
PENSIONS COMMITTEE 25-11-2024

Attendance:

Councillors:

Stephen Churchman, Richard Medwyn Hughes (Chair), Iwan Huws, Elin Hywel, Ioan Thomas, Goronwy Edwards (Conwy County Borough Council) and Robin Williams (Isle of Anglesey County Council)

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:

Hywel Eifion Jones (Pensions Board Member – observing)
Ben Hughes (Audit Wales)

1. APOLOGIES

Apologies were received from John Pughe Roberts and John Brynmor Hughes

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 16 September 2024 as a true record.

5. WALES PENSION PARTNERSHIP (WPP) UPDATE

The Investment Manager highlighted that this was now a regular report that noted the latest information on the WPP's work. She drew attention to discussions at the September 2024 meeting of the Joint Committee which included information about the pooled budgets (Gwynedd was second highest with 85% pooled), the standard business plan and the risk register.

She referred to the Operator's update for the period and the market conditions that they were monitoring. It was reported that the funds' performance had varied, with the equity funds performing strongly while the fixed income funds had lagged over the quarter in question. She noted that the funds were long-term investments and that officers, together with Hymans Robertson advisers, assessed the performances over 3-month, 12 month and 3-year periods.

She added that Russell Investments, the Investments Manager also assessed the managers continually and would reduce, increase or eliminate payments to try to enhance the long-term performance of the sub-funds – she referred to an example of work that was currently being undertaken with the Global Growth sub-fund, which had underspent historically. She reported that Russell Investments had provided an update on the new Private Credit fund, with the Gwynedd Pension Fund having invested £29m in the fund with the aim of increasing this amount substantially over time.

Attention was drawn to two procurement exercises that had taken place recently (for an Oversight Advisor and a Voting and Engagement Service Provider). She noted that interviews had been conducted, and they intended to present a recommendation to the next joint-committee meeting.

In the context of the 'Call for Evidence' consultation where the Westminster Government was reviewing the pension schemes of the LGPS, the Manager highlighted the response of the Gwynedd Pension Fund. It was reported that the situation had now changed following the Chancellor of the Exchequer's Mansion House speech, and a further consultation had been announced calling for evidence, which was a rough indication of the route that the Westminster Government expected the LGPS to take. She reported that the new consultation looked at areas such as asset pooling, local and UK investment, and Governance – there were 30 questions to respond to by 16 January 2025.

The main messages of the consultation were that there was no change to local funds, such as the Gwynedd Pension Fund, but there was a requirement to consider merging funds, although not mandatory. She noted that there would be expected changes to the pools, such as the Wales Pensions Partnership in respect of Gwynedd, with the requirement for them to be registered with the FCA (Financial Conduct Authority), to have the capability to provide advice to the local funds, the requirement for strategic asset allocation to sit with the pool rather than at a local level as is currently did, the requirement for 100% of assets to be pooled, and to report continuously in the Annual Report on local schemes.

It was added that the requirement to be registered with the FCA was significant which would mean a change in the current structure of the WPP, creating a new management structure with a chief officer and a chief investment officer for governance requirements. It was noted that this would have to be planned and implemented by March 2025. In addition, new governance requirements would require the appointment of a senior officer to be responsible for the Fund, ensuring there were specific policies in place and a firm process for monitoring this.

In light of potential significant changes to the pool, it was reported that Gwynedd officers would work with the host authority to provide a fair response to the consultation; any information / response would be shared with the Members.

The members thanked the officer for the report

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

- Wales should remain as one pool – this would be the strength of the Wales pool. Should Wales have to merge with others – political issues would emerge from this

In response, it was noted that the consultation suggested that it was possible for Wales to stay as a pool as long as an explanation / a strong and viable business case was presented to support this.

- The pooling was a Westminster Government proposal. The Wales pool should be kept independent – the development of the pool in Wales had been smooth and natural, and it had developed successfully and ahead of others. If we had to merge with others, we might lose control and the local investment opportunities.
- Local investment opportunities – we needed more details about the process of delivering projects – a suggestion to share information about the process with Conwy and Anglesey Councils
- A member suggested having a face-to-face session so that the members had an opportunity to share ideas / consider possibilities / arrangements regarding local investments, to put these forward in the business plan. We would require a strategic, detailed plan.
- The Pension Board was concerned about the pooling situation – the Wales pool was small – this might be a weakness and there would be a risk of falling into the 'smallest' category.
- There was a need to emphasise that the Wales pool served members through the medium of Welsh – there was a risk for this to be lost should a merger with others be obligatory – need to emphasise this in the response.
- The Chair of the Committee to share the Committee's concerns with the Joint-committee.

In response to a question regarding funds in Scotland and Northern Ireland and whether, like Wales, they were in a position of having to present a business case, it was noted that these countries had different regulations and were not devolved in the same way as Wales.

RESOLVED

To accept and note the information

6. DEFINED BENEFITS STRATEGIC INVESTMENT FORUM

Feedback and information was presented by Cllr Goronwy Edwards

The Investment Forum had been held in Loch Lomond, September 2024 and Cllr Goronwy Edwards and Cllr John Brynmor had attended the forum. He noted that the conference had been beneficial and was well-timed, bearing in mind the Westminster Government's Pensions Review (Call for Evidence).

The members gave thanks for the feedback.

DECISION

To accept and note the information

7. 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 being open about 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.

8. ROBECO ENGAGEMENT SERVICE – ENGAGEMENT REPORT 01.04.2024 - 31.06.2024

A quarterly report was submitted summarising the work that Robeco (WPP Voting and Engagement Provider) undertook on behalf of the Pension Fund, including the engagement work.

The contents of the report were discussed, and concerns were again raised by Members about the standard of the company's engagement and consultation work. They noted that while there were a number of positives in their work, there were also major negative elements, therefore going forward there was a need to ensure more information about developments and how they were measured. It was reiterated that the company appeared 'quiet' – need to see more sharing of opinion and guidance; the company needed to evidence effectiveness and set context.

In response it was noted that the WPP, when drawing up future contracts, wanted to ensure that there was a proactive element as part of the engagement responsibilities, along with the requirements of presenting clear and understandable information. It was noted that the WPP needed to review arrangements for responding to the information presented by the Voting and Engagement Provider in order to optimise the relationship.

Further observations arising from the ensuing discussion:

- Biodiversity issues need to be considered as well as climate issues.
- The situation needed to be monitored, ensuring that the company kept to their word.
- A need to ensure next steps for matters that appeared as '*closed non-effective*'. How could discussions be re-opened / these issues be revisited?
- There was a procedure in place to follow up matters.

RESOLVED to accept and note the information

The meeting commenced at 10.00 and concluded at 10.45

CHAIR