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## **PENSION BOARD 18/07/22**

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**Present:** Osian Richards (Member Representative), H. Eifion Jones (Member Representative), Sioned Parry (Employer's Representative), Huw Trainor (Employer's Representative), and Sharon Warnes (Member Representative).

**Officers:** Dafydd Edwards (Head of Finance Department), Delyth Jones Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer)

### **Others invited**

Councillor Stephen Churchman - Chair of the Pensions Committee

### **1. ELECT CHAIR**

**RESOLVED to elect Councillor Hywel Eifion Jones as Chair of the Board for 2022-23**

Former Councillor Aled Evans was thanked for his work as Chair of the Board over the past year.

### **2. ELECT VICE CHAIR**

**RESOLVED to elect Mr Huw Trainor as Vice-chair of the Board for 2022-23.**

### **3. APOLOGIES**

None to note

The Director of the Fund highlighted, following the departure of Councillor Aled Evans, that there was an empty seat for an employer representative on the Board. He reiterated that an advertisement had been sent out to the Members for a nomination. He noted that three responses had been received to date and that the closing date was 1 August 2022.

### **4. DECLARATION OF PERSONAL INTEREST**

None to note

### **5. URGENT ITEMS**

None to note

### **6. MINUTES**

The Chair accepted the minutes of the previous meeting of this committee, held on 4 April 2022, as a true record.

## 7. GWYNEDD PENSION FUND'S DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

- a) Submitted, for information, the report of the Investment Manager to provide details of the financial activities of the Pension Fund during the year ending on 31 March 2022. It was highlighted that the Head of Finance, Mr Dewi Morgan, in his role as Responsible Finance Officer, had already certified the draft accounts and that the accounts, which had been completed within a challenging timetable, were now subject to Audit by Audit Wales.

It was reported that the accounts followed the statutory CIPFA format, with the guidance interpreting what was to be submitted in the accounts. It was noted that the year had been very busy for the fund with the transfer of emerging markets to the Wales Pension Partnership, setting a net zero target, and monitoring the impact of events such as the Ukraine war. Attention was drawn to the Fund Account, noting that the figures were quite consistent. Reference was made to the management costs from the 2021/22 year (which was an exception in reality), due to high fees from Partners (which corresponded with their performance) and the costs of transfers to the Wales Pension Partnership. It was reported that the situation had now stabilised.

Reference was made to the increase in the market fund value of £247 million which now brought the value of the fund to £2.7 billion. It was noted, that after the audit was completed, the final version would be submitted for approval to the Pensions Committee.

The members expressed their thanks for the report.

- b) During the ensuing discussion, the following observations were made by members:
- That there had been an increase in the value of the fund up to the end of March, despite the instability
  - Suggested that Gwynedd's performance should be noted in terms of budget levels in line with Hymans Robertson's independent update to the Section 13 Valuation criteria.
- c) In response to a question regarding a disappointing stock market performance, and the obvious impact of the Ukraine war and rates of inflation, it was noted that long-term returns were the main objective of the investments, and despite the stock market's performance, that there had been a substantial increase since the last valuation

**RESOLVED to accept the information.**

## 8. PENSION FUND INVESTMENT PERFORMANCE 2021/22

- a) Submitted - a report by the Investment Manager informing the Members of the quarterly (and yearly) monitoring being undertaken by the Investment Panel on the Pension Fund's investments performance. It was reported that the Gwynedd Pension Fund was in a relatively healthy position with the value of the fund now £2.7 billion and has increased gradually since 2011.

Although the fund saw a 10.0% performance, it was disappointing that this was below the benchmark for the year. Nevertheless, it was noted that a situation like this was common for local government pension schemes, and that the performance of the Gwynedd Pension Fund continued to be within the highest quartile of British funds, and was in 23rd place out of a 100 funds.

In the context of the performance of equity investment managers, where a high percentage of the Fund's investments had been invested, it was highlighted that the performance, which was lower than the benchmark, driven by the negative performance of Baillie Gifford in the Global Growth fund. It was reiterated that Baillie Gifford had performed excellently over the previous years and the importance of the need to assess the need over a period of at least three years in this field, before raising concerns.

In the context of fixed income managers, it was explained that this performance had also been below the benchmark considering the instability in the Russian market. It was reiterated that these investments were relatively new (having started to invest in the last two years), and therefore the situation was being monitored regularly to ensure that there was no further reduction.

Reference was made to the historical performance of the Fund over the past decade, noting the importance of assessing the performance over a number of years, since long-term investment was the objective. It was reiterated that the value of the fund had increased gradually for some time, and that the Fund was in 7th position from all Local Government Pension Fund Schemes and had therefore performed well.

Thanks were expressed for the report.

- b) In response to a question on the performance of Baillie Gifford and when Hymans would step in should poor performance become the norm over a number of years, it was highlighted that the matter had been discussed recently at a meeting of the Wales Pension Partnership where it was concluded that there would be a need to consult with the Partnership before the opinion was submitted to the Joint Committee for a decision. It was reiterated that Baillie Gifford had been responsible for previous excellent performance, which gave confidence in the company. It was noted that discussions were being held and although the period was uncertain, that there was confidence in their stock selections and it was believed that things would come good.

The Chair of the Pensions Committee reiterated that quality assurance had to be considered and that it was essential to hold discussions.

- c) In response to a question regarding links to crimes against human rights, national developments around matters such as the 'Boycott, Divestment, Sanctions (BDS)' movement were discussed, ensuring that the Board was aware of matters or allegations that were raised in the press. It was suggested that a request should be made to the Managers, or to the Voting and Engagement Provider (Robeco), for information and that a joint discussion with members of the Pensions Committee in quarterly sessions with Managers were arranged.

**RESOLVED to accept the information**

## 9. PENSION FUND EVENTS

- a) The following members were nominated to attend the events

08-09-22 – 09-09-22 LGC Investments Summit, Leeds  
Osian Richards

07-12-22 – 09-12-22 LAPFF Conference, Bournemouth  
Osian Richards

19-01-23 – 20-01-23 LGA PF Governance, Cardiff  
Sioned Parry

It was noted that the dates for the Carden Park Conference in March 2023 were to be confirmed before the invitation was shared.

- b) The following members were nominated to observe the Pension Committee meetings in 2022-23

12-09-22 Huw Trainor  
14-11-22 Eifion Jones  
18-01-23 Sioned Parry  
27-03-23 Sharon Warnes

In addition, all members would be invited to attend the Gwynedd Pension Fund Employers' Forum (26-10-22) and the Gwynedd Pension Fund Annual Meeting (24-11-22).

## 10. PENSION ADMINISTRATION

- a) 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. It was highlighted, in accordance with the request of the Board, that the details of complaints received during the period had been included.

The members expressed their thanks for the report.

- b) During the ensuing discussion, the following observations were made by members:
- Despite the staff shortages and recruitment problems, the unit continued to raise standards.
  - Four members of staff were congratulated for completing a Foundation Degree in Pensions Administration and Management.
  - Expressed congratulations for the improvement on what was already good.
  - That the self-service system and the i-Connect plan was receiving very positive comments.
  - That the report gave the Board assurance that things were going in the right direction.
- c) In response to a comment that staff had been seconded out of the unit to assist with the housing of Ukrainian refugees in Gwynedd and whether it would be possible to offer a secondment for others to join the Team, it was noted that there

was no option to release staff on a secondment, but that every effort was being made to attract new staff.

- ch) In response to a question regarding around 3% of fund members not having a specific address, it was suggested that the address should be visited and that a conversation should be held with the member about their pension fund.

**RESOLVED to accept the report**

The meeting commenced at 1.00 pm and concluded at 2.20 pm

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**CHAIRMAN**