
PENSION BOARD, 23-04-24

Present:

Eifion Jones (Chair) and Osian Richards (Members Representatives).

Sioned Parry and Ned Michael (Employer Representatives).

Officers: Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Assistant Head of Finance Department), 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 Cllr Beca Roberts (Employer's Representative) and Tony Deakin (Members 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 29-02-23, as a true record.

5. PENSIONS COMMITTEE MINUTES

Submitted for information - the minutes of the Pensions Committee held on 19-03-2024.

6. WALES PENSION PARTNERSHIP UPDATE

The Investment Manager submitted a report, providing a formal update to members on the developments of the Wales Pension Partnership (WPP). It was reported that the Head of Finance and the Investment Manager represented the Fund in all partnership meetings, and that the collaboration continued to go from strength to strength on matters such as freedom of information requests, voting and engagement and generally sharing good practice across the funds. It was noted that 83% of Gwynedd's Fund had now been pooled with the WPP.

Attention was drawn to the two equity funds that had been active for over five years by now and therefore it was a reasonable period to assess their performance. Reference was made to the performance of the Global Growth Fund, which had three

underlying managers operating a very different style to each other - Baillie Gifford, Pzena and Veritas. It was pointed out to members that this fund, since its inception had fallen behind the benchmark and the Partnership was therefore looking at options to re-develop this fund.

In the context of the Global Opportunity Fund, it was reported that the fund was managed using a combined approach with eight different managers. Although all managers would not perform well at the same time, the diversified approach meant a stable position and the fund performed higher than the benchmark over the long-term.

Reference was made to the performance of the Sustainable Equity Fund that was recently established with Gwynedd investing £270 million in it; with a clear focus on climate and Net Zero targets. It was highlighted that the performance was lower than the benchmark since the start and this was because of the energy sector stock underweight which had performed well, apart from the last quarter. It was noted that it was early days for this fund and the performance would be monitored in detail.

In the context of Fixed Income Funds, reference was made to the Multi Asset Credit Fund, Absolute Returns Bond Fund and Global Credit, it was reported that historically these had been under-performing and this was because of the instability in the market with the war in Ukraine, Covid restrictions in China and the impact of rapid interest and inflation increases. It was added, despite the concerns, that conditions had started to improve and there was progress to be seen in performance in the last three months. With this being a long-term commitment, there was a willingness to continue with the investments in the hope that the conditions would continue to improve.

It was reported that the Emerging Markets Fund, launched in October 2021, had six underlying investment managers including Bin Yuan, a China specialist. It was noted that the conditions again were very challenging in several countries and sectors, however it was hoped that there would be an improvement in market conditions, and improved returns.

Reference was made to the recent developments of the WPP, highlighting the work being undertaken within private markets. Companies had been appointed to run the private debt, infrastructure and private equity mandates and to start investing in these funds. It was noted that the Gwynedd Fund allowed infrastructure and private equity investments mature naturally and would then invest gradually with the pool. It was reiterated that the procurement process for the Property Manager was developing well with an invitation to tender released in January and the proposals were now being evaluated - the result would be made evident over the summer. The appointment of the Property Manager would offer wider property options for the Fund such as global property and impact.

Reference was made to an update regarding the appointment of an Operator as the existing contract would end in December 2024. It was reported that the open tender process had taken place together with the evaluation process with a report recommending the preferred candidate and this had been approved by the Joint Governance Committee and the eight constituent authorities - once legal matters had been completed, the details of the successful company would be officially announced in the next few weeks.

Attention was drawn to the development in the field of 'voting and engagement' and to the good work that Robeco does in this field with quarterly updates presented to the Committee and the Joint Committee. However, it was pointed out that a situation had been highlighted, when poor engagement takes place, that it was difficult to respond and act on the situation. As a result, it was noted that WPP was drafting an escalation policy to get to grips with this which was seen as an important step forward.

The members expressed their thanks for the report.

Observations arising from the ensuing discussion:

- It was considered that overall performance was good and the percentage of 83%, that had already been invested with the Partnership, was very high compared to others.
- In the future, including the percentage and investment sums in each fund would be beneficial.

In response to the update on the appointment of the new Operator, the need was noted for the Gwynedd Pension fund, as one of the eight Constituent Authorities to be ready to support the new contract. The Investment Manager added that a great deal would depend on the operator's method of implementing and responding to changes and several matters needed to be sorted. It was noted that the period will be seen as a new period with a willingness to collaborate with the proposal to see a part-time post being created to support the Partnership's work.

In response to the establishment of an escalation policy that addresses poor engagement, the need for an approach to dealing with the contentious concerns / issues particularly if the Provider's decisions affected the reputation of the Partnership was supported. It was noted that this would again create additional work for officers and a request had been made to secure support.

In response to a comment that the returns and performance were good but the performance against the benchmark was not as good as expected, it was noted that, e.g., in the equity funds, work was being done to look at alternatives and in the fixed funds that recent conditions had been challenging, but that management was regularly monitoring the situation and the decision had been made to persevere. In response to a supplementary question that the challenging situation / factors / circumstances affect everyone, the Chair of the Pensions Committee noted that investment managers had different styles of working, variety in stock to consider and a diverse portfolio set-up – these were elements that could create impact. He reiterated that, with these long-term investments, he remained confident and that improvement was likely.

RESOLVED to accept the report and note the information.

7. 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 performance of core service duties for 2023/24 in comparison with 2022/23 noting that performance had improved on all lines and highlighting a significant improvement in 'the average number of working days taken to send out a quote letter detailing a transfer'. It was reported that additional staff have been appointed to respond to the demand in this service and as a result the performance has improved e.g., although the number of cases has increased from 218 to 745 the number of 'response' days has been reduced from 17.11 to 13.26. This work had also ensured that records of those who leave are accurate and complete for the dashboard.

The Service satisfaction survey which is sent to Members at the end of each process was highlighted to gather views on the quality of service received. It was reported that

162 members took part in the survey during 2023/24 and the result was very encouraging (99% of users strongly agree that the quality is of a high standard).

Reference was made to the success and popularity of the website 'My Pension Online' and highlighted that many members visit the site daily and around 20,000 had signed up for the service to date. It was noted that the Service was liaising with employers to encourage staff to transfer little by little so that any situation that may arise can be dealt with – it was hoped to complete the work by the end of summer 2024.

It was stated that work was also being developed on a new version of the self-service website which would be launched officially following a trial period with staff.

In discussing The Pensions Regulator - Measuring Data, Members were reminded that Aquila Heywood had been commissioned in the past to produce a Data Quality Report for the Gwynedd Pension Fund. It had now been noted that software was available to run this report internally. It was highlighted that the report was broken down into two parts (Common data and Plan Specific data). One category was referred to which had not reached the benchmark (addresses) and this was about people who had moved and had not notified the service of their new address. There was now a process of tracking down the addresses with Heywood, and it was hoped to see future improvement in this category.

The members expressed their thanks for the report.

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

- That the work and progress were to be welcomed
- Despite the added pressure, they were pleased to see staff willing to take on additional duties

In response to a question about setting a 'desirable' target rather than focusing on improvement, it was noted that continuous improvements were the ones that were being considered rather than setting targets. It was reiterated that this was a Council-wide pattern to try to avoid a false position and that setting a direction was the motivation. It was also noted that for 2024/25 there was a demand to report performance against other funds (Wales) and therefore it would be interesting to see how performances will compare.

RESOLVED to accept the report and note the information.

8. THE PENSIONS REGULATOR'S GENERAL CODE OF PRACTICE

Submitted - the report of the Pensions Manager highlighting that the Pensions Regulator general code of practice had come into effect on 28 March 2024 and included new governance requirements, expectations on how occupational pension plans should be managed together with the practices and procedures that should be in place.

Key details were referred to stating that the Code, for Public Service Pension Schemes in particular, replaced Practice Code 14 (Governments Administering Public Service Pension Schemes). It was clarified that there were several new modules in the Code compared to Code of Practice 14 and that compliance needed to be ensured.

To help with the work, it was highlighted that Hymans Robertson had developed a compliance model to support and assist LGPS in assessing compliance against the new General Code. This will generate automatic information for ongoing reporting to Local Pension Committees and Boards – it will also support funds to develop an action plan for areas requiring further attention.

It was highlighted that completing the work will likely take time and resources and the intention in the short term was to act in phases. Progress on the work will be reported to the Board in the future.

The members thanked the officer for the report

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

- They welcomed that Hymans would be supporting the work
- It was agreed that updates on the work need to be submitted.

In response to a question about if a timetable had been set to complete the work, the Pensions Manager indicated that there was no timetable for the work as time needed to be earmarked to interpret the requirements of the work. It was also noted that there was no mention of a deadline for completing the work – it was hoped to get things in place as soon as possible. It was reiterated that there were no major differences to the Plan – that there was more work in reconciling descriptions and terms.

RESOLVED to accept the report 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 2024. It was highlighted that the report was written in accordance with the form of the 2023 report considering the topics covered during the year.

The intention was to submit the final report to the Investment Manager by 31/07/2024 for inclusion as part of the Fund's annual report and as part of the Fund's November 2024 annual meeting.

Gratitude was expressed for the report and to the staff associated with preparing the work.

RESOLVED to accept the report and note the information.

The Chair took the opportunity to thank Councillor Stephen Churchman, Chair of the Pensions Committee, for his support and loyalty to the Pension Board during his period as Chair of the Committee.

In response, Cllr Stephen Churchman gave thanks for the valuable work of the Board and their continuous support to the Committee and the Pension Fund.

The meeting commenced at 1.00pm and concluded at 1.50pm.