
PENSION BOARD 20-07-2023

Present:

Eifion Jones and Tony Deakin (Member Representatives)
Sioned Parry, Ned Michael and Cllr Beca Roberts (Employer Representatives)

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

1. ELECTION OF CHAIR

RESOLVED to re-elect Councillor Hywel Eifion Jones as Chair of the Board for 2023-24.

2. ELECTION OF VICE-CHAIR

RESOLVED to elect Mrs Sioned Parry as Vice-chair of the Board for 2023-24

3. APOLOGIES

Apologies were received from Osian Richards (Member Representative) and Cllr Stephen Churchman (Chair of the Pensions Committee)

Ned Michael and Tony Deakin were welcomed to the meeting as new members.

4. DECLARATION OF PERSONAL INTEREST

None to note

5. URGENT ITEMS

None to note

6. MINUTES

The Chair signed the minutes of the previous meeting of this committee, held on 6 March 2023, as a true record.

7. GWYNEDD PENSION FUND'S DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2023

Submitted, for information, the report of the Investment Manager to provide details of the financial activities of the Pension Fund during the year ending on 31 March 2023.

It was reported that the accounts followed the statutory CIPFA format, with the guidance interpreting what was to be submitted in the accounts. It was noted that the year had been very busy for the fund with the valuation, setting a new strategic assets allocation and Wales Pension Partnership (WPP) developments.

Attention was drawn to the Fund Account, noting that there was some variety as the contributions and benefits increased after employees received salary increases and also as the pension increased with the CPI. It was reiterated that there had mainly been a reduction in the management costs since the previous year, because of 'Partners' costs, that could vary from one year to the next depending on performance.

It was highlighted that there was a reduction of £13.6 million in the Fund's market value after a challenging year with the impact of the war in Ukraine and high inflation being obvious factors. It appeared at the end of the financial year and the beginning of the new financial year that the value of the fund had started to rise once again.

It was noted, that after the audit was completed, the final version would be submitted for approval to the Pensions Committee.

Members gave thanks for the report.

In response to a question regarding the Benefit Income and the fact that the 2021/22 figures noted £280,000 in Infrastructure whilst 2022/23 figures noted £0, it was noted that the reason for this had been because Investment Managers' benefits/activities would come to an end at different periods.

RESOLVED to accept the information.

8. THE PENSION FUND'S INVESTMENT PERFORMANCE 2022/23

A report was submitted by the Investment Manager updating the Board of the quarterly (and yearly) monitoring work being undertaken by the Investment Panel on the performance of the Pension Fund's investments. It was reported that the value of the market had slightly decreased, and the Fund had stabilised at £2.7 billion by the end of the financial year.

It was noted that the Fund's performance over the year was -1.5% within a challenging year with the impact of the War in Ukraine and high inflation, but it was highlighted that the three-month performance had started to improve, which continued in the first quarter of the new financial year. It was reiterated that a situation like this was common for local government pension schemes, and that the performance of the Gwynedd Pension Fund continued to be within the highest quartile of British funds.

Reference was made to the performance of the Equity Investment Managers, noting that despite the fact that the three-month performance had been positive, there was evidence of negative performances over the year and that was obvious because of the Emerging Markets' performance, as China's markets were slower than expected when re-opening following the Covid-19 restrictions. In the context of fixed income managers, it was noted that they had also had a difficult period with interest rates instability and inflation worldwide.

Whilst discussing Property Managers, it was highlighted that the sector had faced a challenging period with the instability of long-term use of office buildings and high street shops. In response, it was reported that the funds that the Fund invested in tended to diversify to buildings such as Amazon warehouses and out-of-town shops, in an attempt to manage the change for the benefit of the fund. In the context of Group Partners (that were responsible for managing private equity and the Fund's infrastructure investments), it was noted that it was hard to measure their performance within a specific period because of the time lag and therefore, the true performance was not measured until the fund was finally closed. Despite that, it was

reiterated that the Partners had been performing well and that Hymans had not caused concern regarding their figures.

It was noted that the Fund's performance had been regularly assessed, even though long-term investment was the objective. It was highlighted that the three-year performance had been very standard and that the Fund had been in third place out of all the Local Government Pension Fund Schemes and was in a strong position. As a result, and following three-year valuation where, on 31 March 2022, the fund had been funded to 120%, advice was received from Hymans to decrease the fund's risk. This meant that there was an increase of 10% in the fund's equity with the money invested in private debt funds, infrastructure and worldwide credit through WPP. The intention was to implement this change over the next 12 months, although recently information was received that the Fund's funding levels had further increased to 160% and therefore discussions would need to take place with Hymans to further review the equity levels.

Gratitude was expressed for the report and members were congratulated on the three-year performance result with the fund in third place (out of 100) - this news was very encouraging.

In response to an observation of the intention to invest in property that was not on the high street, it was noted that the 'traditional' situation had changed since the Covid-19 period and that investment managers now looked at the 'type' of property to invest in (e.g., houses instead of shops). It was added that WPP saw a good opportunity to fully review the property portfolio, considering the opportunities in Wales or international property.

RESOLVED to accept and note the information.

9. THE DRAFT REPORT OF THE PENSION BOARD'S CHAIRMAN FOR THE PENSION FUND'S ANNUAL REPORT

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 included details about the Board's constitution, the Board's function and work, the work plan as well as the training Members attended over the year.

It was highlighted that the final policy would be submitted to the Investment Manager by 31-07-23.

Gratitude was expressed for the report.

Observations arising from the ensuing discussion:

- The report included relevant information about the Board's work.
- Sioned Parry's attendance needed to be checked
- That the work plan was detailed - reports submitted to the Board on the work plan's headings to be seen on the Council's website

RESOLVED to accept and note the information.

10. PENSION ADMINISTRATION

A comprehensive report was submitted by the Pensions Manager, providing a general overview of pension administration over the past year, along with information about the work completed over the period, an update on various projects along with a

list of the daily challenges faced by the Administration Unit. The report also included designs for a new logo together with ideas for marketing material that the Pension Fund could use to promote the scheme.

Reference was made to the success and popularity of 'My Pension On-line' highlighting that several members visited the site daily with approximately 20,000 having registered for the service to date. It was recently noted that an option was presented to the pension Fund pensioners to view their monthly pension slips on-line, with this leading to the aim of not having to send paper slips to new pensioners in the future. A new version of the system would be introduced during 2023/24 and further options would be developed for members.

The results of the pensions regulator (data measurement) were discussed where an increase of 4% was reported from the previous year on the scheme's specific data results which was very encouraging considering that the number of members and day-to-day work challenges had increased.

Members were invited to visit the Pension Fund stand at the National Eisteddfod in Boduan. This would be an excellent opportunity to share information about the scheme.

Gratitude was expressed for the report.

During the ensuing discussion, the following observations were made by members:

- The team was congratulated on their exceptional customer care results
- That they liked the new logo
- To introduce the use of commissioning a graphic planner from the IT Department

In response to an observation, due to the impacts of the lock-down and employing new staff, if the reason for the increase in performance was the stability within the department, it was noted that a combination of these factors was the performance's improvement, although it was noted that full use of the computer system and additional staff had also accelerated the work.

In response to a question regarding CIPFA's proposal to set a standard benchmark for every Fund to measure their performance, it was accepted that there was an inconsistency in reporting performance within Funds and it would be ideal for the same benchmark to be set for everyone - the comparison would be useful for all funds.

The observation was received that automated data as more members signed on-line could be a tool to further improve performance. It was added that an introduction of the Pension Dashboard in 2026 would also be a way of providing national data that would ensure further accuracy.

RESOLVED to accept the report

11. THE AMENDED WORK PLAN

An amended work plan was submitted for 2023/24. It was noted that the plan included matters noted following consideration by the Board at previous meetings and matters arising. It was highlighted that matters arising during the year could be included in the programme in accordance with the demand and along with any matters / ideas arising from members after training sessions and / or relevant events.

The following subject was suggested for inclusion on the work plan:

- Update / host talks on de-carbonisation - does the fund's timetable match the Council's timetable of being net zero by 2030? Need to see Gwynedd leading the way with these matters.

In response to the suggestion, it was noted that the Pension Fund was not under Cyngor Gwynedd's control and therefore did not share the same conditions. A reference was made to the Pension Fund's Responsible Investment Policy which would be reviewed annually with an introduction to the Board before being approved by the Pensions Committee - it was emphasised that the Committee would give the seal of approval on the policy and not the Board. It was reported that the WPP had recently published a Climate Risk Policy and that policy would be submitted to the Pensions Committee in the autumn, along with an update on the Wales Pension Partnership's work. It was reiterated, if there was an interest in a specific field, it would be possible to include this in the report.

Gratitude was expressed for the report.

RESOLVED to accept and note the information

The meeting commenced at 1.00pm and concluded at 2.05pm