
PENSION BOARD 07-04-2025

Present:

Anthony Deakin, Eifion Jones and Osian Richards (Member Representatives)

Sioned Parry (Chair) and Ned Michael (Employer Representatives)

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

1. APOLOGIES

None to note

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

UPDATE ON VACANT SEAT

The Head of Finance provided an update on the steps that had been taken to find a new Board Member. The Members were reminded that, in accordance with the terms of reference, the appointment (as an employer representative) would be limited to Members and staff of Cyngor Gwynedd only. It was noted that one application had been received and that the next step would be to arrange an interview.

4. MINUTES

The Chair signed the minutes of the previous meeting of this committee held on 4 February 2025 as a true record.

5. TRAINING PLAN

A report was presented by the Investment Manager updating the Members on the 2024/25 training plan and setting out an outline training plan for 2025/26. It was considered that the 2024/25 plan had been successful, and the Board members were thanked for attending the Wales Pension Partnership (WPP) sessions and the Conferences, which were praised as being useful and timely.

In discussing the 2025/26 training plan, reference was made to the results of the Hymans Robertson National Knowledge Assessment recently completed by Members, stating that Hymans Robertson had identified some areas requiring further attention as well as areas that Members themselves had chosen. It was noted that a training session on actuarial assumptions and methods had already been held and that training on net zero and governance would be held soon. It was added that a pension administration item would be submitted regularly to the Board and that it would be possible to provide training as required at the Investment Panels; Members would also continue to receive training sessions by WPP and could attend and

receive information in various conferences and received opportunities to receive online training.

Thanks was given for the report

Observations arising from the ensuing discussion:

- The training plan covered the features of the assessment
- The programme was comprehensive
- The WPP and Hymans webinars had been very beneficial

In response to an observation regarding WPP webinars and the possibility of receiving advance dates for the year, it was noted that they were arranged on a quarterly cycle and while accepting that this was short notice the dates would be shared as soon as they were announced.

The Training Plan was accepted for information

6. WALES PENSION PARTNERSHIP UPDATE

The Investment Manager submitted a report, providing a formal update to members on the work of the Wales Pension Partnership (WPP). It was noted that the report was now a regular report submitted to the Board and was a very important element of the Gwynedd Pension Fund where 85% of the fund had now been pooled.

It was reported that the Head of Finance and the Investment Manager represented the Fund in all the pool's meetings, and that the joint-working continued to work well on matters such as responding to freedom of information requests, voting and engagement and generally sharing good practice across the funds.

Attention was drawn to the funds, highlighting that the performance of the funds had been generally lower than the benchmark since the beginning, due specifically to the fact that the benchmark was challenging e.g. for the Sustainable Equity Fund the benchmark was the MSCI All Country World Index, which included all the companies, although the companies in which the Fund was able to invest were restricted. It was explained that the Global Growth Fund had been in existence for over five years and had under-performed the benchmark. As a result, Russell Investments had changed the structure of this fund and had changed the managers within the portfolio – Gwynedd's officers, the Fund advisers, Hymans Robertson and WPP officers would closely monitor the funds in future.

It was reported that new private market funds were in the process of being established, with an update to be shared when the performance of these funds had been received. Similarly, it was noted that the Partnership was setting up property funds and a discussion would be held with Hymans Robertson to discuss which option could be taken up.

Reference was made to the 'Fit for the Future' consultation launched by the UK Government which covered three key areas:

- Reform of the Local Government Pension Scheme asset pooling arrangements
- Boosting local investments
- Strengthening governance within the pension funds.

It was highlighted that a response to the consultation had been submitted by the Gwynedd Pension Fund along with a business case which suggested that the way forward for WPP was for Wales to retain an independent LGPS fund building on the success of existing pooling arrangements. It was explained that this could be done by

creating an investment company under the name 'IM Co'; the second option would be as a sub-partner or client in a pool under the management of larger funds, along with transitional costs. It was noted that if the Gwynedd Pension Fund wanted to continue to have a say in decisions, to shape investments to suit their profile and ensure investment in Wales, WPP would have to be developed into IM Co and while this would involve implementation costs, the situation had been forced upon us. It was hoped that the returns would remain strong and that ultimately the investment costs would decrease.

It was reported that Sioned Parry and Osian Richards had attended the meeting of the Chairs of the Pension Board for Wales on 1 April 2025. Reference was made to the comments conveyed at the meeting in favour of keeping WPP independent, and that officials were working extremely hard within a tight timeframe to respond to the demands of the review.

Thanks were given for the report

Observations arising from the ensuing discussion:

- Despite the costs, the initiative would be beneficial to Wales
- The effort to retain the independence of the Wales pool was welcomed
- There was a need to ensure that the process was commensurate to the need rather than an unwieldy, costly process to create change for the sake of change
- The original aim was to pool funds to save costs, but there was now a compulsion to spend to establish a company
- The UK Government had not acknowledged that the current arrangements were effective and acceptable, and yet were imposing the establishment of a company to be approved by the Financial Conduct Authority (FCA)
- A request for officers to share information about the forums that submitted observations during the consultation

In response to a question about the potential for long-term savings (although there was no reference to savings in the Business Plan) it was noted that in terms of very broad objectives, the costs of Investment Managers would be performance-dependent and therefore in the long term it was hoped that there would be a saving for Gwynedd (although there was no certainty at present). In response to a comment regarding the impact on staff resources and costs, it was noted that information regarding staff responsibilities had not been received. It was accepted that there was frustration that there were no formal costs to share, but any information received would be shared with Board members.

The information was accepted.

7. LGC INVESTMENT SEMINAR

Verbal feedback was received from Mr Hywel Eifion Jones who had attended the Seminar on behalf of the Board. He highlighted that discussions about reforming the Local Government Pension Schemes asset pooling arrangements had overshadowed the seminar, but it was also clear that there was more discussion this year around investing locally in Britain rather than global investment. It was added that there had been discussion sessions about the valuation and the emphasis on beginning the process early, and also a discussion on over-investment and reducing contributions. It was noted that there was a difference of opinion on this topic and that questions had arisen about how to deal with the issue.

Thanks were expressed for the feedback

8. ASSUMPTIONS SETTING FOR THE 2025 VALUATION

A report was presented by the Pensions Manager outlining the assumptions setting for the Gwynedd Pensions Fund's 2025 valuation. It was clarified that the report detailed the financial life expectancy, life expectancy, and other demographic assumptions that the Fund must make, and that these assumptions were set by the Fund's Actuaries following discussions and a training session with Officers, Committee Members and Board Members. It was highlighted that the relevance of the current assumptions had been considered before introducing changes that would reflect the Fund's specific characteristics and take a very long-term view. It was reiterated that the assumptions also adhered to LGPS guidelines which required prudence in the discount rate, while the other assumptions were best estimates.

In the context of financial projections, it was highlighted that there had been significant changes in economic conditions since the 2022 valuation, which included higher interest rates, higher than expected inflation, and more volatility in the market. It was noted that political and climate risk had also been mentioned as influential factors. It was emphasised that the discount rate (representing the average annual rate of future investment return), had seen a significant change in the economic environment since 2022, leading to higher expected future investment returns and funding levels, but also increased uncertainty. It was highlighted that the Actuary's recommendation was to increase the prudence level for the discount rate from 75% to 80%.

In the context of benefits increases and revaluation of the Career Average Scheme, linked to CPI, it was noted that the approach remained the same as the 2022 valuation, but reflected current inflation expectations. It was reported that the average level of future inflation on 30 November 2024 was 2.3% per annum (compared to 2.7% per annum in March 2022) and therefore it was recommended to offer salary increases at CPI + 0.5%, to reflect the uncertainty despite the current inflation expectations.

Reference was made to life expectancy assumptions, noting that the recommendation was to adopt a general assumption of 'default' improvement in the future, and with other assumptions such as demographic assumptions, the intention was to adopt assumptions based on an analysis of information from the Fund along with the Fund's actual membership experience

It was reported that the Pensions Committee, at a meeting on 17 March 2025, had adopted the forecasts.

Thanks were expressed for the report.

In response to a question about 'payment / contribution holiday' and whether this should be considered as a risk, it was noted that the Legislation was now being amended to prevent this. It was added that if any accepted assumptions needed to be reviewed in response to any situation that arose, that this was actionable and would be considered as prudent behaviour

A question was asked regarding the current market volatility and whether an interim valuation could be allowed; it was noted that this has been allowed in exceptional cases, but again, the intention was to amend the Act to prevent this.

Comments arising from the ensuing discussion,

- As the Fund was adequately funded, would it be wise to retain the current situation rather than reducing shares? In case things went wrong?

- The three-year valuation retained control over the employer's contribution – it was important to be aware of the situation and try to avoid a position of fluctuation.
- Important to hold discussions with major employers
- Request for the risk register to be submitted/updated by the next meeting
- Accept that these were forecasts and that it was difficult to have clarity without accurate figures - yet a balance needed to be struck

The information was accepted.

9. SUMMARY OF GENDER PENSION GAP ANALYSIS

The Pensions Manager submitted a report presenting the findings of a recent analysis conducted by Hymans Robertson on Gwynedd Pension Fund's membership data (2024/25 data) as part of a Gender Pensions Gap investigation, i.e. the difference between the retirement income of men and women. It was noted that the difference was measured based on the difference in wealth after retirement, including items such as property.

Reference was made to the key findings of the analysis which confirmed the existence of a Gender Pension Gap and disparity in the pension amounts of current pensioners and active Members. Attention was drawn to the factors which contributed to the gap, as well as the recommendations suggested to fully address the gap. It was noted, while accepting that there was a need to change and act on a national level, that it was also possible to implement some actions locally, with the employer, rather than the Pension Fund leading on these matters. The work that should be completed included reviewing policies such as the return-to-work policy, working patterns and working hours and better educating women on the implications of maternity leave.

It was highlighted, in line with the request of the Pensions Committee, that the matter would be included on the agenda of the next meeting of the Local Joint Advisory Committee.

Thanks were expressed for the report.

Observations arising from the ensuing discussion:

- Osian Richards (also a Member of the Local Joint Advisory Committee) expressed thanks for the report and welcomed the comprehensive details contained in it.
- The report was comprehensive and interesting and unfortunately reflected the overall pattern of pensions
- The recommendations and next steps were welcomed
- A suggestion that the report be shared with all the Fund's employers
- A suggestion for employers to conduct a survey among participants to seek more information and ascertain women's awareness of the differences

The information was accepted.

10. CONNECTING TO THE PENSIONS DASHBOARD

A report was presented by the Pensions Manager outlining Gwynedd Pension Fund's progress and plans for linking to the Pensions Dashboard. It was clarified that the Pensions Dashboard would allow members to view information about their pension in one place, enhancing transparency and engagement for planning for their retirement.

Attention was drawn to the connection timetable that included key dates to ensure that the work and connection were completed by the deadline of 31 October 2025. It

was reported that Heywood Pension Technologies had been appointed as an Integrated Service Provider (ISP) for the Pensions Dashboard Programme, acting as a bridge, connecting pension schemes and providers to the central digital architecture, ensuring data is securely shared.

In addition, it was reported that work was being done with Additional Voluntary Contributions (AVC) providers to ensure that this data was also connected to the Pensions Dashboard. This would involve coordinating with each AVC provider to confirm their connection methods and readiness. The Pensions Administration Standards Association (PASA) had provided a checklist and toolkit to assist with this process.

The Pensions Dashboard was considered to be a significant step forward in enhancing the service provided to the Fund's members with a clear timetable in force. The Investment Manager was confident that these demands and the deadline would be met. It was reiterated that updates on progress along with any further developments would be submitted to the next Board meetings.

Thanks were given for the report

Observations arising from the ensuing discussion

- It would be good to have the information in one place
- The Government has been discussing the work for years – pleasing to see that work was underway
- Welcomed the assurance that work would be completed within target
- The matter should be discussed again once the connection had been completed

The information was accepted.

The meeting started at 1:00pm and ended at 14:05pm