
PENSION BOARD 06-03-2023

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

Officers: Dafydd Edwards (Fund Director), Dewi Morgan (Head of Finance Department), Delyth Jones-Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer).

Others invited

Councillor Ioan Thomas - Vice-chair of the Pensions Committee

1. APOLOGIES

Apologies were received from Sioned Parry (Employer Representative)

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

a) ARRANGEMENTS FOR RE-APPOINTMENT OF MEMBERS TO THE PENSION BOARD

It was noted that arrangements for the re-appointment of members to the Pension Board had commenced, with three existing Members having applied to return. It was expressed that Cllr Beca Roberts did not need to apply as the Cyngor Gwynedd Representative, as the appointment was very recent and was protected. It was highlighted that Mrs Sharon Warnes had chosen not to apply to continue as a Member, so that she could give her time to other committees and give new Members an opportunity to come forward. She noted that she had enjoyed her period on the Pension Board and the Fund Director reiterated his sincerest gratitude to her for her priceless commitment to the Board's work since its establishment in 2015. The Chair of the Board noted his thanks on behalf of the Board for Sharon's valuable contribution to the Board's work and she was wished well for the future.

b) Cllr Beca Roberts was congratulated for winning the Future Star award at the 2023 Plaid Cymru conference in Llanelli.

c) Mr Dafydd Edwards, Fund Director, was wished a happy retirement. It was noted that Mr Dafydd Edwards had been responsible for the Fund for 20 years - his contribution and good work was acknowledged in Gwynedd and beyond. Mr D Edwards gave thanks for the kind words and thanked the team for their support over the years.

4. MINUTES

The Chair signed the minutes of the previous Board meeting held on 18 January 2023 as a true record.

5. MINUTES OF THE PENSIONS COMMITTEE AND MATTERS ARISING

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

6. FUNDING STRATEGY STATEMENT

Submitted - the report of the Investment Manager explaining the requirement on the Fund to review the Funding Strategy Statement every three years, following the triennial valuation. The proposal was to publish the Funding Strategy Statement before 31 March 2023.

It was highlighted that the main purpose of the statement was to reflect the valuation's factors and weigh up the affordability to the employers, with the long-term liquidity objectives of the Fund. It was explained, as part of the review, that the administrative authority had to consult with every employer that were a part of the plan, with the fund actuary and advisors, and any other persons considered to be suitable. The Statement (draft) was submitted to the Board as part of the consultation before it was formally adopted by the Pensions Committee at the end of the month.

It was noted that the Document was a long and technical document, and had been prepared in detailed consultation with Hymans and the Fund officers. Reference was made to the statement as well as a number of accompanying policies. It was explained that the accompanying policies were previously incorporated in the document, but on this occasion, the Strategy referred to the policies as appendices. This would make it easier to find / amend them, when information would need to be reached or policies updated, without having to adapt the entire Strategy.

It was reported that positive responses had been received by many employers, and that they appreciated the reduction in their contributions.

Members gave thanks for the report. The new framework to the Strategy was welcomed - despite it being a detailed and technical document, this order was easier to follow.

A suggestion was accepted that there was a need to refer to climate issues in the Funding Strategy Statement, in order to highlight that the Gwynedd Pension Fund was prudent when considering climate issues, which was now a priority area in the responsible investment field. In response to the comment, the Fund Director noted that there would be more information about responsible investment in the Investment Strategy Statement that would be submitted alongside this Statement, but it was agreed to add a reference to responsible investment and climate matters in part 1.4 of the Funding Strategy Statement also, before submitting this to the Pensions Committee on 27 March 2023.

RESOLVED to support the Statement with the addition about responsible investment.

7. APPROVING THE 2023/24 BUDGET

The Investment Manager submitted, for information, the budget for the Pensions Administration Unit and Investment Unit for the 2023-2024 financial year. It was noted that the budget had been approved by the Pensions Committee on 18 January 2023.

Reference was made to one adjustment in the Pensions Administration Unit budget, following the regrading of one post and the increments of other staff members. It was noted that the budget did not include Investment Manager or Consultant fees, as they varied significantly. Nevertheless, it was noted that there was an intention to look at this aspect of the work when going out to tender for advisor and actuary contracts / fees in the future, and should there be a pattern to the costs, a budget could be established to cover those costs.

The officer was thanked for the report.

In response to a question regarding the inclusion of the Wales Pensions Partnership (WPP) costs in the budget, it was noted that the WPP Business Plan would be submitted to the Pensions Committee, which would include an equal contribution amount that every Fund paid to maintain and administer the Partnership only, whilst the costs of asset manager fees would vary with the scale and performance of our investments.

RESOLVED to accept the report and note the information.

8. POLICY ON REPORTING ON BREACHES OF THE LAW

Submitted – the report of the Pensions Manager expressing, as part of the Good Governance project, that the Fund was required to produce a policy in relation to Recording Breaches of the Law. It was noted that the policy had been drafted by Hymans Robertson jointly with Fund officers, and a consultation was held with the Cyngor Gwynedd Monitoring Officer.

It was highlighted that the report included information about the policy and procedures for identifying, monitoring and, where appropriate, reporting cases of breaches of the law as required in the Pensions Act 2004 and detailed in the Pensions Regulator Code of Practice 14 - Governance and administration of public service pension schemes

The officer was thanked for the report.

In response to members' observations and feedback, it was noted that:-

- In the context of the 'responsibility of the Council's elected members', the need to ensure the clarity of the wording was expressed and to ask Hymans whether it applies to co-opted members who are Members of the Pensions Committee. The need to ensure consistency in the use of the word Cyngor Gwynedd ("the Council") was also noted.
- In response to a suggestion to add a paragraph that would refer to collaboration with the Police and the likelihood of calling them in to a case of a breach of the law, the Head of Finance noted that there would be a need initially to identify whether a breach or criminal breach had happened. For example, a case of fraud would be considered under the Financial Procedure Rules. The need to refer to the Financial Rules was accepted in the policy on Reporting on Breaches of the Law, and highlight that there is a need to read the Regulations hand in hand with the Policy.

RESOLVED to accept the information and note the comments, suggesting that the amendments to the Policy are implemented before the final Policy is submitted to the Pensions Committee on 27-03-23.

9. RISK REGISTER

The risk register was presented to the Board, so that they could scrutinise and understand the risk that were relevant to the Pension Fund. The first risk register was submitted to the Board in 2017 with a view for it to be reviewed regularly. As the register had not been submitted since 2019, a decision had been made to carry out a detailed review of the register. It was reported, following a number of recent changes in the pensions world that reviewing the register involved amending some scores, introducing new risks and archiving some historical risks. It was reiterated that the register was an operational document and the intention was to review it regularly and submit an update to the Board when risks arise.

The officer was thanked for the report.

During the discussion, the following matters were noted as ones requiring attention:

- That training needed to be added as one of the mitigation steps for risk 2.1 *Members of the Committee and Investment Officers making inappropriate decisions as a result of insufficient information from markets and investments and insufficient actuarial advice*
- Deleting Denbighshire Council and including Cyngor Gwynedd in 7.2 *All transactions comply with the financial rules of Denbighshire Council and they are the subject of an independent authorisation.*
- That reference is needed to the long-term impacts, e.g. the economy - despite it being an aspect with a longer period to manage, it can impact investment. In response, although part 2 of the register addresses returns, it was agreed to add the suggestion as a mitigation point.
- It was agreed that risks 2.3, 2.15 and 4.1 were to be archived.
- Propose that the Board receives an update every 6 months and if an issue arises in the meantime, that this is addressed by the Board.

RESOLVED

- **To accept and note the information**
- **That the register is presented to the Board every 6 months (any matter arising in the meantime to be addressed by the Board)**

10. REPORT ON CASH FLOW MODELLING PROJECTIONS

The Investment Manager submitted a report in response to the need to project the expected cash flow of the Fund over a long-term period, so that it is possible to understand the sensitivity of the Fund's net cash flow position in a number of inflation scenarios.

In the context of assets, it was noted that the triennial valuation had highlighted that the Fund would be in a very healthy position of positive cash flow for 6-20 years. Therefore, it was noted that the Fund would not need to consider converting some of the investments into assets that would pay a regular income (in order to pay the pensioners). Attention was drawn to the types of income and regular expenditure occurring within the Fund, as well as the cash flow position of recent years, which highlighted the positive position.

Reference was made to the report provided by Hymans Robertson assessing the situation as well as a *scenario analysis* that they had created to identify when the Fund was likely to be in a negative cash flow position. Three different scenarios were considered, and it was concluded that the first year when the Fund could face a negative position was 2029, provided that inflation would continue at a very high level.

It was noted that this was a better position than the majority of other LGPS funds and was good news for the Fund, although they were fully aware of the need to be cautious of the risks (such as monitoring changes in membership, considering inflation and keeping the cash flow in mind when considering the investment strategy).

Members expressed their thanks for the report, and the exercise carried out by Hymans Robertson was appreciated.

RESOLVED to accept and note the information.

11. REVIEW OF STRATEGIC OBJECTIVES FOR THE FUND'S INVESTMENT CONSULTANTS

Submitted - the report of the Investment Manager, reporting on the progress against the current objectives as well as the objectives for the future. It was reported, following a review of the of the investment consulting and fiduciary management markets, the Competition and Markets Authority had noted that Pension Scheme Trustees should set objectives for their investment consultants, and clearly stipulate the expectations upon them. The exercise was also considered to be an element of good governance.

It was reported that Hymans was delivering good work, providing quarterly reports for the investment panel (including a responsible investment rating for every manager), comprehensive reports for the investment panels, offering practical advice and performing in accordance with the objectives. It was explained that this last year had been busy with the consultants providing further advice on the investment strategy to restructure the Fund's strategic assets allocation following the valuation. It was reiterated that this had been important and detailed work and there had been good collaboration. It was also reported, now that responsible investment was a key area, that Hymans had worked with the Fund's officers on reviewing the responsible investment policy, advising on new investments and providing a response to the TCFD consultation with quarterly reports including a responsible investment scale for each Manager.

Although Hymans did not provide training as part of its direct contract with the Gwynedd Fund, it was noted that appropriately timed training was available through the Wales Pension Partnership, with significant contributions from Hymans.

Whilst accepting also that the fees were high (which was also true for some other companies in the market), a wish was highlighted to receive an estimate of the cost of the work that was agreed to in advance.

Reference was made to the current objectives as well as the progress made against those objectives in 2022. It was highlighted that two new objectives had been added and that the Pensions Committee, at its meeting on 18 January 2018, had approved all objectives

RESOLVED to accept and note the information.

12. TRAINING PLAN

The Investment Manager submitted a report, providing a summary of the training given to Members during 2022/23, as well as a request to scrutinise the 2023/24 Training Plan for the Gwynedd Pension Fund, before it was submitted to the Pensions Committee on 27 March 2023.

It was considered that the 2022/23 Training Plan had been successful and the Members were thanked for attending the various conferences and training sessions of the Wales Pensions Partnership - it was noted that the attendance rate amongst the Members was very good. It was reiterated that the 2023/24 Training Plan followed the same process as the previous year and that every effort would be made to identify the relevant and appropriate training needs - invitations to be sent out to Members soon.

RESOLVED to accept and note the information.

13. THE PENSIONS REGULATOR: PUBLIC SERVICE GOVERNANCE PROCEDURE SURVEY 2022/23

The Pensions Regulator Survey to receive the Board's feedback on the governance arrangements of the Gwynedd Pension Fund was submitted. It was explained that the closing date for responses was 17 February 2023, however, the deadline had been extended by the Regulator in order to receive input from this meeting.

The Pensions Manager explained that a draft response based on the Board's responses to the previous Survey had been submitted, but that Members were required to agree, challenge or amend the response to correspond with the activities and developments in 2022/23.

During the discussion, the following matters were noted as ones requiring attention:

- Needed to answer 'YES' to A3 and A4 - resources had now been received and therefore remove the tick in B4 'lack of resource/time' and add a tick to the 'Remediation associated with McCloud work' box.
- That sections G, H and I were new additions and a way to place focus on what needed to be actioned

After completing the adaptations, the Pensions Manager was asked to submit the Survey to the Regulator.

The meeting commenced at 1.00pm and concluded at 3.20pm.