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## PENSIONS COMMITTEE 14.10.2020

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### PRESENT:

**Councillors:** Stephen Churchman, Goronwy Edwards (Conwy County Borough Council), Simon Glyn, John Brynmor Hughes, Peredur Jenkins, Aled Wyn Jones, John Pughe Roberts, Ioan Thomas and Robin Williams (Isle of Anglesey Council)

**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:** H Eifion Jones (observing – Chair of Pensions Board)

Councillor Goronwy Edwards (representative from Conwy County Borough Council) was welcomed to his first meeting and Councillor Simon Glyn was welcomed back as Plaid Cymru member (Gwynedd Council). The former representative for Plaid Cymru, Councillor Peter Read, was thanked for his service.

### 1. ELECTION OF CHAIR

**It was resolved to elect Councillor Peredur Jenkins as Chair of this Committee for the year 2020 / 21.**

Councillor John Pughe Roberts was thanked for his work as the Chairman of the Pensions Committee 2018 / 20. With additions to the responsibility of the post regionally and nationally, he was thanked for his commitment to the post especially given that it had been a challenging and difficult time for him.

### 2. ELECTION OF VICE-CHAIR

**It was resolved to elect Councillor Stephen Churchman as Vice-chair of this Committee for the year 2020 / 21.**

### 3. APOLOGIES

None to note

### 4. DECLARATION OF PERSONAL INTEREST

The Members highlighted an interest that did not prejudice them as they were Members of the Pension Fund.

### 5. URGENT ITEMS

None to note

## 6. MINUTES

The Chair accepted the minutes of the meeting held on 23 July 2020 as a true record.

## 7. ACCOUNTS OF THE GWYNEDD PENSION FUND FOR THE YEAR ENDING 31 MARCH 2020

Submitted - a report along with the Gwynedd Pension Fund's 2019/2020 Statement of Accounts (post audit), by the Head of Finance Department providing details of the Pension Fund's financial activities for the year ending 31st March 2020. Members were reminded that a draft of the accounts had been submitted to the 23 July 2020 meeting and although the figures had not changed, attention was drawn to some amendments to the narrative following the audit by Deloitte. Reference was made to the ISA260 report that had been submitted on behalf of the Auditor General for Wales, detailing the auditor's findings. It was reiterated that the Audit Committee bore the responsibility for formally accepting the accounts and they would be submitted to the Audit Committee on 15 October for approval.

Reference was made to additions by the Auditors to Notes 4 and 5 which included information on property fund valuations. After property fund trading had been suspended in March, it was reported that the property funds had now recommenced trading and the suspension had been lifted since the beginning of September. Although the current amount was slightly lower than noted at the end of March 2020, according to Hymans, it was not substantially lower than what was reasonable. Given that the portfolio was broad, it was reported that the portfolio had held its ground well and it would be possible to hold a discussion and highlight any concerns with the Managers who were investing on behalf of the Fund at the Panel meeting in November.

It was reported that although the Auditors had not highlighted any specific matters to the Gwynedd Pension Fund, they had noted three cases that were likely to affect the Fund.

- GMP Equalisation
- The McCloud case
- The Goodwin case

It was reiterated that these cases were common across all pension funds and that Gwynedd had already begun working with the actuary in the case of Mc Cloud and Goodwin.

During the ensuing discussion, the following observations were noted:

- With a shift in equity investments and values away from the high street and into warehouses, there was a need to consider changes to working arrangements in the long term. It was essential to be open to opportunities and to respond to these changes.

Gratitude was expressed for the commitment and accuracy of the work and the Investment Manager and the team were thanked for preparing the work.

It was reported that Marina Parry Owen (Pensions and Investments Officer) was suffering from Addison's Disease. It was the Committee's wish to send their best wishes to Marina and to thank her for her work for the Pensions and Investment Unit.

**RESOLVED:**

To accept for information

- The Statement of Accounts 2019/20 (post audit)
- The ISA260 Deloitte Report for the Gwynedd Pension Fund
- The Letter of Representation

**8. WALES PENSION PARTNERSHIP FIXED INCOME TRANSITION UPDATE**

Submitted for information - the report of the Investment Manager providing an update on the Fixed Income fund. It was reported that an investment of £166,119,549.08 with Fidelity Global Equity had been successfully transferred on 27 July 2020 to the Multi Asset Credit Fund.

Additionally, it was noted that it had been intended to launch the Absolute Return Bond Fund in July 2020 but it had been discovered that current investments did not qualify for the ACS structure. Following further research by Paul Potter - Hymans Robertson, and a discussion at the Investment Panel in September, the Absolute Return Bond Fund had been launched on 1 October with the £291,238,172.22 investment with Insight now transferred successfully to the fund.

**RESOLVED to note the information.**

**9. EXCLUSION OF PRESS AND PUBLIC**

**To exclude the press and public from the meeting during the discussion on the following item 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 is an acknowledged public interest in openness in relation to the use of public resources and related financial issues. It is also acknowledged that there are occasions, in order to protect the financial interests of public authorities that matters related to commercial information need to be discussed without being publicised. The report specifically involves awarding contracts and includes details about the proposals along with the status and business of prospective suppliers. Publishing commercially sensitive information of this type could undermine the provider's confidence in submitting prices to the Council and, therefore, the Council's ability to procure successfully. This would be contrary to the wider public interest of securing value for money and the best overall outcome. For these reasons, I am satisfied that the matter was closed for the public interest.**

**10. WALES PENSION PARTNERSHIP EMERGING MARKETS EQUITY SUB-FUND**

Submitted - the report of the Investment Manager asking the Committee to agree on the structure of the Wales Pension Partnership Emerging Markets Equity Sub-fund. It was reported that the options had been submitted to the Partnership and had already been approved by the Governance Joint-Committee on 12 March 2020. The Sub-fund was expected to be launched in Spring 2021.

**RESOLVED to approve the Sub-fund structure**

**11. RE-OPEN THE MEETING TO THE PRESS AND PUBLIC**

**RESOLVED to re-open the meeting to the press and public**

**12. BLACK ROCK LOW CARBON FUND**

Submitted - the report of the Investment Manager, requesting the Committee to agree to transfer the current Black Rock Low Carbon Fund to the ACS World Low Carbon Equity Tracker Fund.

The members were reminded that a decision had been made at the meeting in July to transfer an amount from the Black Rock fund, however; since that time Black Rock had developed a new fund that had a greater focus on carbon reduction than the current fund.

It was highlighted that the new fund included the following changes;

- fossil fuel screens prior to the low carbon optimisation
- For an increase in tracking error from 0.30% to 0.50%, carbon is reduced by 44%.

It was noted that the Investment Panel had recently held a discussion on the new fund and that the advisers had agreed that it would be beneficial to move this new fund.

During the ensuing discussion, the following observations were noted:

- that the decision to invest in funds that reduce carbon was in keeping with the beliefs of the investment strategy that had been approved in November 2019.
- the transfer did not involve any major costs

**RESOLVED To approve moving the current holding in the ACS World Low Carbon Equity Tracker Fund (MSCI World Low Carbon Target to the ACS World LOW Carbon Equity Tracker Fund (MSCI World Low Carbon Target ex Fossil Fuels Index) in accordance with the discussion at the last Investment Panel meeting**

### 13. PENSIONS ADMINISTRATION

Submitted - the report of the Pensions Manager on the response of the Service to working through the covid 19 pandemic. It was reported that the Service had been working successfully from home since 25/03/2020. It was highlighted that the service had not suffered due to the change in work patterns and despite the challenges of being flexible with some staff and others transferring to other departments, it appeared that this change has been beneficial to the administrative department. The work had been prioritised and use had been made of Teams to communicate and keep in touch locally and regionally.

It was noted that there had been an increase in the use of the Members self-service system and the crisis had encouraged the team to work in a paperless way (this was more effective, quicker and cheaper). It was added that various tasks and projects required attention and these had been timetabled for the next few months.

The members expressed their thanks for the positive report and for operating the pensions so effectively.

In response to a question regarding the payments of staff on furlough, whether they would suffer a loss, had the Unions drawn attention to the matter? It was noted that the situation depended on whether the employer was paying the additional 20%. It was suggested that the larger companies were more likely to pay the supplement. It was explained, if the supplement was not paid, the deductions would be taken from the 80% and therefore, staff would be worse off. It was reiterated that the contributions were in line with the pension and that Unions were likely to challenge the Employer rather than the Fund. It was also noted that those on furlough who were retiring this year were at a slight disadvantage as there was a need to consider the last three years of service to determine the final pay to ensure fairness.

In response to a question regarding reducing the number of paper letters posted every week, it was noted that this was not always possible in practical terms as some people wished to receive the letter in paper form and there was a need to respond to some letters with a signature. Nevertheless, it was noted that using Gwynedd Council's printers or a private company to distribute the letters more effectively had been considered along with ensuring that every attempt was made to use e-mails wherever possible.

**RESOLVED to note the information.**

The meeting commenced at 10:30am and concluded at 11:50am.