
PENSION BOARD 18-12-2023

Present:

Eifion Jones (Chair) and Tony Deakin (Member Representatives)

Cllr Beca Roberts and Ned Michael (Employer Representatives)

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

OTHERS INVITED:

Cllr Stephen Churchman (Chair of the Pensions Committee) – observing

1. APOLOGIES

Apologies were received from Sioned Parry (Employer Representative) and Osian Richards (Member Representative)

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

None to note

4. MINUTES

The Chair signed the minutes of the previous meeting of this committee, held on 16 October, as a true record.

5. PENSIONS COMMITTEE MINUTES

Submitted for information – the minutes of the Pensions Committee held on 27 November 2023.

6. PENSIONS DASHBOARD PROGRAMME

The Pensions Manager presented a report detailing the work that needed to be done in response to the launch of the Pensions Dashboard Programme, which was being led by the Money and Pensions Service. The aim of the Pensions Dashboards Programme was to offer a digital service to share information and assist members to plan for their retirement and access secure information in one place. It was reiterated that multiple dashboard providers in the market would give individuals the opportunity to select a dashboard and submit a request to see information about their pension. Public services' pension schemes must connect to a dashboard by 30 September 2025.

It was reported that the administrators of the Gwynedd Pension Fund were required to:

- appoint an Integrated Services Provider (ISP) to connect with the pensions dashboard ecosystem. It was noted that Heywood Pensions Technologies (software provider) were developing an ISP that would also work with the Council's current processes and software.
- respond to the challenge of ensuring that the data on the system was correct. Although scoring high in the general data and specific plan scores of the Pensions Regulator, we would be required to comply with the new standard, which was currently being developed in relation to the pensions dashboard programme.
- Clear work relating to unprocessed scheme leavers – this work must be completed before connecting with the dashboards ecosystem. Additional staff resources had been allocated to the work over the past year to ensure that this was addressed (the number of unprocessed leavers had now reduced from 6,000 to 3,500 by December 2023).

Thanks were expressed for the report.

During the ensuing discussion, the following observations were noted:

- The work was going in the right direction
- Members welcomed the fact that additional resources had been identified to complete the work

In response to a question on whether the work was voluntary or mandatory, it was noted that the work was mandatory and was being led by the Money and Pensions Service. It was added that the aim was to have the dashboards completed across the UK by 2026 – the connection work was being monitored, and non-compliance would be penalised.

In response to a question regarding receiving updates of the work, it was noted that they intended to present updates to every meeting of the Board and present the latest data of the developments and what had been completed.

RESOLVED to accept the report and note the information.

7. UPDATE ON THE McCLOUD CASE

Submitted – a report by the Pensions Manager updating the Board on the work being done in response to the McCloud court case. Members were reminded that when the public sector pension schemes had been reformed in 2014 and 2015, protections were introduced for older members to ensure that the amendments would not negatively affect their pensions. However, in December 2018, the Court of Appeal had ruled that some members had been discriminated against as the protections did not apply to them. Consequently, the Government had to provide protection to younger members which was equal to the basic protection provided to older members in order to remove the discrimination. Following a public consultation on the proposed changes, the final regulations came into force on 1 October 2023.

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

By working alongside Hymans Robertson, it was reported that approximately 11,500 members of the Fund had been affected by the McCloud case and that some kind of

review would need to be carried out on them. Following a request for information from 22 Fund employers (small and medium), it was reported that only five records required amending. It was reported that regular meetings were being held with the main employers to discuss the data that was needed and to track progress. It was stated that the work of recalculating the benefits of all scheme members who had left, and the payment of any underpayments or revision of pensions level moving forward, had begun, with all the deaths cases having been recalculated.

Although accepting that compliance with the requirements of the McCloud project created additional work for the Pensions Unit, it was noted that they were confident, with the employers' cooperation, that the work would be completed successfully, and that the ratification of the data would simplify the work in future years. It would also ensure high quality data so that members could view full and accurate data on the dashboard or My Pension Online.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were noted:

- This created a lot of additional work for the Pensions team
- The team was thanked for its work – although the work was unlikely to bring benefits to many
- They wished to see everyone cooperating, and for the Board to be informed if concerns arose

In response to a question regarding recalculation and whether consideration would be given to the legal annual allowance and lifelong allowance, it was noted that every case would be recalculated individually. If any compensation was required, the Fund would be liable to pay, not HMRC. In response to a supplementary question with regard to compensating those who had chosen the option of receiving a lump-sum, again it was noted that all cases would be considered individually.

RESOLVED to accept and note the information.

8. PENSIONS ADMINISTRATION

The Pensions Manager presented a report, providing a general overview of pensions administration over the past year, along with information about the work completed over the period, and an update on various projects.

Reference was made to the success and popularity of 'My Pension Online' highlighting that several members visited the site daily with approximately 20,000 having registered for the service to date. It was noted that a new version of the website would be launched in spring 2024 with new features for members, which would include improvements to the enrolment process.

It was added that initial discussions had taken place with the Information Technology Department to redesign the Fund's general website to correspond with the new image of the 'My Pension Online' website. It was noted that the website required updating and that it was planned to develop several short videos to explain different features of the scheme to the members.

The Pension Fund stall at the National Eisteddfod in Boduan had been very successful, with many people visiting to enquire about information and support. It was intended to hold similar events for members during 2023/24.

In the context of the Pension Rise 2024, it was noted that the Consumer Price Index for September 2023 had been 6.7% and it was this figure that would be used in April 2024 to increase pension benefits (conditional on the Government's approval) for pensioners who had retired 12 months or more ago.

The work and the matters that must be reported in 2024/25 were highlighted. The intention was to include the information in the Annual Report together with regular updates to the Pension Board, tracking the progress made.

Gratitude was expressed for the report.

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

- The report was useful
- Welcomed regular updates on information
- Considerable preparation work would be needed for the Annual Report

In response to a comment that there was no official record of the training attended by Members and that the members of the Pension Board were required to attend particular training sessions but not the Committee, it was noted that the information was recorded but it was expected that the information be included in the annual report in future.

RESOLVED to accept and note the information.

9. RELEVANT AUDIT OF THE GWYNEDD PENSION FUND ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2023

Members were reminded that a draft of the Gwynedd Pension Fund Statement of Accounts 2022/23 had been presented during the meeting in July 2023, 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 had now been audited by Audit Wales and that the 'ISA260' report detailed the findings of the audit. It was highlighted that no material misstatements had been identified, however, reference was made to Note 13 where an error had been found in the division of investment income, but the total appeared correctly. It was highlighted that a few disclosure items had also been corrected, but there was no change to the core accounts that had been presented to the Board in July 2022.

The Pensions Committee had approved the accounts on 27 November 2023, and they were presented in the Fund's Annual Meeting. It was confirmed that the managers had submitted a response to Audit Wales's recommendation, which related to membership data being updated continuously.

Members expressed their thanks for the report and congratulated the team for submitting clean accounts within the deadline.

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

10. CLIMATE SCIENCE AND ECONOMIC MODELLING

The Investment Manager presented a report, responding to how the Gwynedd Pension Fund had considered the climate in setting its funding and investment strategy, and how this would develop to the future.

It was reported that several articles had been published recently which stated that the advice that pension funds receive does not follow climate science, and therefore risks these investments (this was based mainly on a report by Carbon Tracker (July 2023)). It was noted that some Board members had also drawn officers' attention to the articles and shared their concerns. The main message of Carbon Tracker, a not-for-profit company researching climate risk, is that economic papers ignore climate 'tipping points' which meant that changes in the economic impact from global warming *“are far more likely to be impermanent and sudden, rather than continuous and relatively gradual”*.

It was noted that the concerns had been shared with Hymans Robertson, the Fund's investment advisors, who agreed that the report raised valid points, but that the aspects they referred to had been considered in setting out the Fund's investment strategy. These matters had been considered using 'scenario analysis', and examples of those scenarios had been shared with the Members. It was acknowledged that this aspect needed to be evolved as understanding of climate risk developed, and that Hymans needed to research more detailed and extreme scenarios. It was added that measuring exposure to climate risks and the development of a climate transition action plan would be key next steps for the Fund to address, together with implementing the TCFD requirements (namely, disclosure of the Fund's governance arrangements in the context of climate-related risks and opportunities).

Members expressed thanks for the report.

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

- Following recent training by Hymans, one felt more comfortable that what the Gwynedd Fund was doing corresponded with the required standard.
- A balance must be ensured – there was benefit to engagement and trying to influence.
- If it was planned to invest less in equity and more in infrastructure in future, this would be more carbon neutral.
- Hymans were being paid a fee to do the work. Should we accept what Hymans were saying – was the response acceptable? Should there be a discussion with the Fund's Members to find if they were happy not to invest with companies that were damaging to the climate? Why was divestment not possible by 2030? Other pension funds were divesting – need to look into this.

In response to the comments, the Head of Finance stated that the Pensions Committee's primary responsibility was to ensure good returns for the Fund's members through responsible and secure investment. He explained that when advice was received from Hymans Robertson, professional officers would challenge, question, interpret and analyse the information before sharing / discussing it with members. This was a means of ensuring responsible governance of the Fund and avoiding risking the stability of the Fund in any way. He added that the formal decision of the Gwynedd Fund was to engage and not divest, because there was greater influence to be had through investment. He also noted that he was aware that some funds were practising divestment, and that more information could be found about this. If a situation arose where we could invest less, e.g. in fossil fuels, this would be considered; the Gwynedd Fund was aware of the direction that had been set, and was therefore working towards this.

The Chair of the Pensions Committee added that the Committee had a responsibility to ensure a balance between their legal duty to act as trustees in others' best interests, and consider their environmental responsibilities and changes to the climate. The intention was to make small steps through engagement rather than divestment, using the logic that investors can influence companies and drive

change as their interest changes. In response to a comment regarding the advice from Hymans Robertson, it was noted that the company had a duty to present the best and correct advice to the fund's trustees, and should a situation arise where there was no confidence in their advice, then it would be possible to find new advisors.

RESOLVED to accept the information

11. PENSIONS CONFERENCES

Submitted – a report listing the dates of the pension's conferences for 2024. It was noted that the conferences gave Members an opportunity to expand their knowledge and discuss current issues. The dates were discussed, and the Members expressed their interest in those events that were convenient for them.

RESOLVED to accept the information and note the dates.

12. 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. However, it is also acknowledged that there are occasions, in order to protect public financial interests, where commercial information must be discussed without being publicised. The reports related specifically to a proposed procurement process. Publicising such commercially sensitive information 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 in the public interest.

13. REVIEW OF GWYNEDD PENSION FUND'S STRATEGIC ASSET ALLOCATION

The Investment Manager highlighted that the Pensions Committee, at its meeting in November 2023, had decided to approve a new asset allocation which would be implemented over the coming months.

She explained that the Strategic Asset Allocation was the most important decision for any Pension Fund and added that there was no right or wrong way of deciding upon the Strategic Assets Allocation, as this was a matter of trying to find the best solution to restrictions and opportunities. The solution would also be influenced by the investors' personal philosophies.

Members expressed thanks for the report.

The proposed new assets were discussed.

During the ensuing discussion, the following observations were noted:

- That the Board accepted the direction of the Committee.
- They welcomed work to stabilise the Fund.
- They thanked officers for their work.

RESOLVED to accept the information and note the new strategic assets allocation for the Fund.

The meeting commenced at 1.00pm and concluded at 2.30pm.