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## PENSIONS COMMITTEE 16-09-24

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### **Attendance:**

### **Councillors:**

Stephen Churchman, Richard Medwyn Hughes (Chair), Elin Hywel, John Pughe Roberts, Ioan Thomas and Robin Williams (Isle of Anglesey County Council)

### **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:**

Ned Michael (observing – Pensions Board Member)

Yvonne Thomas (Audit Manager, Audit Wales)

Richard Warden (Hymans Robertson)

### **1. APOLOGIES**

Apologies received from Goronwy Edwards (Conwy Borough County Council), John Brynmor Hughes and Iwan Huws.

### **2. DECLARATION OF PERSONAL INTEREST**

None to note.

### **3. URGENT ITEMS**

None to note.

### **4. MINUTES**

The Chair received the minutes of the meeting held on 17/06/24 as correct.

### **5. FUNDING RISK UPDATE AND 2025 VALUATION PLANNING**

Richard Warden (Hymans Robertson) was welcomed to the meeting.

In response to the planning required for the 2025 valuation, information was presented by the Fund's actuary, Hymans Robertson, focusing on finance risks in the current environment, the options available to manage those risks and the benefits to be had on any opportunities in the 2025 valuation.

Gratitude was expressed for the presentation.

In response to a question regarding liability considerations to appropriate levels of fraud, it was noted that asset liability scenarios were created so that potential scenarios were considered to manage risk and improve performance. It was reiterated that an 'asset shock', which would suggest a unique pattern of asset price movements, was also being implemented as a means of looking at potential models in response to risks within a challenging environment.

In response to a question regarding risk management and what the Fund could do to prepare for the 2025 valuation, and whether there were adequate resources for completing the work, it was noted that asset liability was part of the valuation and that any conclusions would be shared with the Committee.

**RESOLVED:**

**To accept and note the information.**

**6. FINAL ACCOUNTS OF THE GWYNEDD PENSION FUND FOR THE YEAR ENDING 31 MARCH 2024 AND RELEVANT AUDIT**

Yvonne Thomas (Audit Wales) was welcomed to the meeting.

A report along with the Gwynedd Pension Fund Statement of Accounts 2023/24 (post audit), was submitted by the Investment Manager providing details of the Pension Fund's financial activities during the year ending 31 March 2024. Members were reminded that a draft of the accounts had been submitted to the 17 June 2024 meeting and although there was no change to the core accounts, two changes in the notes were highlighted following an audit by Audit Wales. Note 15 - Fair Value Hierarchy, where the category of properties had moved from level 2 to level 3, was highlighted in response to how the investment managers categorised the investments. In addition, attention was drawn to a change to Note 23 - Related Party Transactions / Key Management Personnel, whereby it was observed that the Chair of the Pensions Committee was now included as one of the key management personnel.

Yvonne Thomas (Wales Audit) was invited to submit the 'ISA260' report. It was reported that the auditors intended to issue an unqualified audit opinion on the accounts this year, once the Letter of Representation had been signed. It was explained that the auditors could never provide complete assurance that the accounts had been accurately stated, but rather that they worked to a level of 'relevance'. A relevance level of £30.744 million had been set for audit this year to try to identify and correct misstatements that may otherwise lead to someone using the accounts being misled. The misstatement was again referred to in the original accounts (Note 15 – Fair Value Hierarchy; property category had moved from level 2 to level 3) and it was noted that this had now been corrected by the Managers.

It was noted that the information presented was of high quality and very positive - a good reflection of the good arrangements within the Finance Department and the Officers were thanked for the good collaboration.

The Auditors were thanked for their cooperation and thorough work. Appreciation was expressed for the commitment and the accuracy of the work, and the Investment Manager and his team were thanked for preparing the accounts. It was reiterated that the report was encouraging and positive and that the outcome of the audit highlighted the good work of the officers.

**RESOLVED**

- **To accept the information**

- **To note the 'ISA 260' report by Audit Wales, and accept the auditors' comments**
- **To approve the Gwynedd Pension Fund's post-audit Statement of Accounts for 2023/24**
- **To authorise the Chair and the S.151 Officer to certify the Letter of Representation (electronically)**

**7. GWYNEDD PENSION FUND'S DRAFT ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2024**

A (draft) report was submitted by the Investment Manager detailing the activities of the Pension Fund during the year ending on 31 March 2024. It was noted that the format of the Annual Report was in accordance with CIPFA guidelines and included the details of Committee and Pension Board membership, administration, investments, financial performance, the actuary's report, accounts, and the communication statements held by the Pension Fund. It was highlighted that unlike previous annual reports, funding and governance investment statements were not included so as to avoid a hefty document. Instead, there would be a link to the statements in the report.

It was clarified that the document has been reviewed as part of the audit of the accounts by Audit Wales and that the final version would be presented to the Annual Pension Fund meeting at the end of November.

The members expressed their thanks for the report.

**RESOLVED**

**To accept and note the Gwynedd Pension Fund Annual Report (draft) for 2023/24**

**8. WALES PENSION PARTNERSHIP (WPP) UPDATE**

The Investment Manager highlighted that the report was now a regular one that would be presented to Members, noting the latest information on the WPP's work. It was explained that the report would reconcile the information that every fund in Wales received, it would include the decisions of the Governance Joint Committee together with a standard quarterly update. Attention was drawn to a discussion at the July 2024 meeting of the Joint Committee which included updating the Standard Business Plan, reviewing the risk register and relevant policies.

Reference was made to the Operator update, which provided a snapshot of the full range of WPP investment sub-funds as at 31 March 2024 with the Gwynedd Pension Fund which now pooled in 8 out of 11 sub-funds with 85% of the Gwynedd Fund pooled with the Partnership.

It was reported that this financial year had been an encouraging one with equity investments performing well, with the American, European and Japanese markets at a record high, and this had fed into the value of the Gwynedd Pension Fund at its highest and highlighted the details of the performance of each equity and fixed income sub-fund. Reference was made to a presentation received by Schroders Capital, the Partnership's private equity allocator and it was explained that the Gwynedd Pension Fund had invested £2.2m as at 31 March 2024, with a view to increasing this amount significantly over time.

The members thanked the officer for the report.

**RESOLVED**

**To accept and note the information.**

## **9. TREASURY MANAGEMENT 2023/24**

A report was submitted by the Investment Manager reporting on the actual results of the Council's treasury management 2023/24, against the strategy approved by the Full Council on 2 March 2023. It was reported that it had been a very busy and prosperous year for the Council's treasury management activity as the activity had remained within the constraints originally set. It was confirmed that there had been no defaults by institutions in which the Council had invested money with.

It was reported that £3.5m in interest had been received on investments, which was higher than the £3.2m included in the budget. It was noted that this interest income was shared with the Pension Fund on a daily balance basis and the Pension Fund received £1.2 million of income in the year in question.

It was reported that, in the context of investment activities, the Council had continued to invest with Banks and Building Societies, Money Market Funds, Pooled Funds, Local Authorities and the Debt Management Office. It was noted that the funds were consistent with the type of investments made for a number of years by now.

In the context of a compliance and indicators report, it was reported that all activities had fully complied with the CIPFA code of practice and the Council's treasury management strategy – that was good news and demonstrated that there was firm control over the funds. Reference was made to the indicators where it was highlighted that all indicators set conformed to the expectation, except one (Interest Rate Disclosure). It was explained that this indicator was set in the low interest conditions of March 2023 and therefore it was reasonable that the amounts were so different.

The members thanked the officer for the report.

### **RESOLVED**

**To accept and note the information.**

## **10. HYMANS ROBERTSON NATIONAL KNOWLEDGE ASSESSMENT**

A report was submitted by the Pensions Manager providing Information about the National Knowledge Assessment which was a valuable resource developed by Hymans Robertson to stakeholders to improve their understanding and had information necessary to navigate the complexities of pension schemes. It was highlighted that the assessment would provide the fund with an insight into the joint intelligence levels of the Pensions Committee and the Pension Board as well as benchmarking scores against other participating Funds. It was noted that the assessment included with a key area for achieving a standard of good governance and that the assessment was in an online questionnaire format.

It was reiterated that the results will be useful for creating targeted training schemes for Members in the future and encouraged everyone to get involved.

### **RESOLVED**

**To note the content of the report.**

**To encourage all Members of the Pensions Committee and the Pensions Board to participate in the assessment.**

## **11. 2025 CONFERENCE DATES**

Submitted - a report listing the dates of the pensions conferences for 2024. It was noted that the conferences gave Members an opportunity to expand their knowledge and discuss current issues. Members were asked to consider the dates and declare an interest to the Investment Manager in those events that was convenient to them. It was reiterated that the intention was to formalise the attendance list, setting a procedure to seek fairness and fair representation.

The members expressed their thanks for the report.

### **RESOLVED**

**To approve the list of dates.**

**To accept the arrangements to formalise the process for attending conferences.**

## **12. EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED to exclude the press and public from the meeting during the discussion on the following items due to the likely disclosure of exempt information as defined in paragraph 14, Schedule 12A of the Local Government Act 1972 - Information about the financial or business transactions of any specific person (including the authority that retains that information).**

**There was an acknowledged public interest in being open about the use of public resources and related financial issues. However, it was also acknowledged that there were occasions, in order to protect public financial interests, where commercial information must be discussed without being publicised. The reports related specifically to a proposed procurement process. Publicising such commercially sensitive information could be detrimental to the interests of the Council and its partners by undermining competition. This would be contrary to the wider public interest of securing the best overall outcome. For these reasons, the matter was closed in the public interest.**

## **13. APPOINTMENT OF INVESTMENT ADVISER - TENDERING PROCESS AND RESULT**

A report was submitted by the Investment Manager outlining the tender process undertaken for an investment adviser for the Fund. It was noted that four companies had applied for this contract and it was explained that, in accordance with the Council's Constitution, the decision was delegated to Council officers.

The contents of the report were discussed, highlighting the proposals and performance of the four companies. Officers decided to re-appoint Hymans Robertson for the work with a seven-year contract commencing on 01-09-24.

### **RESOLVED**

**To accept and note the information.**

**To note the result of the procurement procedure.**

## **14. ACTUARIAL, BENEFITS AND GOVERNANCE CONSULTANCY SERVICES TENDER PROCESS AND RESULT**

A report was submitted by the Pensions Manager outlining the tender process undertaken for the appointment of a new actuary for the Fund. It was noted that two companies had applied for this contract and it was explained that the evaluation committee had assessed both the proposals against the established criteria.

The contents of the report was discussed, highlighting the proposals and performance of both companies. The evaluation committee reached the decision to re-appoint Hymans Robertson for the work with a seven-year contract commencing 01-09-24.

**RESOLVED**

**To accept and note the information.**

**To note the result of the procurement procedure.**

**15. ROBECO ENGAGEMENT SERVICE – ENGAGEMENT REPORT 01.01.2024 - 31.03.2024**

A quarterly report was submitted summarising the work Robeco (WPP Voting and Engagement Provider) undertook on behalf of the Pension Fund including engagement work.

The contents of the report were discussed, and concerns were raised by Members about the standard of the company's engagement and consultancy work. In response it was noted that there was an intention that, when drawing up future contracts, WPP wanted to ensure that a proactive element was part of the engagement responsibilities, along with the requirements of presenting clear and understandable information. It was noted that WPP needed to review response arrangements to the information being submitted by a Polling and Engagement Provider to optimise the relationship.

**RESOLVED to accept and note the information.**

The meeting commenced at 14:00 and ended at 15:15

**CHAIR**