
PENSIONS COMMITTEE 18.09.23

Present:

Councillors: Stephen Churchman, Goronwy Edwards (Conwy County Borough Council) John Pughe Roberts, Robin Williams (Cyngor Ynys Môn) and Richard Medwyn Hughes

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

Others invited:

Cllr Beca Roberts (Pensions Board Member - observing)

Yvonne Thomas (Audit Manager, Audit Wales)

1. APOLOGIES

Apologies were received from John Brynmor Hughes, Iwan Huws, Elin Hywel and Ioan Thomas.

2. DECLARATION OF PERSONAL INTEREST

None to note.

3. URGENT ITEMS

None to note.

4. MINUTES

The Chair accepted the minutes of the meeting held on 26 June 2023 as a true record.

5. GWYNEDD PENSION FUND'S DRAFT ANNUAL REPORT FOR THE YEAR ENDED 31 March 2023

A (draft) report was submitted by the Investment Manager detailing the activities of the Pension Fund during the year ending on 31 March 2023. It was noted that the format of the Annual Report was in accordance with the CIPFA guidance and included details of the membership of the Committee and Pension Board, administration, investments, financial performance, actuary's report, accounts and the five standard statements of the Pension Fund. It was explained that the document would be reviewed as part of the accounts audit by Audit Wales and submitted to the Annual meeting of the Pension Fund at the end of November.

Gratitude was expressed for the report.

In response to an observation that the average number of work days taken to send a quotation letter offering a virement on average was 26.60, it was noted although it was agreed that the figure was high (the target was 10 working days), that the number of days were being reduced with time. It was added that the task of gathering information was complex with a great deal of discussion with companies. It was noted that there were also recruitment difficulties in this specific field that were also challenging. As one that offered financial advice in this specific field, Cllr Robin Williams noted from his experience that the time was not 'unacceptable' by now due to the reduction in staff by

companies since Covid. Although the figure was high, he added that there was no need to be too hard on the performance. The Chairman thanked the staff for their efforts and accepted that the average number of days was not a unique problem.

In response to a question regarding why the actuary review and governance fees had doubled between 2021/22 (£117,000) and 2022/23 (£234,000), it was noted that this was mainly due to the higher fees of undertaking a three-year valuation.

In response to an observation regarding the obvious increase in the review and governance costs of the Pensions Committee and the Local Pension Board (£18,000 in 2021/22 and £33,000 in 2022/23), it was noted that this was a combination of training costs for new members together with a full calendar of events in 2022/23 (compared with the Covid period).

RESOLVED to accept and note the Draft Annual Report.

6. GWYNEDD PENSION FUND DETAILED AUDIT PLAN 2022-23

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

Members were reminded that the Pension Fund accounts had been completed and presented to a meeting of the Committee in June 2023 together with a draft plan by Audit Wales. At the time the detailed plan was not available due to the requirements of key amendments to ISA315 which meant that the auditors had to carry out further work on considering and evaluating risks.

It was reported that the Detailed Audit Plan had now been published and outlined the work the auditors undertake to deliver their statutory duty that include keeping an eye on the significant risks to financial statements and on key areas that will be focused upon in 2023.

- Risk 1 - that managers override the controls. This was a significant risk for all and there was no doubt that this did not occur.
- Risk 2 - publishing the Fund's balances - this was a field that was included annually and although it was not a significant risk Audit Wales will focus on this.

It was added that the detailed plan included a time-schedule (it was proposed to submit a report on the work of auditing the Financial Statements to the Committee, November 2023) details of the audit team and the audit fee (£40,509 - an increase of 15% - there was no intention to make a profit - the fee, if less than estimated would be repaid). Reference was made to 2022 fee and an error in the figure in the report was noted - £35,515 and not £36,515.

The members expressed their thanks for the report that was simple and easy to follow and to Yvonne Thomas for attending the meeting.

RESOLVED: To accept and note the Gwynedd Pension Fund Detailed Audit Plan 2022-23.

7. TREASURY MANAGEMENT OUTPUT REPORT 2022-23

The Investment Manager presented a report on the actual results of the Council's treasury management during 2022/23, against the strategy approved by the Full Council on 3 March 2022. 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 were no defaults by institutions in which the Council had invested money with.

It was reported that £1.8m in interest had been received on investments, which was higher than the £0.4m included in the budget. It was noted that the interest income was substantially higher than the budget as the budget had been set in a period where the basic rate was 0.75%; by March 2023, it was 4.25%. The Pension Fund received £210,000 in income for the year in question.

In the context of investments, it was reported that the Council had continued to invest with Banks and Building Societies, Financial 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 the compliance report and indicators, it was reported that all activities had complied in full with the CIPFA code of practice and the Council's treasury management strategy - this was good news and showed that there was robust management of the finance. Reference was made to the indicators where it was highlighted that every indicator set complied with the expectation except one (Interest Rates Disclosure). It was explained that this indicator had been set as low interest conditions in March 2022 and, therefore, it was reasonable that the amounts were so different.

Gratitude was expressed for the report.

In response to a comment regarding investment / lending money to other Authorities, it was noted that brokers contacted the Council seeking investments. With the Fund in a prosperous position a loan could be offered to other Authorities.

RESOLVED to accept and note the report as information.

8. WALES PENSION PARTNERSHIP UPDATE

An update was provided on the work of the Partnership. It was noted that the report was one that appeared regularly on the Pension Committee's agenda as a means of ensuring that the Members receive current and up-to-date information. Reference was made to a summary of discussions and decisions of the Governance Joint Committee held on 19 July 2023 drawing specific attention to the quarter 4 review of the Partnership's Business Plan 2022/23. It was noted that the update, included information about all the funds established by the Partnership (Gwynedd was one of the six, with 83% of Gwynedd's Fund pooled with the Partnership) and to the record of the performance of those funds.

It was highlighted that this financial year had been challenging, however in quarter 4 it was seen that the performance of equity investments had started to improve as factors such as inflation and that China's markets had re-opened following Covid. In the context of fixed income investments, it was noted that the circumstances had been challenging with the collapse in Credit Suisse's share price, but the circumstances had stabilised by the end of the period.

In the context of future developments, it was reported that the Sustainable Equity Fund had been launched successfully with an investment of £270 million from the Gwynedd Pension Fund. It was added that work was progressing to invest in the Private Credit Fund, Infrastructure and Private Equity, in order to implement the Fund's new strategic assets allocation. It was noted that research was also being carried out to find out how

property could be pooled - this was the last and most challenging element in the context of pooling by WPP.

Members expressed their thanks for the report.

In response to a request for confirmation that the Fund would invest in Bute Energy Wales, it was noted that the Fund had invested £10m in the venture as part of the investment in clean energy. The Chair added that it was good to see the Fund investing in Wales.

RESOLVED to accept and note the quarterly update of the Wales Pension Partnership.

9. EXCLUSION OF PRESS AND PUBLIC

RESOLVED 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 reports were specifically regarding the proposed procurement process. Publishing commercially sensitive information of this type 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 for the public interest.

10. AGREE ON THE EVALUATION CRITERIA FOR THE WELSH PENSION PARTNERSHIP OPERATOR PROCUREMENT PROCESS

It was highlighted that the existing WPP operational agreement would end in December 2024 and the procurement process of finding a new operator had commenced. It was noted that an invitation to tender would be released next month, but in accordance with the inter authority agreement, namely that every pensions committee had agreed on the evaluation criteria before the invitation to tender is issued.

The criteria split was discussed.

RESOLVED to agree on the evaluation criteria for the Welsh Pension Partnership operator procurement process.

11. ROBECO ENGAGEMENT SERVICE- ENGAGEMENT REPORT Q1 2023

A quarterly report was submitted summarising the work Robeco undertakes on behalf of the Pension Fund including engagement work.

The members expressed their thanks for the report.

RESOLVED to accept and note the content of the report.

The meeting commenced at 14:00 and concluded at 14:40