
PENSIONS COMMITTEE 27-01-25

Attendance:

Councillors:

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

Officers:

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

Others invited:

Sioned Parry (Pensions Board Member – observing)

1. ELECTION OF CHAIR

As Councillor Medwyn Hughes had been appointed to the Cabinet, the need to elect a Chair for the end of 2024/25 was noted. The opportunity was taken to thank Councillor Medwyn Hughes for his work and support to the Committee and he was wished every success as the Cabinet Member for Economy and Community.

Councillor Elin Hywel was proposed and seconded.

It was resolved to elect Councillor Elin Hywel as Chair of this Committee for the end of 2024/25.

2. ELECTION OF VICE-CHAIR

Councillor Ioan Thomas was proposed and seconded.

Councillor Iwan Huws was proposed and seconded.

A vote was taken on the nominations.

It was resolved to elect Councillor Ioan Thomas as Vice-Chair of this Committee for the end of 2024/2025.

3. APOLOGIES

None to note

4. DECLARATION OF PERSONAL INTEREST

None to note

5. URGENT ITEMS

None to note

6. MINUTES

The Chair accepted the minutes of the meeting held on 25 November 2024 as a true record.

7. WALES PENSION PARTNERSHIP (WPP) UPDATE

The Investment Manager highlighted that the report now noted the latest information about the WPP's work. Attention was drawn to the discussions of the December 2024 meeting of the Joint Committee, highlighting that the Partnership had recently won the 'ESG Innovation' award due to the Sustainable Active Equity Sub-Fund.

Reference was made to the Operator's update for the period and the market conditions that they were monitoring. It was reported that the performance of the funds had been strong, with global equity and fixed income markets rising during the period. It was explained that two procurement exercises had recently taken place for an Oversight Advisor and a Voting and Engagement Service Provider, and the recommendations of the process had been approved by the Committee in December. It was announced that Hymans Robertson had been re-appointed as an Oversight Advisor and that Robeco had been re-awarded the Voting and Engagement Service Provider contract.

Attention was drawn to the Westminster Government's latest consultation – 'Fit for the Future' that called for evidence, which broadly suggested the route the Westminster Government expected the LGPS to take. It was reported that the consultation examined areas such as asset pooling, investment locally and in the UK, and governance with 30 questions to respond to by 16 January 2025. Reference was made to the Gwynedd Pension Fund's response to the consultation (with WPP's response already shared with Members via e-mail), noting that workstreams were ready to be implemented once the results of the consultation were shared.

Gratitude was expressed for the report.

In response to a question regarding expected changes to the pools, and the requirement for them to be registered with the FCA (Financial Conduct Authority), it was noted that only three pools were not registered. In response to a supplementary question whether the FCA had capacity to register companies, the comment that this was extra work for them was accepted, but we needed to secure the best service in future from the FCA. It was reiterated that there was ongoing contact with the FCA and regular meetings were being held between WPP members and the FCA.

During the ensuing discussion, the following comments were noted by Members;

- Concern from the suggestion that all operating activity may be delegated to the Partnership. Would the Gwynedd Pension Fund lose control? Miss out?
- Accepted the need for an Investment Strategy, but would Gwynedd have input into the strategy?
- That WPP was doing a very good job and that while we understood the considerations of the Westminster Government's consultation, some of the ideas were concerning.
- That the Welsh language was a positive and strong element to the WPP.
- Concerns to be submitted to the next meeting. WPP Chairs Forum– a response from the Forum to be shared with the Committee.

RESOLVED

- To accept and note the information.
- The Chair of the Pensions Committee to highlight the Committee's concerns to the WPP regarding the suggestion that all the operating activity may be delegated to the Partnership. Should the Partnership take greater responsibility for implementing the investment strategy, concern was noted that input must be secured from the individual funds of the Partnership.
- Welcomed that use of the Welsh language had been identified as necessary in response to a Consultation by the MHCLG – 'Fit for the Future' – the Gwynedd Pension Fund and WPP would need to be able to provide information and any communication in Welsh as well as English.

8. BUDGET APPROVAL FOR 2025/26

A report was submitted by the Investment Manager seeking the Committee's approval of a budget for the Pensions Administration Unit and Investment Unit for the 2025–2026 financial year. It was reported that the budget was now approved on an annual basis by the Pensions Committee.

Reference was made to the budget of the Administration Unit, reporting that 25 staff members were employed in the Unit and that the budget included systems costs, printing, and central reimbursements. It was noted that the costs were consistent apart from inflation and it was noted that a few jobs were currently going through the evaluation process and, as a result, the budget may need to be increased somewhat.

Reference was made to the costs of the Investment Unit which were shared between the Fund and Cyngor Gwynedd as the Unit was also responsible for Treasury Management.

The Investment Manager noted that WPP costs, consultant costs and investment managers' costs were part of the Investment Unit's responsibility, but that costs varied depending on the performance of the investments and the work required to be carried out by the consultants and the Partnership. It was considered that it was intended to examine the work and costs of the consultants more closely, with agencies such as PIRC examining the value for money of Investment Managers across the Funds. As a result, it was not considered beneficial to set a detailed budget for these costs.

Gratitude was expressed for the report.

In response to a question regarding the items without a budget, it was noted that the situation was being monitored continuously.

RESOLVED:

- To accept and note the information.
- To approve the budget of the Pensions Administration Unit and Investment Unit for the 2025/26 financial year.

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

A report was submitted by the Investment Manager reporting on progress against the objectives of the Fund's consultants, Hymans Robertson, to ensure that the work undertaken by them matched the Fund's strategic objectives. It was reiterated that the exercise was considered as good governance.

It was reported that the past year had been busy with consultants providing advice on the investment strategy, private markets options, passive equity and ensuring 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 when reviewing internal policies and ensuring compliance with any relevant pension regulations.

Although Hymans did not provide training by direct agreement with the Gwynedd Fund, timely training was available through WPP, with significant contributions from Hymans.

Reference was made to the objectives for 2025 noting that they remained similar to current objectives, but that elements of the additional work that would be undertaken in 2025 had been included (such as the three-year valuation, establishing a net zero target and the developments of the Government Consultation).

Gratitude was expressed for the report.

RESOLVED:

- **To accept and note the progress report.**
- **To accept the Investment Consultants' objectives for the next period.**

10. TREASURY MANAGEMENT 2024/25 – 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 Code of Practice for Treasury Management (CIPFA TM Code) it required councils to report on the performance of the treasury management function at least twice a year (mid-year and year-end).

It was reported that the period (6 months up to 30 September 2024) had been a very busy and prosperous one for the Council's treasury management activity. It was explained that the investment activity had remained within the limits set and there had been no defaults by organisations with which the Council had invested. It was reiterated that the interest income had been below budget as the base rate had begun to fall.

Attention was drawn to the economic backdrop, the money markets and credit reviews for the period. In terms of investment activities, reference was made to the types of investments invested in which, in accordance with practice, included banks and building societies, local authorities, money market funds, pooled funds and the debt management office which were consistent with the type of investments that had been operated for a number of years now.

It was confirmed that treasury management activities undertaken during the period had fully complied with the investment restrictions of the CIPFA Code of Practice.

Gratitude was expressed for the report.

In response to a question about the meaning of 'Bail In Disclosure' it was noted that 'bail in' was that if an organisation failed to operate, in accordance with the creditors' hierarchy, different levels of protection would be available to investors. The disclosure indicated how high the Council's finances would be in the hierarchy, should the organisation fail.

In response to a question regarding Local Authority Loans, the Head of Finance explained that, in line with Arlingclose advice, there were good opportunities for Local Authorities to lend to other Authorities because the short-term interest rate was higher than the bank's interest rates and even if the Authority had issued a section 114 notice, the money, in accordance with statutory requirement, had to be paid back. It was reiterated that the Council was monitoring the situation daily and that Arlingclose was also keeping an eye on the situation, sharing advance warnings with the Council of those Authorities to avoid.

It was also noted that there was a reputation risk like any other investment risk, including actions and circumstances that could cause an organisation to lose credibility with stakeholders, customers, partners, or the public.

RESOLVED:

To accept and note the information.

11. 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.

12. 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. It was noted that the information gave focus to the Committee on responsible investment matters which now played a prominent part.

Reference was made to the detailed statistics from the investment areas, company names, the number of activities and further details of the engagement Robeco had undertaken during the quarter. It was also noted that Robeco selected each quarter's theme of engagement and that Labour Practices in a post-Covid-19 world was the theme of this period.

The contents of the report were discussed, and concerns were expressed again by Members about the standard of the company's engagement and consultation work. Although there were a number of positive elements in their work, it was noted that there were also negative elements and, therefore, in future there was a need to ensure that more information about developments was included and how those developments were measured.

Gratitude was expressed for the report.

In response to the observations, it was noted that it was intended, following the new contract with Robeco, for WPP to ensure that a proactive element formed part of the engagement responsibilities, along with requirements to submit clear and easily understood information. It was noted that WPP was reviewing the arrangements for responding to the information submitted and was formulating an Escalation Policy.

In response to a question whether there would be a new format to the information submitted in the future, given that there was a new agreement with Robeco, it was noted that every effort would be made to secure more information in future.

Further observations arising from the ensuing discussion:

- That the tables in the report highlighted that performance was not good, but the information in the written reports looked very good with a number of positive points. Therefore, did the company only share good performance / news? A suggestion to include comparisons between 'good' and 'things that are not so good', in future reports.

RESOLVED

To accept and note the information.

Note: Lack of consistency between the information in Robeco's written report compared to the information in Robeco's progress table – there was a need to ensure that the information was correct

The meeting commenced at 15:30 and concluded at 16:15.

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CHAIR