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## PENSION BOARD 6/12/21

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**Present:**

**Employer Representatives:** Cllr Aled Evans (Chair) and Sioned Parry

**Member Representatives:** H. Eifion Jones, Osian Richards and Sharon Warnes

**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 Huw Trainor (Employer Representative)

**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 12 July 2021, as a true record.

**5. MINUTES OF PENSIONS COMMITTEE**

Submitted, for information, the minutes of meetings of the Pensions Committees held on 21 October and 17 November 2021.

It was noted that two meetings were held because the audit of the Pension Fund's final accounts had not been released by Audit Wales until mid-November. Consequently, an additional meeting had to be arranged on 17-11-21 to approve the final post-audit accounts.

Reference was made to the minutes of 21 October 2021 - item 6: Timetable for the 2022 Valuation for the attention of the Board. It was noted that the Committee had approved the timetable and that plans were in the pipeline to seek to include the employer in the process. It was reiterated that there was an intention to draw up a questionnaire for employers to obtain a suggestion of what they sought from the valuation.

In response to the suggestion of drawing up a questionnaire, it was noted that including the employer in the process was a good idea but there was a need to

clearly highlight the implications of the valuation.

## **6. GWYNEDD PENSION FUND'S FINAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 AND RELEVANT AUDIT**

Submitted - a report regarding the Gwynedd Pension Fund Statement of Account 2020/21 (post-audit) from the Head of Finance, detailing the financial activities of the Pension Fund during the year ending 31 March 2021. Members were reminded that a draft of the accounts had been submitted to the 12 July 2021 meeting, and that minor alterations had been made to the narrative only, and not to the figures. It was noted that the Pensions Committee, which was responsible for formally accepting the accounts, had approved the accounts on 17 November 2021.

Thanks were expressed for the report

The officers were thanked for their work and for the presentation received at the Annual Meeting. Considering that the value of the Fund had increased annually over the past 20 years, this was a good measure of the success and work of the Finance Department.

Gratitude was expressed to the Head of Finance, the Investment Manager and the team for completing the work - their commitment and the accuracy of the work was appreciated.

### **RESOLVED to accept for information**

- **Statement of Accounts 2020/21 (post audit)**
- **'ISA260' report by Audit Wales in respect of Gwynedd Pension Fund**
- **The Letter of Representation**

## **7. WALES PENSION PARTNERSHIP UPDATE**

Submitted, for information, a report from the Investment Manager, updating Members on the Partnership's work, the performance of the Fund, and ongoing developments since its establishment in 2017. It was reported that the collaboration continued to go from strength to strength and by December 2021, 83% of Gwynedd's Fund had been pooled with the WPP (56% through the main funds and 27% through passive investments). As the WPP played a prominent role in the performance of the Gwynedd Fund, the importance of providing a regular update on the Partnership's work was considered.

In the context of Equity Funds, which had been established in 2019, it was noted that although the performance of the last quarter had been lower than the benchmark, the performance in general had been very good and had made a good contribution to the fund's performance. It was reiterated that the last quarter had been challenging, with concerns about the economic recovery expected following such a strong period.

In the context of Fixed Income Funds, which had been established 12 months ago, it was suggested that the general performance appeared to be good, yet again, the performance of the last quarter had been lower than the benchmark due to concerns about inflation and various other factors.

It was reported that the Fund's proportion of Emerging Markets had moved from Fidelity to the WPP Fund on 21 October 2021 and that the new Fund Managers were Artisan, Bin Yuan, Barrow Hanley, Axiom, Numeric and Oaktree. It was reiterated, in line with the advice from Russell Investments, that Bin Yuan had been selected due to their location in China and thus they were experts on the country's character and its markets.

It was expressed that the Partnership's latest work was to establish Private Markets with BFinance, a specialist search advisor, assisting the Partnership with the process of appointing Investment Managers for Infrastructure and Private Credit. It was reiterated that the intention was to launch these funds in 2022 with the Gwynedd Fund investing any new private markets money in them.

In the context of a member representative on the Joint Governance Committee, it was noted that Gwynedd Council had approved the modifications to the Inter-Authority Agreement on 7 October 2021. All WPP Authorities will be expected to approve the modifications before proceeding to the next step of nominating Member representatives. In accordance with the agreed procedure, in January 2022, a period of three weeks would be available for each Pension Board to nominate one Member Representative to undertake this role. In February, a short-list would be drawn up and a member representative would be formally appointed at the Joint Committee meeting on 23 March 2022.

The Head of Finance expressed that he would support the application of Osian Richards as a member representative on the Joint Governance Committee (as an observer for a period of two years). It was confirmed that one individual across the 8 Wales Pension Boards would be appointed.

Gratitude was expressed for the report.

Osian Richards was proposed and seconded as a member representative on the Joint Governance Committee.

In response to a question regarding the percentage invested in the Emerging Markets, it was noted that there were no separate percentages available for the sub-funds, but that 5% of the Fund was to be invested with Bin Yuan. It was noted that it was impossible to ignore the fact that the Chinese Market was seeing the biggest growth at present, and with Bin Yuan located in the country, current information could be guaranteed - WPP was eager not to miss the opportunity and take a risk.

In response to a question regarding the Partnership's costs (costs for 2020/21 - £706,000), and how the amount was divided between the Authorities, it was noted that the Partnership's day-to-day administrative arrangements were split equally between the eight authorities. It was reiterated that the investment costs were subject to each Authority's investments, with a pro-rata fee for shared funds and Hymans provided a separate bill for each Authority. Although it was accepted that substantial costs could mount, it was noted that the returns were good.

A comment was made that as 83% of the Fund had transferred to the WPP, this was proof of the good collaboration and that the Partnership should be congratulated on its success, as it was one of the best in Britain. This was something to be proud of.

**The information was ACCEPTED.**

## 8. PENSION FUND INVESTMENT PERFORMANCE UP TO 30 SEPTEMBER 2021

A report was submitted by the Investment Manager, providing an update on the fund's performance. It was explained that the Fund had performed very well and had seen gradual progress over the past 20 years. By 30 September 2021, the fund was in a very healthy situation and was worth £2.7 billion.

Reference was made to the Fund's investment performance and it was highlighted that although the fund had underperformed during the past quarter due to very challenging conditions, that the performance over the year remained above the benchmark. In relation to the performance of the Equity Investment Managers, it was reported that the performance was very good, as was the performance of the Fixed Income investments, which were above the benchmark over the year.

In respect of the performance of Property Managers, it was highlighted that the year had been very challenging, with uncertainty in some sectors such as offices and retail. It was reiterated that the retail sector was starting to stabilise but the uncertainty remained in relation to the future of offices at this point in time. It was reported that growth had continued in the industrial and logistics field, with the impact of e-commerce on the supply chain. It was noted that it would be interesting to see how property would stabilise in future. It was also expressed that the Property Managers had a very good GRESB (Global Real Estate Sustainability Benchmark) score, which was a very important factor these days.

Details were presented on the Partners Group, explaining that it was not possible to see the actual profit and returns on these investments until the individual assets were sold. It was reiterated that the situation was continually monitored by Hymans Robertson and that there were no concerns to report.

Gratitude was expressed for the report

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

- That the figures were good and encouraging
- There were no negatives in the report, despite the need to keep an eye on property investments
- The Department was congratulated for its work - the Fund was in good hands

In response to the news that Mr Dafydd Edwards, the Head of Finance, would be starting his flexible retirement from January 2022 and the succession plan, it was noted that Mr Dewi Morgan had been appointed as Gwynedd Council Head of Finance. Consequently, Mr Dafydd Edwards would take on the role of Director of Gwynedd Pension Fund for an 18 month period, which would ensure consistency and a smooth transition for the future. It was reiterated that Mr Dewi Morgan would be invited to the investment discussions and the Investment Manager and Pensions Manager would evolve into their roles. In response, it was noted that the succession plan reassured Members.

In response to a question regarding the Investment Strategy, it was noted that the Strategy was updated every 3 years, and the new Strategy was to be published in March 2023, following the valuation in October 2022.

The meeting commenced at 2.00 pm and concluded at 3.05 pm

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**CHAIRMAN**