
PENSION BOARD 15-12-22

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

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

a) STATUTORY ARRANGEMENTS OF RE-ELECTING MEMBERS TO THE BOARD

Members were informed that Mr Huw Trainor had obtained a new job with Grŵp Llandrillo Menai and consequently there would be a need to elect a new employer representative to the Board. Huw was thanked for his commitment to the Board's work since it was established in 2015 and he was wished well in his new job.

In accordance with the statutory procedure of electing members to the Board, it was highlighted that the first term of some members of the Board was coming to an end, and although any representative could be reappointed for a further period in the post, subject to their re-nomination as required, this had to be done formally. As a result of the announcement of Mr Huw Trainor, it was considered timely to commence the process of reappointing more broadly in February 2023. It was reiterated that the existing members would be informed of the arrangements of the public process and of the intention to appoint five members (an exception to the Cyngor Gwynedd representative was noted, since the appointment was a very recent one and it was protected).

b) 2023 EVENTS

Carden Park Conference, 30-31 March 2023

Sioned Parry was nominated to attend on behalf of the Board

4. MINUTES

The Chair signed the minutes of the previous meeting of this committee held on 3 October 2022 as a true record.

5. MINUTES OF THE PENSIONS COMMITTEE AND MATTERS ARISING

Submitted for information, the minutes of the Pensions Committee held on 21 November 2022.

Matters arising from the Committee.

It was reported that a number of significant decisions had been made at the Committee that would affect the Fund in the future. The Board was asked to note the information submitted, scrutinise the decisions and make observations.

a) TCFD CONSULTATION

Submitted – the response of the Gwynedd Pension Fund to the consultation of the Westminster Government on the new requirements on Local Government Pension Fund (LGPS) administering authorities. It was noted that the response had been prepared with input from Hymans Robertson (Fund advisers) and had been formulated in a constructive way.

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.

b) CURRENCY HEDGING

It had been resolved at the Committee to temporarily hedge currency and empower the Fund's officers and adviser to establish currency hedging arrangements in relation to the Gwynedd global equity funds with Black Rock. The decision responded to an opportunity to protect some recent gains from any future increase in the value of Sterling. It was reiterated that the intention would be to take advantage of the pound's recent slump against the dollar, but remove the hedging when Sterling would move within maybe 20% of its long-term average exchange rate.

It was noted, since the proposal had been discussed at the Committee and the facility prepared, the rate had increased and therefore the potential action posed too much of a risk, and the opportunity had been lost for the time being. Nevertheless, it was reiterated that a procedure was now in place so that it was possible to respond and act at short-notice should another opportunity arise.

During the ensuing discussion, the following observations were noted:

- That a procedure was in place to respond to a future opportunity
- That the discussion at the Committee had been beneficial and the Committee had established a procedure

In response to a question regarding the time it would take to divest currency due to market volatility, it was noted, with the protocol and currency hedging arrangements with Black Rock funds now established, it was possible to act in one day.

c) 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 12, Schedule 12A, Local Government Act 1972.

This paragraph applies as the reports include 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 was also acknowledged that there were occasions, in order to protect the financial interests of public authorities, that matters related to commercial information needed to be discussed without being publicised. Publishing commercially sensitive information of this type would be inappropriate in terms of third party recognised interests and could undermine confidence in submitting information to the Council and, therefore, the Council's ability to make decisions on behalf of the fund. This would be contrary to the wider public interest of securing value for money and the best overall outcome.

d) **CLEAN ENERGY PROJECTS IN WALES (WALES PENSION PARTNERSHIP INITIATIVE)**

It had been resolved at the Committee to approve a financial allocation (of approximately £9m - £10m) to invest in direct clean energy projects in Wales, noting the Wales Pension Partnership's intention to maintain due diligence.

In response, the Board noted that it understood the logic and support of the Committee to the clean energy project and in accordance with the observations of the Committee Chair, that this was a good opportunity to invest in Wales in a venture that corresponded with the Fund's responsible investment policy.

In response to a comment regarding the historical background of the company in question, it was noted that the Committee had highlighted concerns and had asked for further information. It was reiterated that the response to the concerns had been favourable, that more preparation work was to be completed by WPP, but that the Committee's support to the project had been established.

e) **REVIEW OF GWYNEDD PENSION FUND'S STRATEGIC ASSET ALLOCATION**

It was highlighted that approving the Fund's amended strategic allocation was one of the Committee's most important decisions for the next three years. Hymans Robertson had been commissioned to present options and option 2 had been approved as the one to move the investment strategy forward.

In response to a question regarding who chooses the corporate bonds and whether a policy was in place to manage the procedure, it was noted that the WPP's sub-fund managers (Russell Investment and Fidelity) would select the companies, but that qualifications and factors relating to Environmental, Social and Governance (ESG) elements were now considered in every situation.

During the ensuing discussion, the following observations were noted:

- That the Board accepted the direction of the Committee.
- That they welcomed the ESG elements
- Thanked officers for their work.

RESOLVED to note all the information submitted to the Pensions Committee.

f) RE-OPEN THE MEETING TO THE PRESS AND PUBLIC

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

6. REPORT OF AUDIT WALES ON THE PENSION FUND

Members were reminded that a draft of the Gwynedd Pension Fund Statement of Accounts 2021/22 had been submitted at the meeting in July 2022, where it was reported that the Head of Finance, in his role as Responsible Finance Officer, had certified the draft accounts and that they were subject to audit.

It was reported that the accounts were now being audited by Audit Wales and that the 'ISA260' report detailed the findings of the audit. It was highlighted that no relevant misstatements or omissions had been identified, therefore there was no change to the accounts submitted to the Board in July 2022.

The Pensions Committee approved the accounts on 21 November 2022.

Members expressed their thanks for the report, and congratulated the team for submitting clean accounts within a challenging timetable.

RESOLVED to accept the information and note the Auditors' comments.

7. UPDATE ON THE McCLOUD CASE

Submitted – the report of the Pensions Manager updating the Board on the work being done in response to the McCloud case. Members were reminded that when the public sector pension schemes were reformed in 2014 and 2015, safeguarding measures were introduced for older members to ensure that the amendments would not have a negative effect on their pensions. Nevertheless, in December 2018, the Court of Appeal declared that some members had suffered discrimination as the protections did not apply to them. Consequently, the Government had to consider giving protection to younger members which was equal to the basic protection provided to older members in order to remove the discrimination.

The work of removing the 'discrimination' was referred to as the McCloud Project and although it was accepted that it would be a substantial project for the Fund and its employers, with very little change in the value of member benefits at the end of the project, this was an excellent opportunity to ensure that correct and current data was recorded on the Pensions Dashboard.

When collaborating with Hymans Robertson it was reported that approximately 11,500 members of the Fund were affected by the McCloud case and that there would be a need to implement some kind of review on them. Following a request for information by 22 Fund employers, it was reported that the information that had already come to hand was in a good condition.

It was reiterated that the work was specialist and that experienced staff was needed to undertake the work for accuracy. In January 2022, expenditure for 3 temporary posts was approved in order to assist with the work, but with staff recruitment being a challenge to funds across the UK, it was noted that two of the posts remained unfilled. Nevertheless, following recent re-advertisement, it was reported that 12 applications had been received and that this was encouraging. Despite the situation with the posts, it was reported that the work had started well and that the Pensions

Department was confident, with the collaboration of the employer, that the work could be completed successfully, once a full team was in place.

Gratitude was expressed for the report.

During the ensuing discussion, the following observations were noted

- Welcomed the number of applications for the post
- The team was thanked for its work – despite the praiseworthy commitment, the work on the McCloud project would not bring benefits to many.

RESOLVED to accept the information

8. PENSIONS DASHBOARD PROGRAMME

Submitted – a report which detailed the work that needs to be done in response to the launch of the Pensions Dashboard Programme, which is led by the Finance and Pensions Service. The intention of the Pensions Dashboard Programme is to offer a digital service to share information and assist members to plan for their retirement and access safe information in one place. It was reiterated that the provider of a multiple dashboard on the market gave individuals opportunities to select a dashboard and submit a request to see information about their pension. The public services' plans must connect to the dashboard by 30 September 2024.

It was reported that the administrators of the Gwynedd Pensions Fund would have to,

- appoint an Integrated Services Provider (ISP) to connect with the ecosystem of the pensions dashboard. It was also noted that Heywood Pensions Technologies (software provider) were busy developing an ISP that would also work with the Council's current processes.
- respond to the challenge of ensuring that the data on the system is correct. Despite high scores in the general data scores and the specific plan of the Pensions Regulator, there must be compliance with the new standard, which was currently being developed in relation to the pensions dashboard programme.
- commission a software provider to provide a Pensions Dashboard Preparedness Assessment report – the intention of the practice is to receive concise outcomes to try and understand the quality of the data and the steps that will need to be taken to prepare for the Pensions Dashboard.

Thanks were expressed for the report.

In response to a question regarding the timeframe, it was noted that the funds' plans were to be registered at the specified time. It was reiterated that the Gwynedd Fund's specified timetable was between March 2023 and September 2024.

In response to a question regarding the response of other funds to the work, it was noted that everyone was in a very similar situation, and although the requirements were complex, unique problems had not arisen. It was reiterated that the work was being discussed at pension administration forums and that sharing good practice and offering support was a part of those discussions.

RESOLVED to accept the report

The Chair of the Board thanked the Pensions Committee for their work, and reiterated that the Board was supportive of the important decisions taken recently. In response, the Chair of the Pensions Committee noted that the decisions added value to the

work and the Fund, and that they responded well to information from officers and advisers.

The meeting commenced at 1.00pm and concluded at 2.15pm.