

GWYNEDD PENSIONS FUND ANNUAL MEETING BETWEEN MEMBERS OF GWYNEDD COUNCIL'S PENSION COMMITTEE AND REPRESENTATIVES OF THE EMPLOYERS AND UNIONS 24/11/22

Present:

Members of the Pensions Committee

Councillors: Stephen Churchman, John Brynmor Hughes, Medwyn Hughes, Iwan Huws, Elin Hywel, John Pughe Roberts, Ioan Thomas, and Goronwy Edwards (Conwy County Borough Council Representative)

Members of the Pension Board

Osian Richards and Sharon Warnes

Employers' Representatives:

Linda Jones (Medrwn Môn), Marc Jones (Isle of Anglesey County Council), Geraint Owen (Menter Môn), Heledd Owens (Adra), Siân Owen (Eryri National Park Authority), Tina Earley (Colwyn Bay Town Council), Diana Burns (Conwy County Borough Council), Huw Jones (Conwy County Borough Council), Tony Walter (Conwy County Borough Council), Nia Jones (Cwmni Frân Wen), Rhys Parry (Adra), Elizabeth Thomas (Isle of Anglesey County Council), Tracy Roberts (Ysgol Pen y Bryn), Samantha Pritchard (Ysgol Pen y Bryn) and David Lloyd-Williams (Eryri National Park Authority)

Others invited

Yvonne Thomas (Audit Wales),

Alison Shaw Amanda Doyle, Heather Bolton, Alys Wardle and Dylan Clarke

Staff Members who Serve the Fund (Cyngor Gwynedd):

Dafydd Edwards (Fund Director), Dewi Morgan (Head of Finance), (Delyth Jones-Thomas (Investment Manager), Meirion Jones (Pensions Manager), Gwennan Medi Williams (Senior Pensions and Governance Officer), Glesni Owen (Senior Communications Officer (Pensions), Owain Pritchard (Systems Officer - Pensions Unit), Sara Jones (Pensions and Treasury Management Assistant Accountant), Dafydd Richard Owen (Executive Team Leader), Jennifer Mowle (Senior Pensions Officer), Ayesha Trainor (Pensions Officer) Bronwen Williams (Communications Officer (Pensions), Neil Thomas (Pensions Assistant) and Lowri Haf Evans (Democracy Services Officer)

1. ELECT CHAIR

RESOLVED to elect Councillor Stephen Churchman as chairman of the meeting.

2. APOLOGIES

Apologies were received from Councillor Robin Williams (Representative of Isle of Anglesey County Council), H Eifion Jones (Pension Board Member), Sioned Parry (Pension Board Member), Wendy Jones (Community and Voluntary Support Conwy), Karen Nelson (Grŵp Llandrillo Menai), Rebecca (Menter Môn) Jo Cavill (Careers Wales), Geraint Owen (Cyngor Gwynedd), Alwen Williams (Economic Ambition Board), Gwyn Jones (Ysgol Eirias), Sue Hill (ABM Catering), Dave O'Neill (Community and Voluntary Support Conwy), Nia Murray (Eryri National Park Authority), Carys Edwards (Ynys Môn), Amanda Davies (Byw'n Iach), Sion Wyn Hughes (Caernarfon Town Council), Caren Byron (Careers Wales), Rachel Lees (Conwy Town Council) and Rick Mills (Public)

3. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present.

4. URGENT BUSINESS

None to note

5. GWYNEDD PENSION FUND ANNUAL REPORT 2021/22

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

Introduction from the Fund Director

It was reported that the value of the Pension Fund had increased from £2,528 million to £2,776 million which was considered a substantial increase of £248 million during 2021/22. It was reiterated, despite the period of uncertainty in global markets at the start of 2020, there had been a long period of recovery, and although performance was behind the benchmark, the fund had seen a strong performance of 10.0%, and was now in the highest quartile of the Local Government Pension Scheme LGPS funds (*ref PIRC official statistics for 2021/22*).

a) Pensions Administration:

During 2021/22 it was reported that the use of the 'My Pension Online' system was increasing year on year, with more than 16,000 registered thus far and approximately 500 members using the site every month. Employers were encouraged to promote the site in the workplace to ensure that staff took advantage of the services on offer. It was noted that a software company was in the process of creating a new version of the self-service system and that it was intended to launch the system during the spring of 2023 along with a campaign to increase fund membership. It was explained that the Administration Unit was also in the process of uploading pensioners' pension slips to the site which would enable pensioners to view their pension slips every month.

The use of the i-Connect system was reported upon, which updated pay data and contributions on the system every month. It was reiterated that i-Connect provided substantial benefits to LGPS members by submitting clear, accurate and timely data and that 100% of members' records were now being 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 all Fund members at the end of each process, e.g. retirements and payment of backpayments, for members to give their opinion on the quality of the service received and on the service provided by the department's staff.

It was reported that over 96% of members either strongly agreed or agreed that the quality of the service was high, and that 98.12% 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 willingness to provide the information promptly.

b) Investment Performance

The Market Value of the Fund was £1.9 Billion in 2020 (after a dip during Covid, March 2020). By the end of March 2021, the Fund's Market Value was £2.5 Billion (with the stock market restored to its pre-Covid level by the end of May 2021). £2.775 Billion on 31 March 2022) but £2.628 Billion on 30 September 2022 after 6 difficult months for the stock market with the global recession

In highlighting the Fund's performance against the benchmark, it was noted that although failing to reach the benchmark had been a disappointment, this was the result of having a global portfolio with a reliance on emerging markets (which included Russia and China), and also of the decision to invest in projects that respected the environment rather than holding traditional energy and fuel stocks, which had thrived amidst the climate of 2022. Although recognising that these were common features across the LGPS funds, it was reiterated, when comparing the performance of Gwynedd Pension Fund with the 86 LGPS funds across England and Wales, that Gwynedd Pension Fund was ranked 23rd in terms of performance in 2021/22.

In highlighting the Fund's long-term performance, it was noted, in comparison with others that the performance was excellent and had improved over the last two decades. It was highlighted that one of the factors behind this was the strong performance of the growth assets, where there had been relatively heavy investment in equity. It was reiterated, due to the firm position, that there was an opportunity to take steps to de-risk, by doing something less risky or less likely to lead to financial loss, and to retain some of the gains of recent years by moving from equity to other categories of assets, such as infrastructure, private borrowing and corporate bonds.

c) Collaborating in Wales

In discussing the Wales Pension Partnership (WPP), it was reported that the collaboration had been going from strength to strength since its inception in 2017. It was noted that all partnership events had been held virtually since lockdown, with officers meeting on a regular basis, the work was continuing, new funds being launched and a number of events had taken place. By now, 83% of the Gwynedd Pension Fund had been pooled with WPP with investments in five sub-funds and investments in global equity, fixed income and emerging markets. The advantages of operating as a member of a partnership with a total of over twenty billion in assets, brought flexibility to venture from traditional investments to various categories of alternative assets, and invest directly in private markets.

Question: How does the Committee view the process of working with the Wales

Pensions Partnership, in terms of the efficiency of communicating the requirements of de-investing from fossil fuel?

Answer: Collaboration with WPP had provided several opportunities to invest more responsibly this year; A recent example of this was, at the Pensions Committee 21/11/22 a decision had been made to allocate approximately £250 million in the WPP sustainable equity fund, and also to invest £10 million in clean energy projects in Wales.

ch) Responsible Investment

Reference was made to the leaders of 120 countries attending Sharm El Sheikh for Cop 27, to discuss global warming. It was reiterated there had not been enough progress since Cop 26 Glasgow 2021.

Question: As COP27 concludes, no one can fail to see how our addiction to fossil fuel creates havoc with life across our Earth. I would like to ask the GPF Committee once again to provide a statement on its total investments in Fossil Fuels. The last estimation of its holdings by Friends of the Earth was over 51,500,000. The committee has disagreed with this figure but has not provided any other calculation since the request was made over a year ago. This lack of transparency makes it difficult to assess whether the Committee is serious about de-carbonisation and is taking genuine steps to reach that goal. The words of the Prime Minister of Barbados, Mia Mottley, strike a chord. "I ask the people of the world and not just the leaders, ...what would you choose to do? ...what would you choose to save?"

Answer: The Gwynedd Pension Fund was committed to reach net zero by 2050 and this was supported by a commitment to assess the feasibility of the Fund reaching net zero 5, 10 or 20 years sooner. A decision was made not to set a target before this year, because;

- a. 'Ffordd Gwynedd', the systems thinking philosophy, encouraged measuring progress and direction rather than setting targets
- b. there was a wish to consider an action plan before setting a target.

However, at the Pensions Committee held in March 2022 it had been agreed to set an effective ambition that would aim towards 2030. A policy was approved which considered factors such as Legal Guidelines, Investment Beliefs, Engagement, Disclosure and reporting and a framework to support the Fund's Climate Ambitions. It was reiterated that the Taskforce on Climate-related Financial Disclosures ('TCFD') would be issuing guidelines in 2023 on setting a useful standard framework to measure the situation with fairness.

Question: Earlier this year, the Welsh Government passed a notice that it would be working with the public sector on a strategy to de-carbonise pensions by 2030. Is this being taken into consideration in Gwynedd Pension Fund's route towards de-carbonisation, and what progress has been made towards de-carbonisation so far?

Answer: Whilst the Gwynedd Pension Fund aimed towards de-carbonisation by 2030, it could not be assured that full de-carbonisation would be possible by 2050, let alone 2030. Notwithstanding the aim of moving quickly towards de-carbonising Gwynedd Fund's portfolio, it was reported that the Committee had already taken steps to invest more responsibly. In 2015, the TCFD had been

created in response to recognition that markets were unable to value climate opportunities and risks without the correct financial information related to climate. It was reiterated that the Gwynedd Pensions Committee and the WPP had responded supportively to a recent consultation from the TCFD on proposals making it mandatory for the LGPD administering authorities to assess, manage and report on risks related to climate. The regulations were expected to come into force in April 2023.

Question: Given that the Welsh Government encourages local authorities to report on scope 3 investment emissions, do you have a specific figure for Gwynedd Pension Fund's scope 3 emissions yet, and if not, when will you have this figure?

Answer: It was noted that the Welsh Government was eager to work with pension funds to reduce carbon emissions relevant to their investments. It was reiterated that Welsh Government also encouraged local authorities to report on scope 3 emissions, not produced by the authority itself, or the assets it owned, but by suppliers and consumers in the valuation chain. It was noted that it was quite a challenge to identify scope 3 emissions in the Fund, as there were obstacles to accessing the appropriate data e.g. it was not mandatory in Britain for business premises tenants to submit information to their landlord, as opposed to, for example, France, where the Government had forced businesses to reveal the information.

Question: How does it feel, in this fast-changing culture, to manage the direction of the Gwynedd Pension Fund, with the potential to influence pension investments across the UK towards investments that are truly nature friendly?

Answer: It was reported that it was a good feeling to seek to make a difference by influencing and investing in green energy projects, investing anew in sustainable funds, working with investment companies that manage the assets of the Gwynedd Pension Fund to adjust the portfolio to be Paris-aligned etc. Nevertheless, there was frustration as to the lack of reliable data to evidence the significant steps that had been taken in recent years, and to measure the impact of exciting decisions the Committee had made recently. It was reiterated that it would be good if there was a way of showing the progress in a measurable way, and this work was in the pipeline.

d) Triennial Valuation 2022

Information was submitted outlining the result of the Triennial Valuation of the Fund highlighting that the Fund staff had now provided information and the actuary had calculated the data. It was noted that over forty employers had been notified of the level of their pension contributions for 2023 at an Employers' Forum with the Actuary on the 26 October 2022. It was also highlighted that the funding position had improved to 120% (from 108% in 2019), with this comparing very favourably with other LGPS funds. Everyone was reminded that this funding level considered the past, and that pension costs in the future were the main driver for employers' pension contributions.

It was reported, across Britain, that employers would be facing a difficult financial year in 2023. The hope was that the reduction in the pension contribution rates of the main employers in our region would be a boost as they sought to balance the budget and avoid an element of cutting services. It was reiterated that the results

for the smaller employers varied a little, but none were facing a significant increase in their pension contributions with the majority of employers witnessing a small reduction.

dd) Next steps

Attention was drawn to the Finance Strategy Statement Consultation - January 2023

Gratitude was expressed for the report.

In response to a question in relation to assessing the feasibility of zero net targets with consideration to measuring progress every year, it was noted that the Hymans company had been commissioned to find a suitable gauge. It was reiterated that this was in the pipeline and that one of the obstacles was to obtain regular figures.

The Chair noted that the performance was good and that this reflected the officers' work and advice. It was reiterated that there was good collaboration between Members of the Pensions Committee and that the Members of the Pension Board added value by offering their overview and advice. It was also noted that joining WPP had led to good outcomes.

RESOLVED TO ACCEPT THE ANNUAL REPORT OF THE PENSION FUND FOR 2021/22

The meeting commenced at 10.00 am and concluded at 10.50 am

CHAIRMAN