

GWYNEDD PENSIONS FUND ANNUAL MEETING BETWEEN MEMBERS OF GWYNEDD COUNCIL'S PENSION COMMITTEE AND REPRESENTATIVES OF THE EMPLOYERS AND UNIONS

25/11/21

Present:

Members of the Pensions Committee

Councillors: Peredur Jenkins, John P Roberts, Stephen Churchman, John Brynmor Hughes, Aled Wyn Jones, Ioan Thomas, Robin Williams (Isle of Anglesey County Council Representative) and Goronwy Edwards (Conwy County Borough Council Representative)

Members of the Pension Board

Aled Evans, H Eifion Jones, Sioned Parry, Osian Richards, Huw Trainor and Sharon Warnes

Employers' Representatives

Kate Jackson - North Wales Police, Dave O'Neil - CVSC, Marc Jones - Isle of Anglesey County Council, Linda Jones - Medrwn Môn, Amanda Davies - Byw'n Iach, Nia Jones - Cwmni Frân Wen, Tina Earley - Conwy Town Council, Josef Bunton - Conwy Council, Tony Walter - Conwy Council, Geraint Owen - Menter Môn, Diana Burns - Conwy Council, Ieuan Williams - Cwmni Cynnal, Adele Gatt - Adult Learning Wales and Siân Owen, SNPA.

Others

Dylan Clarke, Alison Shaw and Alys Wardle

Members of Staff who Serve the Fund (Gwynedd Council);

Dafydd Edwards (Head of Finance), Ffion Madog Evans (Senior Finance Manager), Delyth Jones-Thomas (Investment Manager), Meirion Jones (Pensions Manager), Gwenan Medi Williams (Senior Pensions Officer), Marina Parry Owen (Pensions and Investments Officer), Glesni Jones (Senior Communications Officer (Pensions)), Owain Pritchard (Pensions Unit Systems Officer), Sara Jones (Assistant Accountant, Pensions and Treasury Management), Dafydd Richard Owen (Executive Team Leader), Jennifer Mowle (Senior Pensions Officer), Malen Williams (Pensions Assistant), Wendy Owen (Pensions Assistant) a Lowri Haf Evans (Democracy Services Officer)

1. CHAIRMAN

RESOLVED to elect Councillor Peredur Jenkins as Chair for the meeting.

2. APOLOGIES

Apologies were received from Councillor Simon Glyn

3. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present

4. URGENT BUSINESS

None to note

5. PENSION FUND ANNUAL REPORT 2020/21

Everyone was welcomed to the annual meeting of the Pension Fund.

a) Head of Finance's Presentation

He noted that 2020/21 had been a challenging year, with the Fund succeeding to achieve positive returns. It was reported that the Fund's value on 31/03/2021 was £2,515.2 billion, compared to £1,938.3 billion on 31/03/2020, with the values bouncing back and the fund performing higher than the benchmark over the period. It was reiterated that the strong performance of the equity markets in 2020/21 was very encouraging, and that it bodes well for the next valuation.

It was highlighted that, out of 100 UK Local Government Pension Scheme funds, the Gwynedd Pension Fund's 2020/21 performance was ranked in 16th place, with an increase in asset value of 29.3% which was well above the average of 22.7%. It was also noted that over the long term, the Fund's relative performance has steadily improved, moving from the 46th position over the past 20 years since 2001, to the 20th position over the last 3 years.

In discussing the Wales Pension Partnership (WPP), it was reported that the collaboration was going from strength to strength since its inception in 2017. Since the lockdown period, it was highlighted that all the partnership's events had been held virtually, work had continued, new funds were launched, and a number of events were held. It was reported that the Gwynedd Pension Fund had investments in five Wales Pension Partnership sub-funds by the end of November 2021, with investments in global equities, fixed income and emerging markets.

Everyone was reminded of the benefits that had accrued from joining the Wales Pension Partnership, which included expanding investment opportunities through the use of a variety of portfolio investment managers, and a reduction in fees. In February 2019, two sub-funds were established (Global Growth and Global Opportunities) with an initial investment of £303m in each fund. By now, with the investments having been in the funds for over two and a half years, consideration could be given to measuring performance in a meaningful way. It was stated that the funds had performed exceptionally well, with Global Growth returning 3.4%, and Global Opportunities returning 2.0% higher than the benchmark since its inception.

An element of Fidelity's equity mandate (£166m) was transferred to the Wales Pension Partnership Multi Asset Credit sub-fund in July 2020, and £291m was transferred from Insight's mandate to the Wales Pension Partnership Absolute Return Bond sub-fund in October 2020. It was noted that, although it was early to assess the performance of these funds, their performance had been higher than the benchmark since their inception. In October 2021, the emerging markets investment was transferred to a new Wales Pension Partnership fund with 6 managers, including Bin Yuan who specialises in China. By November 2021, 83% of the Gwynedd Pension Fund's assets were pooled with the Wales Pension Partnership.

In discussing responsible investment, which is a priority area for the Committee and the Pension Board, it was noted that the Council had released a statement in February 2021 with an update in July 2021. Reference was made to the recent COP26 Conference, where discussions took place between countries around the world on how to tackle climate change. Reference was also made to Wales Climate Week on 22-26 November. Although the conclusion of the COP26 conference was disappointing, it was highlighted that the Gwynedd Fund was continuing to move in the right direction and examples of responsible investment developments were highlighted in each of the relevant funds. Attention was drawn to the 'GRESB' (Global Real Estate Sustainability Benchmark) assessment, which measures how property investment managers view and report on Environmental, Social and Governance ('ESG') issues.

It was added that the existence of the Task Force on Climate-Related Financial Disclosures (TCFD) meant that better information allowed companies to incorporate climate-related risks and opportunities in their risk management and strategic planning processes. As a result, they have recommended four themes: governance, strategy, risk management and metrics and targets. These will be introduced to the Funds in two ways - firstly through the asset management companies used, and then through the Funds' reporting framework such as Gwynedd. The system will force everyone to express their rationale as standard and pension plans with assets over £1 billion will start measuring and testing with the metrics from October 2022 onwards.

In the context of the Fund's valuation, attention was drawn to the timetable with the intention of completing the work between now and the Summer of 2022. It was noted that the employer's co-operation will be needed to validate the data. The intention was to inform employers of their contribution rates by April 2023 at an Employer Forum in October 2022.

Pensions Administration:

During 2020/21 it was reported that the 'My Pension On-line' system had gone from strength to strength with a large number of members making use of the site over the lockdown period. It was noted that the 'My Pension On-line' membership was increasing annually with around 16,000 registered to date. It was added that approximately 500 members used the website every month and work was continuing to try to increase membership and encourage employers to promote the site to ensure that staff use the service.

It was reported on the use of the i-Connect system that updates pay data and contributions on the system on a monthly basis. It was added that i-Connect provides significant benefits to Local Government Pension Scheme (LGPS) members through the introduction of clear, accurate and timely data and that 100% of members' records are now updated through the system. All the employers were thanked for using the system.

Attention was drawn to the Members Satisfaction Survey which was sent out to the Fund members at the end of each process, e.g. retirements. Its intention was to gauge views on the quality of the service, and the Pensions Administration Unit staff. It was reported that over 98% of members either strongly agreed or agreed that the quality of the service was high, and 98.25% of users strongly agreed or agreed that the quality of the service provided by the staff was high. In order to achieve these high scores, it was noted that the employers' collaboration had been crucial, and the employers were thanked for their readiness to provide the information promptly

In the context of staffing, it was noted that four members of the team had been successful in gaining a Foundation Degree in Pensions Administration and Management, a qualification that ensures a detailed understanding of the Local Government Pension Scheme and management skills.

The members expressed their thanks for the report.

During the ensuing discussion, the following questions and responses were received:

- Regarding the use of the TCFD metrics and the prospect of starting work in October 2022, when will the findings be reported?

It was noted that the procedure was uncertain and that appropriate time would be needed to enter data and obtain comparative data. It was suggested that this could take up to 12 months before useful comparisons could be shared.

- Regarding the background of the 'TCFD', it was asked if the task group was a single task and finish group?

It was noted that the group had been set up by an international body, the Financial Stability Board (FSB), and that the FSB had asked the TCFD to continue its work to promote and monitor progress in the way companies acted on their recommendations.

- Regarding the implementation of a 'carbon reduction overlay', and the comment that this could protect investment and emissions, it was asked if it would be easier to completely dis-invest from high emission companies, such as Shell?

The basic environmental objective was agreed with, but it was explained that the solution was far more sophisticated than merely choosing to disinvest. It was added that engagement played an important role and that it was possible to move in the right direction through influence. While it would be difficult to filter large companies out of the portfolio, the overlay procedure reduced investment in companies with a carbon footprint.

- In response to concern that progress on divestment was slow e.g. the Fund continued to invest with Blackrock which has fossil fuel investments, it was noted that what Blackrock did on behalf of other investors could not be influenced, but that Gwynedd influenced its chosen investments with Blackrock. It was reported that 12% of the Gwynedd Fund was invested in the Blackrock low carbon fund, which screened fossil fuels.

All of Fund's staff were thanked for the professional manner in which they delivered their work and duties. All the work that is being done for the benefit of the Fund's current and future pensioners was appreciated.

It was highlighted that Mr Dafydd Edwards, would be starting his flexible retirement from his post as the Council's Head of Finance in January, but would continue for 18 months as the Director of the Pension Fund. He was wished a happy flexible retirement.

RESOLVED TO ACCEPT THE ANNUAL REPORT OF THE PENSION FUND FOR 2020/21

The meeting commenced at 10.00 am and concluded at 11.00 am

CHAIRMAN