
PENSION BOARD 16/10/23

Present:

Eifion Jones (Chair), Tony Deakin and Osian Richards (Member Representatives)

Sioned Parry and Ned Michael (Employer Representatives)

Officers: Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Assistant Head of Finance Department – Accountancy and Pensions), Delyth Jones Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer)

OTHERS INVITED

Cllr Stephen Churchman (Chair of the Pensions Committee) – observing

1. APOLOGIES

Apologies were received from Cllr Beca Roberts (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 20 July 2023, as a true record.

5. MINUTES OF PENSIONS COMMITTEE

The minutes of the Pensions Committee held on 18 September 2023 were submitted for information.

6. GWYNEDD PENSION FUND'S DRAFT ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

A (draft) report was submitted by the Investment Manager detailing the activities of the Pension Fund during the year ending on 31 March 2023. The report, in accordance with the CIPFA guidance, included details of membership, administration, investments, financial performance, actuary's report, accounts and the five standard statements of the Fund. The report would be reviewed as part of

the accounts audit by Audit Wales and submitted to the Annual Meeting at the end of November.

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

Observations arising from the ensuing discussion:

- There were missing titles in the staffing indicators table
- Was the impact of Covid responsible for a reduction in estimated deaths?
- Questioned why Shrewsbury's Pension Officers' Group had been included under the West Pennines area and not the West Midlands
- Needed to consider opening discussions with organisations / companies to avoid contract matters
- The training sessions had been beneficial
- How does the Board review and ensure compliance with the regulators' code? A suggestion was made to include this as a future item.

In response to an observation regarding performance measures and whether there were general measures for each fund, it was noted that there were no consistency or comparisons at present, but work was being undertaken with Welsh funds to discuss the matter, to set guidelines and aim towards setting measures for every fund by 2024/25. In response, after the measures are adopted, it was suggested that it would be beneficial for performance measures to be a standing item on the agenda of the Pension Board and Pensions Committee in future.

In response to an observation that one category had not reached the benchmark (members' addresses with a score of 97.14%), and that it was estimated that banks would have a member's address details, it was noted that the information mainly referred to members who had deferred / frozen their pension or those who had left. In order to improve the score of members' addresses, it was added that the pensions department worked with the ATMOS company to trace addresses recorded as ones that had disappeared (approximately 2000).

RESOLVED to accept the information.

7. 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). She reported that the Head of Finance and the Investment Manager represented the Fund in all the pool's meetings, and that the 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 – Gwynedd was amongst the highest in the fund.

The Manager drew attention to the equity funds and referred 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. The 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. However, Baillie Gifford was now underperforming, mainly due to the nature of their investments and their performance being 'cyclical' (sometimes good, and other times not so good). It was added that the performance was being monitored closely and that discussions

were being held with the Partnership and the Partnership's advisors, Hymans Robertson.

In the context of the Global Opportunities Fund, it was reported that the fund included eight underlying managers and, although not all managers would perform well at the same time, the varied approach would lead to a stable position and the fund performing ahead of the benchmark over the long term, but the last three months had been challenging.

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 a large part by instability in the market with the war in Ukraine, Covid restrictions in China and the impact of rapid interest increases. Despite concerns that the fund had gone through 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 Returns 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 commitment and therefore there was a willingness to continue with the investments in the hope that the conditions would improve.

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 the hope was to see an improvement in market conditions, and improved returns.

Reference was made to the recent developments of the WPP, highlighting the work being undertaken within private markets. Companies had been appointed to run the private debt, infrastructure and private equity mandates. It was added that private debt and private equity investments had already commenced, and that officers were in the process of signing the private equity fund documents. The aim was for the Gwynedd Fund to let the infrastructure and private equity investments mature naturally and to then invest gradually with the pool. It was noted that initial discussions had also commenced in relation to the property assets class, and that the procurement process would take place within the next year.

In the context of the Sustainable Equity Fund, which was a fund created by Russell Investments after assessing the pool's responsible investment needs, it was highlighted that £270 million, namely 10% of the Fund had been invested in this fund, and that the performance would be monitored regularly.

Reference was made to the pool's Annual Return, and to the WPP's website where a number of useful documents were available. Officers also highlighted the significant fees that were paid to run the pool, and it was explained that these fees were split equally with the other partnership funds (unless specific work had been made for one fund) – the fees included important costs such as consultant fees, solicitors, translation work and voting and engagement provider work.

In terms of an update on the operator, it was reported that Link had been acquired by Waystone on 9 October – this would not affect how the funds were being run. It was added that the current contract would end in 2024 and one of the first tasks

would be to undertake a procurement process for a new operator. An Invitation to Tender would be issued in October 2023.

Members gave thanks for the report.

The Chair of the Pensions Partnership added that he was happy with the Fund's performance and with the WPP's performance in comparison with other funds in the UK. He added that investment in infrastructure was likely to happen when the best opportunity presented itself, but in the meantime, they did not anticipate any problems on the horizon, and the performance was good. He noted that the Partnership's work was making good progress, and he thanked the officers for their work and good cooperation.

RESOLVED to accept and note the information

The meeting commenced at 1.00 pm and concluded at 1.40 pm

CHAIRMAN