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## PENSION BOARD 3/10/22

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

**Officers:** Dafydd Edwards (Fund Director), 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. APOLOGIES

Apologies were received from Sharon Warnes (Member Representative).

Councillor Beca Roberts was welcomed to her first meeting as the Employer's Representative on behalf of Cyngor Gwynedd.

### 2. DECLARATION OF PERSONAL INTEREST

None to note

### 3. URGENT ITEMS

In light of all global uncertainty (War in Ukraine, Covid-19, Brexit and general increase in prices and a reduction in the value of the pound), permission was granted for the following question to be considered as an urgent item.

Have recent economic events had a major impact on the fund?

In response, in the context of Fund Assets, the Fund Director noted that recent events had not been damaging on the whole, and that some increases with aspects were favourable as the Fund's equity assets were based on the US dollar and, therefore, the slump in the £ was favourable; there were no bonds in the portfolio and our fixed income investments were protected (*currency-hedged*) and therefore, neutral; and property was increasing with inflation to a degree. Although Fund commitments were increasing with salary inflation and pension inflation anticipated, it was added that it would be possible to manage the situation by taking a long-term view.

The Chair of the Pensions Committee added that asset managers, at a recent meeting, had responded to Committee members' concerns about recent events and had satisfied them that the situation was encouraging and, as a result, they were confident that there was no damaging impact to the fund's performance.

### 4. MINUTES

The Chair signed the minutes of the previous meeting of this committee, held on 18 July 2022, as a true record.

## **5. 2022 VALUATION OF THE PENSION FUND**

The Fund Director took the opportunity to provide a brief update on the actuarial valuation and that the work corresponded with the timetable set. Members were reminded that forecasts had been submitted to the Pensions Committee and the Pension Board in January 2022; the Administrative Unit had been rectifying and refining data and had forwarded it on time to the actuary (Hymans Robertson); a series of discussions had been held with Hymans and there had been good collaboration with the Administrative Unit.

It was noted that Pension Board Members would be invited to a presentation by the actuary on 26 October 2022.

It was noted that there would be a general increase in inflation, which would involve an increase in pension cost and, as a result, there would be an increase in the primary rate in future, but it was stated that there had been significant increase in asset value in recent years after a good performance and, as a result, it would be possible to reduce in future.

The staff were thanked for their work and the Administrative Unit for submitting the information on time.

## **6. GWYNEDD PENSION FUND'S DRAFT ANNUAL REPORT 2021/22**

A (draft) report was submitted by the Investment Manager detailing the activities of the Pension Fund during the year ending on 31 March 2022. The report included the accounts, a report from the Board, pension administration, a summary of assets and relevant policies.

It appeared that the Fund had had a successful year as the Fund value had increased with strong returns. Reference was made to some of the year's highlights such as the pooling work continuing to go from strength to strength, that a responsible investment policy had been adopted and that an i-connect system, which provided an easy, cost-effective way of exchanging electronic documents among partners, continued to be a success.

It was highlighted that the report would be reviewed as part of the Final Accounts Audit by Audit Wales before its submission in final form for the Pensions Committee's approval.

Thanks were expressed for the report.

In response to an observation that the performance on providing pension benefits transfers in and out of the fund had worsened, it was highlighted that the reasons for this were; staff had left; training staff remotely in this complex field had been challenging; experienced staff had been absent due to maternity leave or long-term illness. It was hoped to see an improvement in 2022/23

In response to an observation regarding how it would be possible to predict a risk reduction in the next 10 years given the global uncertainty as a result of Covid-19,

Brexit and the War in Ukraine, after the report would be approved it was noted that it was intended to review the portfolio and consider adapting the risk levels repeatedly (*re-risk*) rather than reduce risk (*de-risk*). It was added that it was possible to discuss shifting away from 'global' investment and consider the possibility of investing in infrastructure or private equity outside the United Kingdom. With the fund in an advantageous position, it was also noted that it was possible to be enterprising and consider investing in activities local to Wales, to the environment and to the community – it would be possible to target possibilities.

**The report was accepted.**

## **7. TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) - LGPS CONSULTATION**

The Fund Director submitted a report informing Members that the Westminster Government was in the process of consulting on proposals on new requirements for administering authorities of Local Government Pension Scheme (LGPS).

As expected, the proposals would make it a requirement for LGPS administering authorities to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures ('TCFD'). Regulations were expected to come into force by April 2023.

The consultation was launched on 1 September 2022 and a response would need to be submitted by 24 November 2022. It was highlighted that it was intended to prepare a draft response on behalf of the Gwynedd Pension Fund to be approved at the Pensions Committee on 14 November 2022.

Gratitude was expressed for the report.

It was suggested to share the draft response with Pension Board Members.

**The report was accepted.**

## **8. WALES PENSION PARTNERSHIP UPDATE**

The Investment Manager submitted a report, providing a formal update to members on the developments of the Wales Pension Partnership (WPP). It was reported that collaboration continued to go from strength to strength on matters such as freedom of information requests, voting and engagement and generally sharing good practice across the funds. It was noted that 83% of Gwynedd's Fund had now been pooled with the WPP.

Attention was drawn to the equity funds referring to the performance of the Global Growth Fund, which had three underlying managers operating a very different style to each other – Baillie Gifford, Pzena and Veritas. Members were reminded that this fund, in the early years, had performed very well, and this was mainly due to the performance of Baillie Gifford. It was highlighted that Baillie Gifford was now underperforming and mainly due to the nature of its investments and that its performance was 'cyclical' (sometimes good, and not as good at other times). It was reiterated that recent discussions had been held with Baillie Gifford and, despite the challenging period, they were confident in the companies in which they

invested.

In the context of the Global Opportunity Fund, it was reported that the fund included eight underlying managers and, although all managers would not perform well at the same time, the diversified approach meant a stable position and the fund performed ahead of the benchmark on a regular basis.

In the context of Fixed Income Funds, reference was made to the Multi-asset Credit Fund, which had five different investment managers. It was reported that the fund had underperformed, which had been driven in large part by instability in the market with the war in Ukraine, Covid restrictions in China and the impact of rapid inflation increases. Despite concerns that the fund was facing a challenging period, it was added that this was a long-term investment commitment and, therefore, the aim was to continue with the investments in the hope of experiencing progress at the end of the instability.

When discussing the Absolute Return Bond Fund, which had four investment managers, it was highlighted that conditions in this field had also been challenging with the impact of inflation and interest rates, but again, it was a long-term investment and there was willingness to continue with the investments in the hope of experiencing progress.

It was reported that the Emerging Markets Fund, launched in October 2021, had six underlying investment managers including Bin Yuan, a China specialist. It was noted that conditions were again very challenging and that Bin Yuan had caused the element of underperformance due to China's 'zero Covid' policy. It was reiterated that it was hoped to see an improvement in market conditions and good returns.

Reference was made to upcoming developments by the WPP noting the work being undertaken in the field of private markets with companies appointed to run the private debt and infrastructure mandates. It was added that background work was being carried out to establish the companies in the hope of investing in them in 2023/24. The Gwynedd Fund intended to let the infrastructure and private equity investments mature naturally and to invest gradually with the pool. It was noted that initial discussions had also commenced in relation to the property asset class.

In the context of Sustainable Equity Fund, namely a fund created by Russell Investments after assessing the pool's responsible investment needs, it was highlighted that it was intended for this fund to go live in Quarter 1, 2023 with features of the fund ensuring that this was a step in the right direction in responsible investment. It was added that the Gwynedd Fund would move part of its equity investments to this Fund but details were to be confirmed.

Members were referred to the WPP website where a number of useful documents were available. The substantial fees involved with running the pool were also highlighted and it was explained that these fees were divided equally between members of the partnership – the fees included consultant fees, solicitors, translation work and voting and engagement provider work.

Gratitude was expressed for the report and to all staff associated with the work

In response to a question regarding fees, it was noted that administrative costs were divided equally between the eight funds that were part of the partnership, but that investment costs were split according to the individual investment size of each fund.

**The information was accepted.**

The meeting commenced at 1.00 pm and concluded at 1.55 pm

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**CHAIRMAN**