnerable Systems:** Identifying and highlighting weaknesses in items of software is a major industry, and it is essential that software suppliers create and provide timely patches before individuals or organisations that have hostile intentions can take advantage of those weaknesses for their own benefit. It is essential that every item of software has a support contract with the providers to prepare and receive patches in response to security incidents, and after their release it is essential that the Council installs the repairs in a timely manner.

Gwynedd Arrangements: The Council has systems in place to identify software that need to be updated and processes in place to download and install those updates and additional processes set up to undertake assessments about the status and versions of our software to ensure there are no failures.

- 3.6 **Phishing:** Phishing is a term used to describe the hostile activity of sending a message (e.g. e-mail) to someone hoping that the recipient would take action in a way which would be beneficial to the sender. There is a need to be vigilant of this risk when receiving messages, always considering whether there are any suspicious aspects to them. Unfortunately, there is a considerable increase in this type of attack, and the number falling for the scams.

Gwynedd Arrangements: The Council has an e-mail filtering system in place which assesses the suitability of a message's content together with a risk assessment of the sending address. In addition to this, there are periodical arrangements in place to notify and remind colleagues about risks and to enable them to respond in a suitable way should they receive such a message. A specific exercise has been arranged this year for the third quarter of 2021/22 to see how alert the Council's workforce is to phishing messages.

- 3.7 **Failure of Service/Business Continuity:** The demand for and dependency on technology has increased substantially in recent years. Furthermore, the Covid-19 crisis has confirmed this, and our users' expectations of the service provided to them have increased. The service is expected to be available at all times; therefore, maintenance work is planned outside core working hours in order to minimise the disturbance to services. In order to maintain an environment which meets the expectations of Council officers and our service users, it is essential that the provision is resilient. This means planning ways to deliver services in circumstances where systems are compromised or not available at all. In relation to information technology, this means ensuring that systems, support resources and back-up provision are in place.

Gwynedd Arrangements: A project is ongoing in order to extend the availability of the Council's key systems. Virtual Servers are provisioned from two data centres ensuring service continuity should one of these centres fail.

- 3.8 **Failure to Respond to Incidents:** The most effective way of testing the effectiveness of mitigating measures is by holding exercises to re-create potentially harmful circumstances, whilst assessing the success of the exercise to prevent or minimise the impact. The circumstances of an incident can vary greatly; therefore, it is essential that we plan in detail as well as review and develop our response measures.

Gwynedd Arrangements: This is a crucial part of incorporating some of the steps described in this document, and it is a continuous process. The Council is working with other agencies to establish emergency plans and practises to incident responses as part of its emergency planning duties.

4. Accreditations

- 4.1 **Public Services Network ("PSN"):** The purpose of the PSN is to operate as a segregated network independent from our corporate network and shared with a number of national public services across the UK.
- 4.2 The Council needs to connect to this network in order to provide some essential services, specifically in relation to benefits and support for adults. One of the PSN's main principles is the need to trust all organisations which have connected to the PSN network, and to that end, there is a need to satisfy specific security standards. Connection is prohibited without current accreditation.
- 4.3 An application to connect to the PSN network is made to the Cabinet Office (UK Government), in their role as guardian of the network, with specific evidence presented including a security assessment by a certified third party company and a mitigation plan for any high risk items discovered.
- 4.4 The Council secured its current accreditation in May, 2021. This accreditation provides independent assurance of the security measures and levels established by the Council.

5. PSBA (Public Sector Broadband Aggregation)

- 5.1 The PSBA is an all-Wales initiative to introduce a wide area network designed for and by public sector services. Gwynedd Council was one of the first users of the PSBA, and we continue to contribute to the strategic and technical direction of the network.
- 5.2 The PSBA enables local health boards, local authorities, higher and further education institutions, blue light emergency services and other public bodies to provide effective services for the population, by using innovative, cost-effective, reliable network services which direction provided from cross-sector boards which also includes representation from Gwynedd Council.
- 5.3 Security is integral to this service, offering additional defences to what is on the perimeter and within the Council's network, and acts as a foundation which supports the rest of our infrastructure.

6. Apprentice

- 6.1 The Information Technology Service has appointed a Cyber Security Apprentice, through a Council-run apprenticeship scheme. The apprentice, who will be released to follow a B.Sc. degree course in Cyber Security at University, will be welcomed to the extended team in August, 2021.

7. Incident statistics

- 7.1 The Council has not suffered losses stemming from cyber security incidents within the last five years. Safeguarding and monitoring systems are in place on the Council network perimeter, and within the network, which draw attention to hostile items or activities. Such incidents are regular, with suspicious e-mail messages, covert scans for technical information and attempts to attack our resources being routine daily activities, rather than out of the ordinary.

8. Conclusion

- 8.1 These hostile activities will increase and despite our attempts to protect our infrastructure and systems from cyber terrorists, it is not possible to give a 100% guarantee that all attempts can be prevented. We have already noted that our efforts for a resilient service are a mix of cyber defences and our ability to recover from a situation should an attack breach the defences. This is reflected on the corporate risk register, with a fairly low likelihood (2) and very high impact (5) risk noted.