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## PENSIONS COMMITTEE 22-01-24

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### **Present:**

### **Councillors:**

Stephen Churchman (Chair), John Brynmor Hughes (item 11 onwards), Richard Medwyn Hughes, Elin Hywel, John Pughe Roberts, Ioan Thomas and Robin Williams (Isle of Anglesey County Council)

### **Officers:**

Dewi Morgan (Head of Finance), Delyth Jones-Thomas (Investment Manager), Ffion Madog Evans (Assistant Head of Finance - Accounting and Pensions), Meirion Jones (Pensions Manager), Owain Pritchard (Team Leader Systems and Special Projects) and Lowri Haf Evans (Democracy Services Officer)

### **Others invited:**

Tony Deakin (Member of the Pension Board - observing)

#### **1. APOLOGIES**

Apologies were received from Cllr Iwan Huws.

#### **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 27 November 2023 as a true record.

#### **5. 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 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 was an acknowledged public interest in openness in relation to the use of public resources and related financial issues. However, it was also acknowledged that there were 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.**

## **6. PROCUREMENT OF ADMINISTRATIVE SYSTEM**

Submitted – a report by the Pensions Manager providing information on the proposal to award a contract for a Pensions Administration System.

It was reported that Cyngor Gwynedd as the Administrative Authority of the Gwynedd Pension Fund, had a statutory responsibility to provide proper administration of the LGPS for all members of the Gwynedd Pension Fund. This would include interpreting legislative changes ensuring that a robust and efficient pension administration system was in place, one that addressed the complexities of historical and recent pension reform and was ready for any future changes. It was reiterated that it was essential for the Council, in meeting statutory obligations, to use a pensions management system that can accurately handle the complexities of calculating scheme members' benefits as well as retaining relevant data such as a Document Management and Electronic Records system.

Members had been requested to consider a contract for a Pensions Administration software provider to ensure continuity of Service so that the Council fulfils its statutory pension scheme duties at the conclusion of the current arrangements.

The performance of the existing provider was discussed as well as the proposed costs of the agreement together with the implementation of a direct award (ideally a tender exercise would have been initiated at least 18 months before the current contract expired, but as this had not occurred it was necessary to implement a solution).

It was proposed and seconded that a Direct Award be given to the existing supplier for a further period of five years (17 September 2024 - 16 September 2029).

Gratitude was expressed for the report.

Observations arising from the ensuing discussion:

- That the cost was quite fixed
- That new elements were proposed with the new contract
- That the service was consistent
- That there was good collaboration
- Making good use of Welsh - cost negotiation suggestion that Gwynedd had taken the lead on the Welsh language element.

In response to a question regarding choosing not to complete a commissioning /tendering process to test the market and if this was a prudent decision, the Head of Finance noted that the process was completed in accordance with a specific procedure within procurement regulations.

**Resolved:**

- **To approve the awarding of a contract, in accordance with Regulation 32 of the Public Contracts Regulations, for a Pensions Administration Software contract for a 5-year contract term**
- **To approve a one-off payment in relation to the licence fee in the current tax year (2023/24)**
- **To approve a payment in relation to annual support and maintenance costs for a 5-year contract.**

- **To delegate authority to the Pensions Manager to reach an agreement on the final contract terms with the company and authorise the implementation of that contract by Cyngor Gwynedd.**

Note:

To negotiate the cost for leading on the Welsh language element.

## **7. ROBECO ENGAGEMENT SERVICE – ENGAGEMENT REPORT 01-07-2023 UNTIL 30-09-2023**

A quarterly report was submitted summarising the work Robeco (Wales Pension Partnership Voting and Engagement Provider) delivers on behalf of the Pension Fund including engagement work.

It was reported that Robeco offered different levels of engagement, and detailed statistics of the topics of discussion, the number of companies, the number of activities and further details of the engagement completed in the last quarter were presented. They reiterated that they also chose an engagement theme for each quarter and over the last period it had been Zero Carbon Emissions.

It was highlighted that it was intended to invite Robeco to future Wales Pension Partnership training sessions and that Members would be invited to attend these sessions.

Observations arising from the ensuing discussion:

- That consideration needed to be given to how to use / do more with the information that was gathered

**RESOLVED:**

**To accept and note the contents of the report**

## **8. RE-OPEN THE MEETING TO THE PRESS AND PUBLIC**

It was proposed and seconded to re-open the meeting to the press and public

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

## **9. WALES PENSION PARTNERSHIP (WPP) UPDATE**

A report was submitted by the Investment Manager which now appeared regularly on the Pensions Committee agenda as a means of ensuring that Members received current and up-to-date information of the WPP's work. Reference was made to a summary of the discussions and decisions of the meeting of the Joint Governance Committee (the Partnership's decision-making body) held on 13 December 2023, with particular attention to a review of the Business Plan for 2023/24.

Reference was made to the update of operator Waystone (previously Link) which provided regulatory services together with information on all the funds established by the Partnership (Gwynedd being part of 8 of them, with 83% of the Gwynedd Fund pooled with the Partnership) and to a record of the performance of those funds.

Attention was drawn to the performance of the funds, and to the analysis and performance of each sub-fund highlighting that, in the context of equities in particular,

the period had been a challenging one with interest rates staying higher for longer, and the price of oil causing inflation to remain high.

In the context of future developments, it was reported that work would be undertaken with the Partnership to consider and develop property pooling options with the tender process already underway to identify a provider. It was also noted that joining the open-ended Infrastructure Sub-fund and Schroders private equity mandate continued.

Thanks was expressed for the report.

In response to a question about what would happen to the existing property portfolio and whether it would transfer to the new fund, it was noted that this would be part of the discussion with the new provider and the need to provide what was best for Gwynedd. Options would include, transferring the existing portfolio to a new fund or setting up a new fund for new finance and keeping the existing finance with the existing management.

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

## **10. TREASURY MANAGEMENT 2023-24 MID YEAR REVIEW**

Submitted, for information, a report highlighting the Council's actual Treasury Management activity during the current financial year. In accordance with the Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) it was a requirement that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

At the Pensions Committee meeting in March 2023, it was resolved to allow Pension Fund surplus funds to be accumulated and co-invested with the Council's overall cash flow for the 2023/24 financial year. It was highlighted that during the six months between 1 April and 30 September 2023 no banks where the Council had deposited money had failed to repay. It was reiterated that the Council's investment income was estimated to be higher than expected in the 2023/24 budget.

The economic backdrop, money markets and credit reviews for the period were highlighted. In terms of investment activities, reference was made to the types of investments invested which, in accordance with practice, included banks and building societies, local authorities, money market funds, pooled funds and the debt management office.

It was confirmed that treasury management activities undertaken during the period had fully complied with the investment restrictions of the CIPFA Code of Practice. It was highlighted that the only indicator with non-compliance was the 'Interest Rate Disclosure' and it was clarified that this indicator was set when there were lower interest conditions at the beginning of 2023, and therefore it was reasonable that the amounts were so different. It was reiterated that it was good news that the interest income was significantly higher.

Thanks were given for the report.

In response to a question about Birmingham and Warrington Councils and if the Council had loaned them money, it was noted that the Council had loaned money to Birmingham Council, but the money had been paid back. It was reiterated that Arlingclose was keeping track of the current position of Councils and shared a list of those Councils that were acceptable to invest in.

In response to a question about the interest rate indicator and if there should be concern about this or if it should be corrected, it was noted that the Gwynedd Pension Fund was not dependent on this interest income and it was only a bonus, however the importance of keeping an eye on the situation was noted as interest rates were likely to fall.

**RESOLVED**

**To accept the report and note the information**

**11. APPROVING THE 2024/2025 BUDGET**

The Investment Manager submitted a report seeking the Committee's approval of a budget for the Pensions Administration Unit and the Investment Unit for the 2024-2025 financial year. It was reported that the budget was approved on an annual basis by the Pensions Committee.

Reference was made to the Administration Unit budget, reporting that 24 staff members were employed along with the costs of systems, printing, and central reimbursements. It was noted that costs were consistent apart from an inflation figure, with an adjustment of £28,600 for an increase in the annual cost for software fees. Reference was made to the costs of the Investment Unit which are shared between the Fund and Cyngor Gwynedd as the Unit was also responsible for Treasury Management.

The Investment Manager noted that adviser costs and investment managers' costs were part of her responsibility but these varied depending on the performance of the investments and the work needed to be carried out by the consultants. It was considered that setting a detailed budget for consultant costs would not be beneficial as expenditure was changing, however it was reiterated that the expenditure was fully reported within the final accounts and in the Fund's Annual Report.

Gratitude was expressed for the report.

**RESOLVED:**

**To accept the report and approve the budget for the 2024/25 financial year for the Pensions Administration Unit and the Investment Unit.**

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

Submitted - the report of the Investment Manager, reporting on progress against current objectives and requesting that the Committee reviews and notes the objectives for 2024. It was reported, following a review of the investment consulting and fiduciary management markets, that the Competition and Markets Authority had noted that Pension Scheme Trustees should set objectives for their investment consultants, and clearly stipulate what was expected from them.

It was reported that Hymans was performing good work and over the past year had been collaborating and providing advice on the Strategic Asset Allocation in the recent re-assessment of the funding level; assisted in determining the appropriate level of commitments to the private markets and ensured that the Fund had adequate cash flow to pay the pensioners on a monthly basis. It was reiterated that Hymans had also worked with the officers in reviewing internal policies and ensuring compliance with any relevant pension regulations.

Hymans did not provide training as part of its direct contract with the Gwynedd Fund, however 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), Hymans had worked well throughout the year with all partners e.g. the actuary and WPP.

Reference was made to the current objectives and the progress made against those objectives during 2023 together with the objectives for 2024. The main objectives for 2023 were identified and combined into 10 key objectives for 2024. Reference was also made to the projects that were likely to take place in 2024 and the support needed from the investment consultants to implement them.

It was reported that Hymans had given a service to the Council for years, but in the next 6 months the Council would issue a tender for the consultative work establishing a specific contract (which would also include a transitional period). This was reiterated as an appropriate step to take and would be an opportunity to look at what the market had to offer and add a competitive element.

Gratitude was expressed for the report.

## **RESOLVED**

- **To accept and note the information.**
- **To accept the progress made on the consultants' objectives during 2023**

### **13. 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 in the future.

It was reported that several articles had been published recently which stated that the advice that pension funds received did not follow climate science, and therefore risked these investments (this was based mainly on a report by Carbon Tracker (July 2023)). It was noted that some Pension Board members had also drawn officers' attention to the articles and shared their concerns. In response to those concerns it was resolved to investigate how the Gwynedd Pension Fund had taken the climate into account when setting the funding and investment strategies, and how this would evolve in the future.

The main message from Carbon Tracker, a not-for-profit company that examined climate risk, was that economic papers ignored climate 'tipping points' which meant that changes in the economic impact from global warming were "much more likely to be disruptive and sudden, rather than continuous and relatively gradual".

It was noted that concerns had been shared with Hymans Robertson, the Fund's investment consultants who, agreed that the report raised valid points, but that the aspects they referred to had been taken into account when setting the Fund's investment strategy. These issues were considered using 'scenario analysis' with examples of those situations shared with Members. It was recognised that this aspect needed to evolve as an understanding of climate risk developed, and that Hymans would investigate more detailed and more extreme scenarios. It was reiterated that measuring exposure to climate hazards and developing a climate transition action plan would be the next key steps for the Fund to address and to implement TCFD requirements (namely disclosure of the Fund's governance in the context of climate-related risks and opportunities).

Gratitude was expressed for the report and to the Pension Board for highlighting the issue.

In response to a question about the Gwynedd Fund's use of the three scenarios and if they used all three options, it was noted that the Gwynedd Fund would use a relative (not extreme) scenario with the situation assessed every three years (unless there was a startling change and the Committee chose to adapt this).

## **RESOLVED**

**To accept and note the contents of the report**

### **14. LAPFF CONFERENCE, BOURNEMOUTH 6 DECEMBER 2023**

Following attendance at the LAPFF Conference in Bournemouth, 6 December 2023, the Chair presented verbal information of what had been discussed. He noted that this year's conference was entitled "Impact - Stewardship in a time of Global Crisis", with Environmental, Social and Governance issues at the heart of conference presentations and sessions. He reiterated that the presentations and sessions were intended to focus attendees' minds on the big issues and themes of the day and ask members to consider, when using their position and responsibilities as investors, how best to move these issues forward and make an impact. A brief summary was given of the information and examples gained from the individual sessions.

He noted that the conference was a good one and had included complex issues. He reiterated that there was value in sharing information from the conferences and he intended to offer a regular item on the committee's agenda.

## **RESOLVED**

**To accept and note the information.**

Note: That Members share information from the conferences attended, as a standing item on the agenda.

The meeting commenced at 14:00 and concluded at 15:10