



Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSIONS COMMITTEE

Date and Time

2.00 pm, MONDAY, 16TH SEPTEMBER, 2024

Location

Virtual Meeting

NOTE

*** For public access to the meeting, please contact us***

Contact Point

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(DISTRIBUTED 10/09/24)

PENSIONS COMMITTEE

MEMBERSHIP (9)

Plaid Cymru (4)

Councillors

Iwan Huws
Ioan Thomas

R Medwyn Hughes

Elin Hywel

Independent (2)

Councillors

John Pughe Roberts

John Brynmor Hughes

Lib / Lab (1)

Councillor Stephen Churchman

Co-opted Members (2)

Councillor Robin Wyn Williams Isle of Anglesey County Council
Councillor Goronwy Owen Edwards Conwy County Borough Council

Ex-officio Members

Chair and Vice-Chair of the Council

AGENDA

1. APOLOGIES

To receive any apologies for absence

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

3. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so that they may be considered

4. MINUTES

5 - 9

The Chairman shall propose that the minutes of the meeting of this committee held on 17th June 2024 to be signed as a true record

5. FUNDING RISK UPDATE & 2025 VALUATION PLANNING

10 - 61

To receive an update from Richard Warden, the fund's actuary on the funding risks and planning for the 2025 valuation

6. GWYNEDD PENSION FUND'S FINAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024 AND RELEVANT AUDIT REPORT

62 - 132

To consider the auditor's report, approve the Statement of Accounts and authorise the Chair and Head of Finance to certify the letter

7. GWYNEDD PENSION FUND'S DRAFT ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2024

133 - 227

To receive and note the draft annual report

8. GWYNEDD PENSION FUND JGC UPDATE REPORT

228 - 277

To receive and note a quarterly update from Wales Pension Partnership

9. TREASURY MANAGEMENT 2023/24

278 - 281

To receive the report for information

10. HYMANS ROBERTSON NATIONAL KNOWLEDGE ASSESSMENT

282 - 283

To note the contents of the report and participate in the assessment

11. PENSIONS COMMITTEES

284 - 285

To approve the 2025 list of conferences

12. EXCLUDE PRESS AND PUBLIC

The Chairman shall propose that the press and public be excluded from the meeting during the discussion on the following item due to the likely disclosure of exempt information as defined in paragraph 12, Part 4, Schedule 12A of the Local Government Act 1972.

There is an acknowledged public interest in openness in relation to the use of public resources and related financial issues. It is also acknowledged that there are occasions, in order to protect the financial interests of public authorities that matters related to commercial information need to be discussed without being publicised. Publication of such commercially sensitive information would be inappropriate having regard to the legitimate interests of third parties and could undermine confidence to engage with the Council and therefore the Councils ability make decisions on behalf of the fund. This would be contrary to the wider public interest of securing value for money and the best overall outcome and for those reasons the matter should be exempt in the public interest.

13. INVESTMENT CONSULTANT TENDER PROCESS AND RESULT

To consider the report

(copy for Members only)

14. ACTUARIAL, BENEFITS AND GOVERNANCE CONSULTANCY SERVICES TENDER PROCESS AND RESULT

To consider the report

(copy for Members only)

15. ROBECO ENGAGEMENT SERVICE- ENGAGEMENT REPORT 01.01.2024 - 31.03.2024

To consider the report

(copy for Members only)

PENSIONS COMMITTEE 17-06-24

Attendance:

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

Officers:

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

Others invited:

Tony Deakin (Member of the Pension Board – observing)
Ben Hughes (Senior Auditor, Audit Wales)

1. ELECTION OF CHAIR

Resolved to elect Councillor Medwyn Hughes as Chair of this Committee for 2024/25

2. ELECTION OF VICE-CHAIR

Resolved to elect Councillor Elin Hywel as Vice-Chair of this Committee for 2024/25

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 19 March 2024 as a true record.

7. THE GWYNEDD PENSION FUND AUDIT PLAN FOR 2024

Ben Hughes (Audit Wales) was welcomed to the meeting.

A detailed Audit Plan for 2024 was presented, introducing the audit team together with fees and a timeline for auditing work intended to be completed during the year, in line with the statutory responsibility they held as external auditors. It was highlighted that the work of auditing the financial statements would be completed during July and August,

with the intention of submitting a report on the statements during September 2024. Attention was drawn to the significant risks of material misstatement, noting that this risk was included in all plans in Wales as part of Audit Wales' procedures. He thanked the staff for their effective collaboration with Audit Wales.

Members expressed their thanks for the report and to Ben Hughes for attending the meeting.

In response to a question regarding the risk of a financial misstatement and what additionally could be done to mitigate the situation, it was noted that Audit Wales were satisfied with the work and arrangements of the Gwynedd Fund, and that this risk was a general risk considered as part of the standards. The Head of Finance added that the Funds arrangements to mitigate this risk ensured that there were appropriate arrangements in place to report upon, such as approving decisions, having a whistleblowing procedure in place so that staff could report if they were under pressure to cut corners or not comply with the usual procedure.

During the ensuing discussion, an observation was noted that it would be beneficial in future to have an explanation of the risks in order to better understand the context and to include examples of what could go wrong.

RESOLVED:

To accept the Plan and note the information.

8. GWYNEDD PENSION FUND'S DRAFT ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2024

Submitted, for information, the report of the Investment Manager providing details of the financial activities of the Pension Fund during the year ending on 31 March 2024. It was highlighted that the (draft) accounts were subject to audit and the audit would be undertaken by Audit Wales.

It was reported that the accounts followed the statutory CIPFA format, with the guidance providing an interpretation of what was presented in the accounts.

It was expressed that the year had been very busy for the Fund with the implementation of the new strategic assets allocation and wider investment with the Wales Pension Partnership. Reference was made to a summary of the Fund account, drawing attention to a few variations as the contributions and benefits increased after employees received salary increases and as the pension increased with CPI. It was reiterated that there had been an increase in the management costs as the value of assets increased and as different types of investments had been introduced into the portfolio e.g. private credit.

It was explained that the fund's investment income had significantly increased and that equity investments had performed strongly, and as a result had generated a significant income. It was added that as part of the strategic assets allocation, more had been invested in the fixed income funds, with one new fixed income fund, the Global Credit Fund, with these investments having generated a significant interest income. It was noted that the investments had been used to reduce the fund's risk compared to equity investments, with the income more or less following interest rate patterns, and therefore it was reasonable that the income level had significantly increased.

It was highlighted that there had been an increase of approximately £300 million in the Fund's market value following the equity markets bouncing back after the impact of the ongoing war in Ukraine and high inflation.

The members expressed their thanks for the report

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

- The figures were to be welcomed
- The performance was good

In response to a question as to why there had been a significant reduction in the actuary fees, it was noted that this was because the fees were higher in 2022/23 due to the valuation period - this would be a recurring three-year pattern. In response to a supplementary question about control over the Wales Pension Partnership fee, it was noted that there was no control and that the Pensions Committee had approved the Business Plan that included the annual fees. It was also noted that there was more demand for support and that the requirements were more complex, which was reflected in the fees. It was also noted that the cost would be higher if Gwynedd was an individual fund.

In response to a question regarding an increase in debts, and whether it created a risk or established a pattern, it was noted that an increase was highlighted here solely due to the end of year timing. It was added that these were monthly debtors, not long-term debtors and therefore did not pose a risk to the situation.

RESOLVED to accept and note the Pension Fund's Statement of Accounts (subject to audit) for 2023/24

9. WALES PENSION PARTNERSHIP (WPP) UPDATE

The Investment Manager highlighted that the report was now a regular one that would be presented to Members, noting the latest information on the WPP's work. It was explained that the report would reconcile the information that every fund in Wales received, it would include the decisions of the Governance Joint Committee together with a standard quarterly update. Attention was drawn to a discussion in the Joint Committee meeting held in March 2024 that included the tendering process for property providers (the outcome to be announced imminently), together with the All Wales Climate report (available on the partnership's website) and the usual items (training plan and the business plan).

In the Operator's update, it was noted that all the Partnership's funds had now been established, and that Gwynedd's Fund was pooled in seven of them. Reference was made to the detail of the operator's work over the period and to any market conditions that had been monitored by them. Attention was also drawn to a performance analysis by sub-fund, which noted that the returns had been positive over 3 and 12 months, and that the figures were reflected in the value of Gwynedd's fund. It was also noted that a presentation had been made by GCM Grosvenor, the partnership's infrastructure allocator. It was reported that the Gwynedd Pension Fund had invested £3.6m up to 31 December 2023 with this asset management company, with this sum likely to increase significantly over time. There would be an opportunity for the Committee to meet these new infrastructure managers in the near future.

The members expressed their thanks for the report

RESOLVED to accept and note the quarter 3 update (up to 31 December 2023) of the Wales Pension Partnership, for information.

10. REVISED INVESTMENT STRATEGY STATEMENT

A report was presented by the Investment Manager that noted that the Fund was required to publish the Investment Strategy Statement (ISS), normally following the valuation. However, as part of the investment strategy, it was highlighted that there was a need to complete a follow-up review following the revised strategic asset allocation. It was reported that work was being undertaken jointly with Hymans Robertson to update this technical document, and attention was drawn to the cover report that highlighted the main changes that arose from the revised market conditions and their impact on the Gwynedd Fund's strategy. It was also noted that an opportunity had arisen to include the new pooling options that were available, specifically the wide range of possible private markets.

RESOLVED

To accept and adopt the revised Investment Strategy Statement.

11. LGPS POOLING SYMPOSIUM CONFERENCE 2024

A verbal update was provided by Councillor Goronwy Edwards and Councillor Iwan Huws who had attended the conference in April 2024.

It was reported that pooling was the main matter under discussion in the conference, which focused on how the pooling of local authority funds continued to evolve and what this would mean for the future. Information was provided about government guidelines regarding the benefits and risks involved with pooling. It was noted that the conference had been a good opportunity for attendees to network and share best practice.

RESOLVED

To accept and note the information

12. 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 had been appointed to respond to the demand in this service and as a result the performance had improved e.g., although the number of cases had 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 were accurate and complete for the dashboard.

Attention was drawn to the Service satisfaction survey which was sent to Members at the end of each process 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 agreed or agreed that the quality was of a high standard).

Reference was made to the success and popularity of the 'My Pension On-line' website and highlighted that many members visited the site each day, and approximately 20,000 had signed up for the service to date. It was noted that the Service contacted employers to encourage their staff to transfer gradually so that any situation that may arise could be dealt with - it was hoped to complete the work by the end of summer 2024.

It was noted that a new version of the self-service website had been launched on 10/04/2024. The service would contact employers to ask them to encourage staff to transfer gradually to the new site so that any situation that may arise could be dealt with - it was hoped to complete the work by the end of summer 2024.

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. Furthermore, it was noted that software was now 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 related to 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:

- Staff were congratulated on the performance - the figures were excellent
- The new on-line system was easy to use
- 99% of the users strongly agreed or agreed that the quality of the service received was of a high standard - which created a feeling of pride.
- The report was comprehensive, and the results were extremely positive.

RESOLVED to accept the report for information.

13. 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.

14. ROBECO ENGAGEMENT SERVICE – ENGAGEMENT REPORT 01/10/23 – 31/12/23

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

The contents of the report was discussed

RESOLVED to accept and note the contents of the report

The meeting commenced at 14:00 and ended at 14:55

MEETING	PENSIONS COMMITTEE
DATE	16 SEPTEMBER 2024
TITLE	FUNDING RISK UPDATE & 2025 VALUATION PLANNING
PURPOSE	Update from Richard Warden, the fund's actuary on the funding risks and planning for the 2025 valuation.
RECOMMENDATION	For information only
AUTHOR	Meirion Jones, Pensions Manager

1. Introduction

To help with the planning for the 2025 valuation, our actuary have prepared a paper that focusses on funding risks in the current environment and what options are available to manage these risks and to capitalise on any opportunities at the 2025 valuation. A copy of this paper can be seen in **Appendix A**.

2. Content of the paper

The paper includes commentary on:

- Funding update - how has the funding position evolved since 2022, what are the key drivers and important messages to take away.
- Current funding environment – how has the economic shift affected expected future returns and inflation and what does this mean for the fund.
- Key funding risks – what is the latest position on key funding risks such as longevity, climate and employer covenant and what should the fund be thinking about over the pre-valuation planning period.
- 2025 valuation planning – with the valuation less than 12 months away, what options should be considered now to create more space for decision-making and remove bottlenecks in the valuation year.

3. Presentation

Richard Warden, the fund's actuary, will present key findings from the paper at the committee meeting.

Gwynedd Pension Fund

Funding risk update & 2025 valuation planning

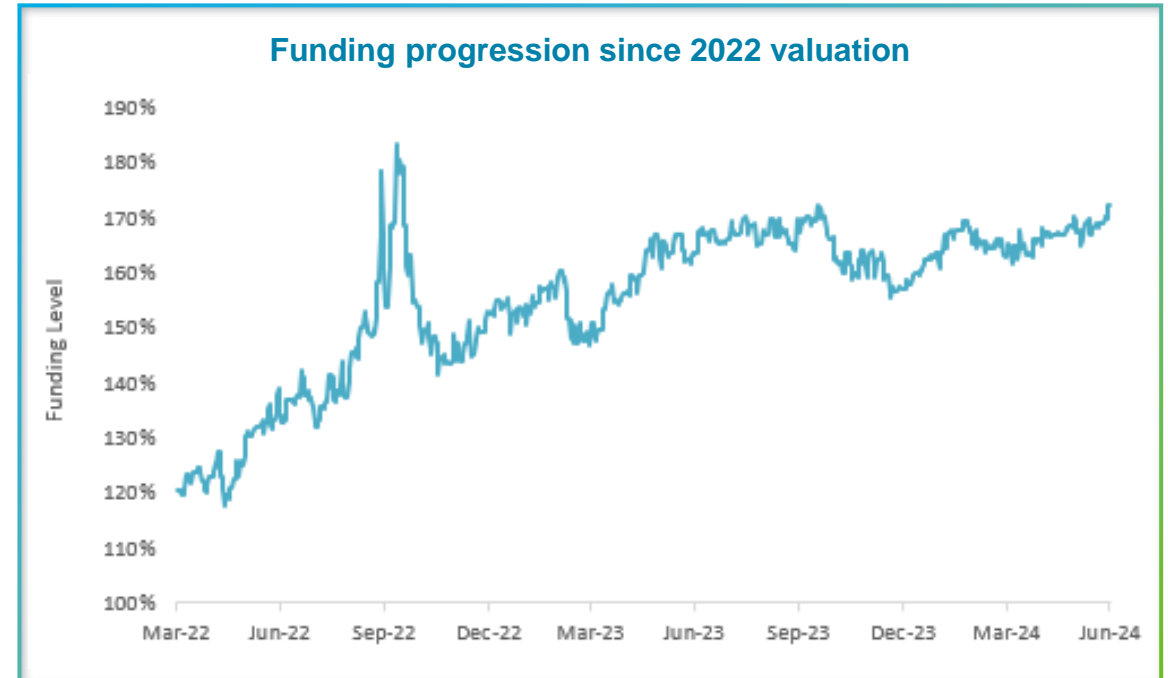
Richard Warden FFA



Executive summary

To help manage risk, the Fund carries out regular funding and risk monitoring between valuations. Since the 2022 valuation there has been a significant shift in the economic environment meaning the LGPS is now facing new risks and opportunities which increases the importance of robust risk management. This report has been prepared for Cyngor Gwynedd as Administering Authority to the Gwynedd Pension Fund (the Fund) to help its stakeholders understand how changes in the funding environment has impacted the Fund and to aid funding strategy planning discussions in preparation for the 2025 formal valuation.

- The funding position of the whole fund at 30 June 2024 is now 171% (compared to 120% at the 2022 valuation). The likelihood of the Fund achieving the required future investment returns needed to be fully funded has also risen to 93% (from 83%).
- This improvement has been largely driven by an improved investment outlook due to a sharp rise in global interest rates.
- Employer funding positions have seen similar improvements. This is potentially very meaningful, for any employers approaching exit; however for many employers, having stable contributions over the longer term may be a more important objective.
- Short term inflation has been high since 2022, with pension increases of 10.1% (2023) and 6.7% (2024). Inflation has recently fallen back to close to the Bank of England's target of 2%, although there remains uncertainty over future forecasts.
- Whilst the improved funding position is good news for the Fund, there remains uncertainty in financial markets, and material risks facing LGPS funds. Early planning for the 2025 valuation will be important to help the Fund manage any changes to its funding and investment strategy in the current environment.



Changes in the funding environment

Investment outlook

Investment returns since the 2022 valuation have been positive, with the Fund achieving a return of c.11.0% over the period from 31 March 2022 to 30 June 2024. This is only slightly higher than the Fund’s investment return assumption (at the valuation) of 4.1% pa. meaning actual investment performance has not been the key driver of the funding improvement since 2022.

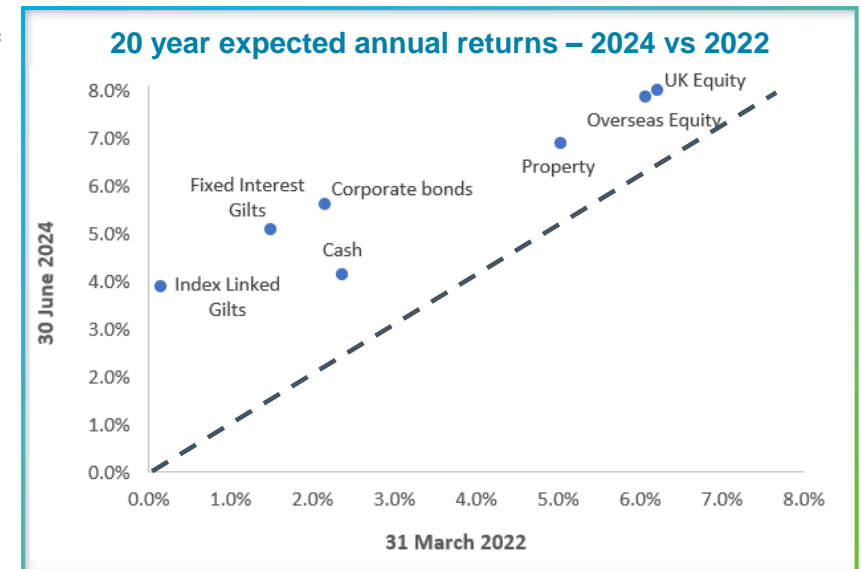
As shown in the chart, expectations of *future* investment returns are now significantly higher than at the 2022 valuation for all asset classes, largely due to the sharp rise in global interest rates (which had previously been at historic lows). In the case of the UK, the Bank of England base rate has increased from 0.75% at March 2022 to 5.25% at June 2024. If investors can get a higher return on cash and other lower-risk assets, it follows that the return on riskier assets, such as equities, should also increase. This is the approach within our Economic Scenario Service model ([Appendix 4](#)).

To put this into context, at 31 March 2022 we estimated that the Fund’s investments would return 4.1% pa with a 75% likelihood of success. At 30 June 2024, we now estimate that the Fund will achieve a much higher investment return of 6.0% pa with the same 75% likelihood.

Higher future expected investment returns lead to a lower value being placed on the Fund’s liabilities. In other words, this means that the improved funding level is reliant on higher income from future investment returns, which may be a reason to be cautious when setting contribution rates at the 2025 valuation.

What can the Fund do to manage investment risk?

- Consider the Fund’s beliefs about the investment outlook and whether it should increase the level of prudence adopted in the future expected investment return assumption at the 2025 valuation to manage increased future uncertainty.
- Explore different combinations of investment strategy to understand what they mean for the likelihood of the Fund requiring additional future contributions.



The improvement in funding level is being driven by the promise of greater *future* investment returns rather than investment returns actually earned by the Fund.

High inflation

Inflation is a key risk for pension funds to manage. Higher inflation increases the cost of benefits, which increases longer term funding costs but also has an immediate impact on shorter term cash flow (pensions in payment). Since the 2022 valuation, inflation has risen sharply, with pensions increasing by 10.1% (in 2023) and 6.7% (in 2024) which has increased liabilities (in isolation). However, this has been more than offset by central bank reaction to increase interest rates - which has led to higher expected future investment returns, reducing liabilities.

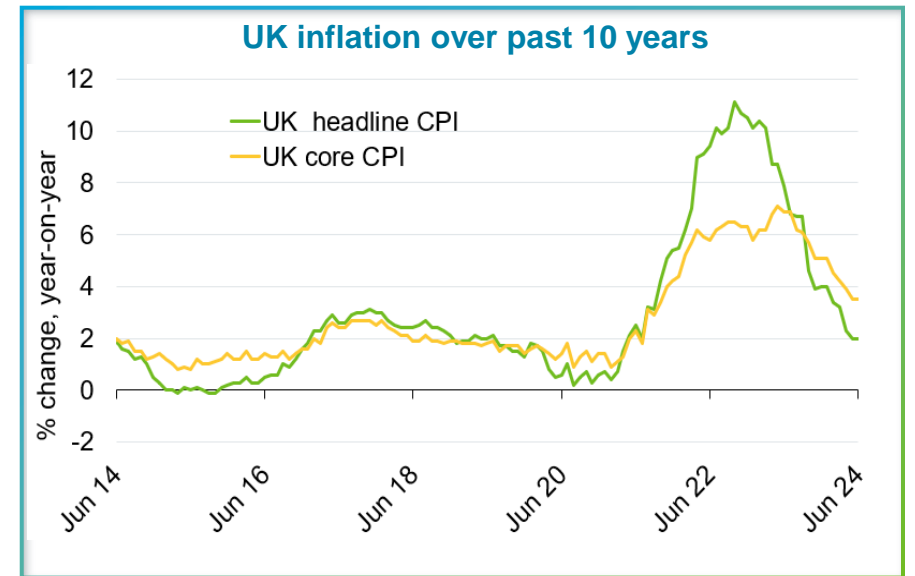
Recent inflation trends & forecasts

- UK year-on-year headline CPI slowed meaningfully, returning to the BoE’s 2% target for the first time in almost three years in May, and remained at 2% in June.
- However, the recent decline was still slightly smaller than expected and is largely due to declines in energy prices and their interaction with the Ofgem energy price cap.
- Core CPI, which strips out volatile components like energy and food prices, has also slowed but, at 3.5% year on year, highlights stubborn underlying inflation pressures. This is further illustrated by services CPI which, though slowing, remained at 5.7% year on year.
- Latest consensus forecasts expect year-on-year headline inflation in the UK to re-accelerate somewhat in the second half, averaging 2.6% over the course of 2024 before slowing in 2025 to an average pace of 2.3%.
- Medium-to-long-term consensus expectations are for UK inflation to stay slightly above the BoE’s target. Forecasters point to a range of plausible reasons why inflation, and interest rates, might be higher over the medium term. These include expectations of more persistent labour shortages and a greater prevalence of supply shocks.

Higher inflation is a risk for pension funds. For example, if the long-term pension increase assumption was 1% pa higher, this will reduce the funding level by around 20%

What can the Fund do to manage inflation risk?

- Regular monitoring of inflation during periods of volatility is important. The Fund should consider both the short and longer-term impacts on their funding and investment strategies.
- If the strong funding position persists at the 2025 valuation, the Fund may choose to retain a funding cushion to help manage uncertainty surrounding inflation forecasts.
- Consider the Fund’s beliefs about future inflation and carry out modelling to understand the impact of inflation risks on funding and cashflow.



Source: Datastream



Funding update

What has happened since the 2022 valuation?

The Fund’s past service funding level has significantly improved since the 2022 valuation, rising to 171% (from 120% at 2022). The Fund now has a surplus of around £1.3bn at 30 June 2024 (compared to a surplus of c£0.5bn at 31 March 2022), which has been driven by significant changes in the financial markets.

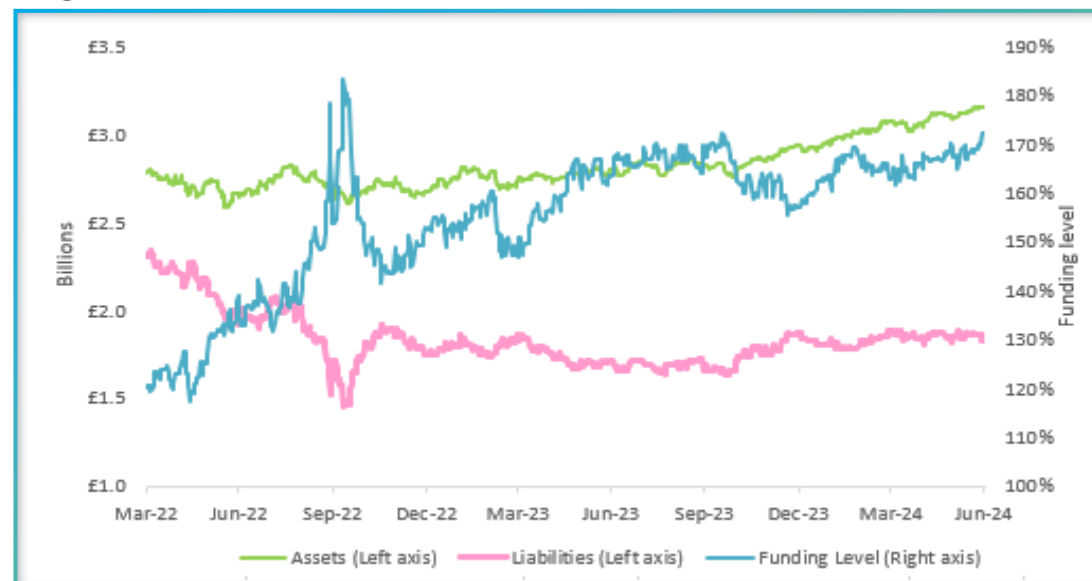
How have assets changed?

The Fund’s asset value has remained relatively stable since the 2022 valuation, although there continues to be volatility (see **green line** in chart). Investment markets have seen headwinds leading to lower-than-expected returns on the Fund’s investments to 30 September 2023. However, investment returns have been stronger over the last few quarters, so the Fund is now holding slightly more assets than it did at the 2022 valuation.

How have liabilities changed?

Asset return expectations have risen since the 2022 valuation, in part due to the rise in global interest rates, which has led to the liability reduction (**pink line**) observed since the 2022 valuation. This effect has been offset, partially, by the effect of inflation being higher than expected at the 2022 valuation.

The significant improvement in funding level (**blue line**) is being driven by the expectation of higher future investment returns, despite inflationary pressures and only modest investment returns since the 2022 valuation



Being over 100% funded is generally good news, however there are limitations to the usefulness of the funding level metric because it is based on a single set of assumptions about the future and asset values at a single point in time. It also only recognises benefits earned to date (“past service”) and not the cost of future benefits. The Fund therefore needs to consider the risk inherent in their funding strategy and their beliefs about the outlook for investment returns before taking action to manage any surplus.

The sharp increase in headline funding level will inevitably lead to various stakeholders seeking to understand what it may mean to them.

Funding level versus investment return assumption

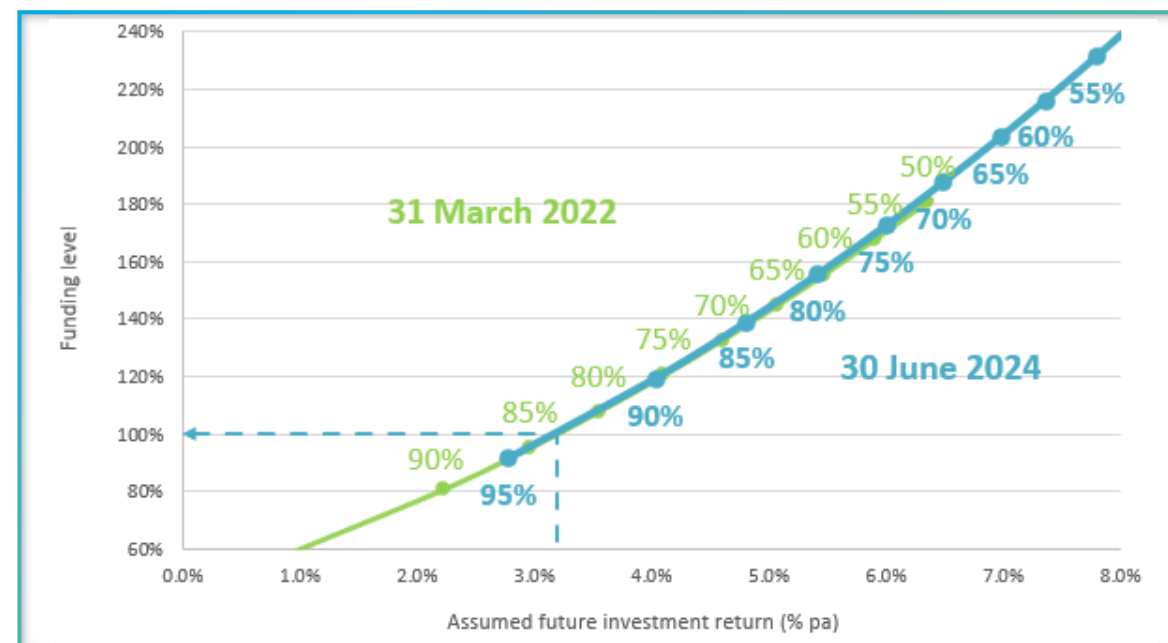
The Fund's funding level of 171% as at 30 June 2024 has been calculated using a future investment return assumption which has a 75% likelihood of being achieved. This is in line with the Fund's Funding Strategy Statement, allowing for updated market conditions. However, this reported funding level is extremely sensitive to the return assumption adopted.

The chart shows how the Fund's funding level varies with the future investment return assumption adopted, comparing the position at 31 March 2022 (green line) with the updated position at 30 June 2024 (blue line). The percentages next to each point on the chart show the likelihood of the Fund's investment strategy achieving that return. From the chart we can see that:

- The future investment return required to be 100% funded remains at 3.2% pa, same as the 2022 valuation (which is why the green and the blue lines are on top on each other). In effect, we require the Fund's investments to return at the same level as we did at 2022.
- However, the likelihood of achieving any given future investment return is higher than it was at the 2022 valuation. For example, there is now a 93% chance of the Fund achieving the investment returns needed to be 100% funded, compared to 84% at the 2022 valuation.

This highlights that the improvement in funding position is not a result of the Fund holding more assets today. Rather, this has been driven by higher expected future investment returns due to the change in economic environment since the last valuation.

The effect of market volatility may lead to reductions in asset return expectations in the short term. To reflect any concerns about market volatility, additional prudence may be factored into funding plans via the level of assumed future investment return, which all else being equal would reduce the level of surplus in the Fund.



Required return of 3.2% p.a. has a 93% likelihood of being achieved at 30 June 2024

The Fund is now more likely to have sufficient assets to meet earned benefit payments than at the previous valuation. However, this is due to higher return expectations, not because the Fund holds more assets.

Employer funding and contributions

The Fund is composed of around 50 active employers. Each of these employers will have its own funding objective depending on the type of employer and their participation.

Given this diversity of employers it is important to understand and monitor employer risks. At 30 June 2024 the funding position has improved for all employers. This change in funding will be different for each employer depending on their membership (but similar to the Fund improvement for most).

The majority of employers are now fully funded (>100%) on the Fund's ongoing basis. Whilst this is good news for the Fund (and employers), this is not the endgame for employers who continue to participate and accrue benefits in an open scheme

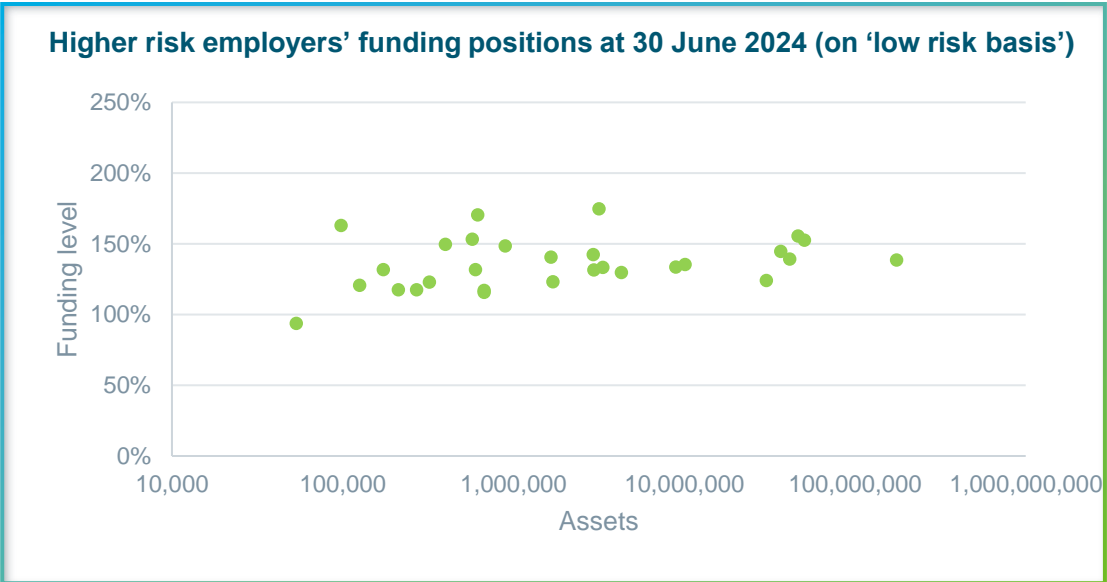
Higher risk employers

Employers with no tax raising powers or guarantee are typically viewed as 'higher risk'. If these bodies were to exit the Fund, their exit payment would be valued on the Fund's 'low risk' basis which allows for more prudence. At 30 June 2024, the aggregate position of the higher risk employers (on the Fund's low risk basis) is now 143% (compared to 74% at the 2022 valuation). Each individual employer position will be different, but in general will have improved, with most now >100% funded on the Fund's low risk basis (see chart opposite).

Impact on contributions

Employer contributions are set at the triennial funding valuation. If the current economic environment persists through to the 2025 valuation, there will likely be downward pressure on both primary and secondary contributions as a result of higher expectations of future investment returns and strong past-service funding positions.

The Fund may need to consider options for managing employer surplus ahead of the 2025 valuation. In particular, the Fund may need to consider how to manage high levels of surpluses and increased volatility and uncertainty in the economic environment within its funding and investment strategy, and effectively communicate its approach to employers.



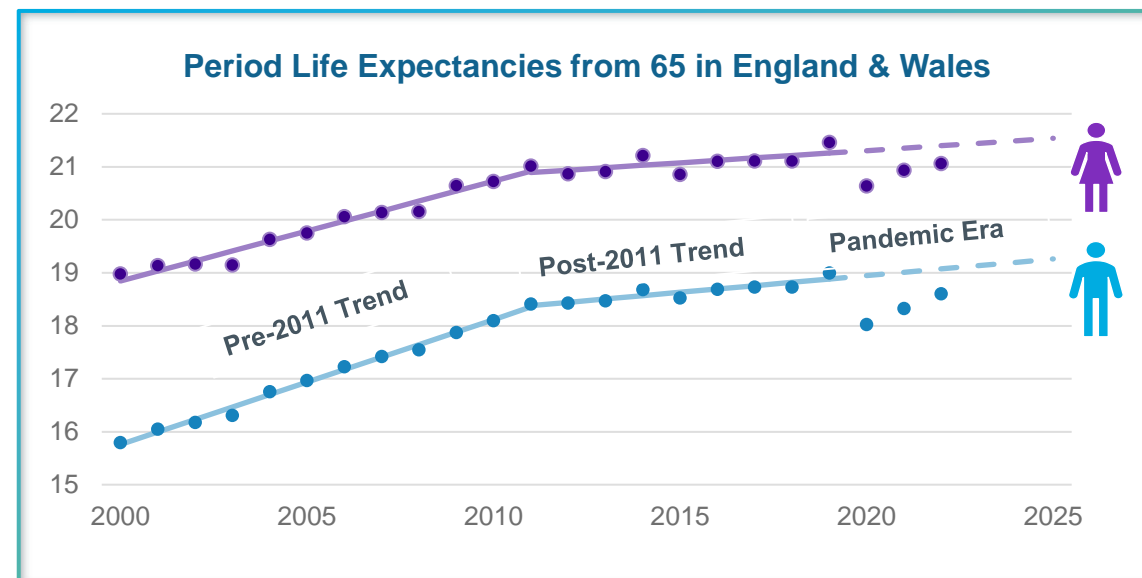
Key funding risks update

Longevity risk

Understanding demographic trends and setting appropriate mortality assumptions is key to managing longevity risk. The impact of an increase (or decrease) of 1 year of life expectancy decreases (increases) the funding position by around 4%. The Fund uses Club Vita longevity analytics which take account of the socio-economic profile and regional concentration of the Fund.

Recent longevity trends

- The Covid-19 pandemic led to increased deaths during 2020 and 2021. Excess deaths continued in 2022 (and into 2023) but the cause of excess deaths is less clear cut.
- The question facing pension funds now is: to what extent should we allow for this pandemic era data? Is this recent experience representative of the future or will it be short lived?
- Evidence for making an allowance for post-pandemic 'excess deaths' is now higher due to mortality experience in 2022 (and 2023).
- Club Vita estimates that during 2022, mortality was around 6% higher in England & Wales than we might have expected based on pre-Covid-19 mortality rates.
- However, the LGPS appears to be bucking the trend. Initial indications from Club Vita are that **excess mortality rates during 2022 were significantly lower for LGPS pensioners than for the overall population.**
- Analysis also shows that some areas of the UK have been hit harder during the pandemic and the post-pandemic period than others making it important to capture regional differences.



Source: CMI_2022 model. Life expectancies calculated using projected qx rates, using calibration data, with W_{2020} through W_{2022} set to 100% and S_x set to 0%.

What can the Fund do to manage longevity risk?

The Fund's longevity assumptions will be reviewed at the 2025 formal funding valuation. As part of this review the Fund should consider its beliefs around future improvements.

With increased uncertainty on the lasting impact of the pandemic and future longevity, the Fund may choose to maintain a funding cushion to help manage uncertain outcomes.

Climate risk

Climate change is now widely regarded as one of the main sources of risk for pension schemes, with potential implications for future inflation, investment returns and longevity. Scenario testing is an effective way for LGPS funds to test how resilient funding strategies are to climate risk.

2022 valuation scenario testing

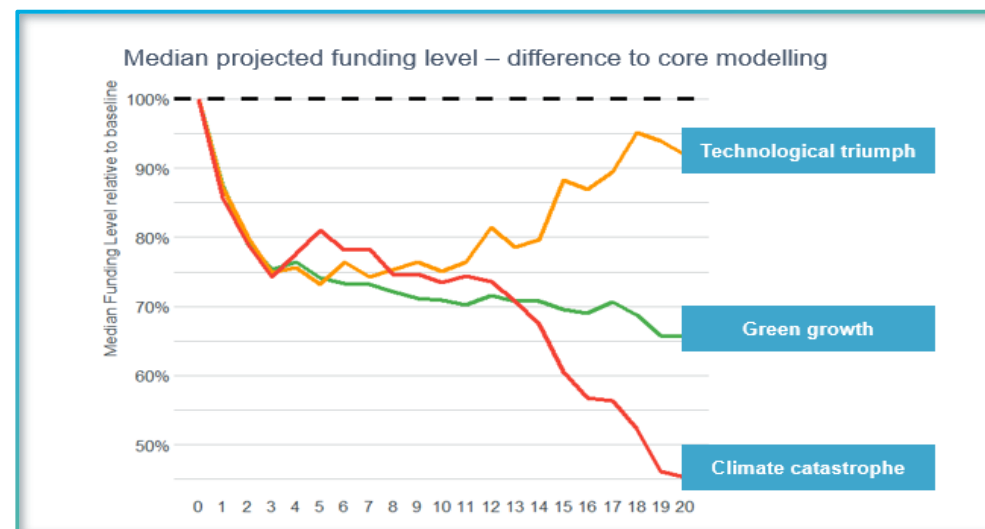
- At the 2022 valuations, scenarios were chosen representing broad possibilities for how the world might respond to climate change – ‘green revolution’, ‘delayed transition’ and ‘head in the sand’.
- Despite imposing significant stresses and big increases in volatility, the impact on risk metrics of these three scenarios was quite modest.

Importance of considering ‘bad’ outcomes

- Climate change has the potential to make extreme outcomes more likely. It is therefore particularly important to consider catastrophic outcomes when assessing the impact of climate risk.
- New, ‘extreme’, scenarios (complementing the existing scenarios) are now available allowing the Fund to assess the impact of catastrophic outcomes on funding strategies.
- One example of catastrophic outcomes is a failure of global food supply resulting in an estimated 18-36% loss in global crop losses. Ultimate outcome could be trade wars, asset shocks and mortality impacts.
- The graph illustrates the impact of three outcomes: ‘Green growth’ considering collaborative regeneration, ‘Technological triumph’ looking at a tech-driven recovery and ‘Climate catastrophe’ where little action is taken.
- Modelling narrative-based downside risks helps to better align the Fund’s funding strategy with climate beliefs.

What can the Fund do to manage climate risk?

- Ahead of the valuation the Fund can review its approach to managing climate risk, including setting objectives, capturing views and beliefs of all stakeholders and agreeing scenarios to model.
- Output from modelling (core plus extreme scenarios) can be used to aid funding strategy and to stress test key risk metrics



Source: Sample pension fund

Employer covenant

Although the recent improvement in funding is good news, employers continue to face a wide variety of challenges from the evolving economic, demographic and regulatory environment. Higher inflation, interest rates and pay awards are all putting pressure on organisations.

The Fund should continue to monitor employer covenant as part of its risk management framework.

The key covenant risks for each employer are:



- Ability and willingness to make contributions – are there competing demands on cash or any cashflow concerns?
- Likelihood of exit – are there any organisational or external pressures that may result in the employer exiting the LGPS?
- Outcome on exit – what is the outcome for the pension fund? Are there other secured or unsecured creditors?

Improved LGPS funding



Against the backdrop of improved funding positions funds may now be facing new questions and challenges from employers such as:

- Their approach to risk and investment strategy
- Employers exiting the scheme and possible exit credit payments
- Contribution flexibility

What can the Fund do to manage employer covenant risk?

- Whilst the recent improvement in funding will lessen the solvency risk posed to the Fund in potential outcomes on exit, it is important to consider all covenant risks to help manage other risks such as administration, cashflow and reputational.
- Ahead of the 2025 valuation, the Fund should monitor employer covenant risk to ensure appropriate risk categorisation and early engagement with employers.
- The Fund should consider its holistic approach to covenant and funding strategy, including consideration of how employer risk categorisation may impact funding strategy decisions.

2025 valuation planning

Preparing for the 2025 valuation

The analysis in the funding update section highlighted that the fundamental funding position of the Fund (amount of assets per £ of future pension to pay out) has not materially changed since the last valuation. However, there has been a significant change in the economic environment, which means that the Fund may now be facing new risks and opportunities at the 2025 valuation. The nature of these risks and opportunities will depend on the Fund's beliefs about what the new economic environment means for future investment returns. These are further discussed in our [standalone paper¹](#) but can be broadly summarised as future returns will either be at a similar level to that assumed at the last valuation or, due to the change in interest rate environment, future returns will be higher.

Once the Fund has considered their beliefs in this area, with the valuation less than 12 months away, it should start to work through what these mean for its funding and investment strategy in the new economic environment. This will focus typically focus on four key areas:



1. Employer contributions



2. Investment strategy



3. Prudence levels



4. Surplus retention

Seek to balance employer affordability with long term sustainability

Preparing for the 2025 valuation

1. Employer contributions



Given the current cost pressures facing employers, there may be a desire for contribution rate reductions at the 2025 valuations. These expectations may also have been amplified by recent comments for employer advisors. However, the Fund will need to consider:

- **Difficulty of future increases** - The relative ease of reducing contributions versus increasing them. Even if a reduction is only for some short-term relief, it can quickly become the level that employer budgets could anchor on, meaning future required increases are harder to implement.
- **Long term cost of scheme** - What is a long-term stable cost of the LGPS, and are current contribution rates higher or lower than this? If an employer is already paying less than this cost, is it realistic to reduce further?
- **Intergenerational fairness** - Which generation are you being fair to by reducing contributions? The current generation have implicitly supported contribution rate increases over the last 20 years. Or does a reduction place too much risk of future contribution rate increases on future generations?
- **Stabilisation** – How does this interact with the Fund's contribution stability mechanism and are the employers committed to the long-term benefits of stability? Employers have been “underpaying” during the bad times of the last decade, whereas many may now be “overpaying” in the good times to deliver stable long-term contributions.

2. Investment strategy



The change in economic environment and your beliefs about future investment outlook will have a material impact on any changes you make to the investment strategy at the 2025 valuation.

For example, if you think your assets such as equities, property or infrastructure are not going to be able to achieve the market's current long-term risk-free rate of return (currently around 4% pa), should you be taking all that investment risk? The new economic and return environment may also offer opportunities to invest in different asset classes which haven't previously been considered.

Other aspects to consider with the investment strategy at the 2025 valuation are:

- Are there any opportunities to use the investment strategy to further increase the long-term stability of contribution rates for the long-term benefit of employers?
- Are there any opportunities to help reduce funding balance sheet volatility where it matters for a select group of employers?
- If contributions are reduced, what does this do to the cashflow profile of the Fund, and does it affect how the investments are used to manage cashflow?

Preparing for the 2025 valuation

3. Prudence levels



There is risk inherent with funding for a guaranteed pension amount which is inflation-linked and funded via investment in return-seeking assets. You can never have 100% certainty and must accept some element of risk in the funding strategy. The question is how much, i.e. how prudent are you going to be?

Each LGPS fund will have their own views on how prudent they want to be. And this can change over time. For example, at the 2019 valuation many funds increased the prudence in the funding strategy in light of uncertainty around the benefit structure due to McCloud and the Cost Cap valuation.

At the 2025 valuation, the Fund should review the prudence levels in the funding strategy to explore:

- If the funding position remains strong, could this be used to increase prudence levels? This additional prudence could then be used to help manage any impact on contribution rates if there are poor funding outcomes in the future.
- Do the current market conditions, and increased levels of volatility and uncertainty, warrant mitigation and management by increasing prudence?

4. Surplus retention



An alternative approach to increasing prudence is explicitly retaining any funding surplus before changes to the funding plan are granted (ie contribution rate reductions). For example, the Fund could:

- Only permit rate reductions if an employer is above a certain funding level threshold. The threshold would be higher than 100% funded.
- Require all open employers to pay at least their primary rate so future benefits are being adequately funded.
- Seek to retain a certain level of surplus in the long-term so both current and future generations can benefit from the surplus. This would involve increasing the long-term funding target for employers to above 100%

Early engagement and planning for the 2025 valuation will be key to successful outcomes

What can the Fund do ahead of the 2025 valuation to prepare?

Risk management

There may be individual sources of uncertainty and volatility in the funding plans that could warrant explicit management or mitigation via the funding and investment strategy. Examples could include:

- **Inflation** being higher and/or remaining elevated longer than expected (LGPS benefits are index-linked so this would increase the cost of benefits).
- **Salary increases** being higher than expected would increase the value of those benefits still linked to final salary at retirement. Conversely, lower than expected salary increases would reduce the Fund's contribution income and potentially affect the cashflow position and management of it.
- **Longevity** being materially different from current expectations. Higher than expected increases in longevity would put upward pressure on the Fund's liabilities. The Fund could also be exposed to a deterioration in longevity if it is symptomatic of an unhealthier population, which would increase the occurrence of ill-health retirements and death-in-service, both of which typically result in funding strains.

The Fund should consider the risks inherent in its funding and investment strategies and consider the implementation of risk management tools to seek to hedge some or all of the risk.

Key actions

- **Start planning** – it is important to start conversations with stakeholders well ahead of the valuation to plan effectively.
- **Monitor employer funding and covenant risks** and engage early with higher risk employers, or those with specific circumstances (eg approaching exit).
- **Seek to engage with all employers** in advance of the valuation to build up the appropriate messaging around funding in a surplus environment and any changes in policies.
- **Consider options for funding and investment**, such as prudence levels, maintaining a funding 'buffer' or changing investment risk (in addition to potential changes to contributions).
- **Carry out contribution modelling** for the secure, long-term employers to inform budget setting and financial planning

Summary and next steps

Risk monitoring and valuation planning best practice

As we approach the 2025 valuation, LGPS funds are now facing new challenges within a new economic environment. Planning and stakeholder engagement will be key to successful outcomes and funds should continue to refine their approach to managing risk within this evolving landscape.

Key considerations and next steps



Funding: continue to monitor the funding position and understand the key drivers of change. Consider the messaging of the funding position and what this means for different stakeholders.



Review funding and investment strategy: carry out modelling of longer-term secure employers and consider investment strategy options and implications of climate risk.



Employers: monitor employer funding and seek to engage early with higher risk employers or those approaching exit. Consider employer covenant as a factor within the risk framework and where employer contribution flexibility may be afforded.



Risk monitoring and mitigation: consider the Fund's views on inflation, longevity and climate risks, and whether additional prudence may be required in future assumptions or funding plans. Carry out modelling to understand the impact of future inflation (and potential contribution reductions) on the Fund's future cashflows.



Beliefs: identify your Fund's beliefs about what the current economic environment means for future investment returns and consider what that means for contribution rates, investment strategy, prudence levels and any surplus retention.



Surplus management: develop the Fund's policy on surplus management and consider the best use of funding levers at the 2025 valuation.

Valuation strategy and planning: before 31 March 2025

Strategy

- Beliefs setting including views on economic outlook, climate & longevity
- Council contribution analysis and setting
- Assumptions analysis and setting

Stakeholders

- Committee knowledge assessment and training
- Employer engagement and 'early warning'
- Covenant assessments

Operational

- Agreeing timetable/plan
- Data cleansing
- Employer 'housekeeping' and database
- Policy/FSS reviews

Earlier planning allows more time for engagement, analysis and decision-making



Appendices

APPENDIX 1

Data

Membership data

The membership data underlying the figures in this report was supplied by the Fund for the purpose of the valuation at 31 March 2022 and is summarised below:

31 March 2022				
	Number	Average age	Accrued benefit (£000)	Payroll (£000)
Actives	18,435	51.4	62,701	305,475
Deferred	20,964	50.2	22,521	
Pensioners	11,335	68.7	54,576	

The membership is assumed to evolve over time in line with the demographic assumptions described in the Funding Strategy Statement. Please see Appendix 3 for details of the roll-forward methodology which includes the estimated changes in membership data which have been allowed for.

Cashflows since the valuation at 31 March 2022

We have allowed for the following cashflows in estimating the assets and liabilities at 30 June 2024. Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2022. Benefits paid are projections based on the membership at 31 March 2022.

Cashflows since the valuation at 31 March 2022

We have allowed for the following cashflows in estimating the assets and liabilities at 30 June 2024. Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2022. Benefits paid are projections based on the membership at 31 March 2022.

Estimated cashflows (£000)	31 March 2022 to 30 June 2024
Employer contributions	141,968
Employee contributions	46,370
Benefits paid	153,570

Investment returns since the valuation at 31 March 2022

Investment returns are based on actual returns where available and index returns otherwise.

	Actual / Index	From	To	Return
Whole fund	Actual	1 April 2022	30 June 2024	11.04%

APPENDIX 2

Assumptions

Financial assumptions

The financial assumptions used to calculate the liabilities are detailed below. For further details please see the Funding Strategy Statement.

Assumption	31 March 2022	30 June 2024
Funding basis	Ongoing	
Discount rate methodology	Expected returns on the Gwynedd Pension Fund strategy over 20 years with a 75% likelihood	
Discount rate (% pa)	4.1%	6.0%
Pension increase (% pa)	2.7%	2.3%
Salary increases* (% pa)	2.7%	2.3%

*Salary increases are assumed to be equal to pension increases, plus an additional promotional salary scale.

Demographic assumptions

Demographic assumptions are set out in the Funding Strategy Statement. All demographic assumptions, including longevity assumptions, are the same as at the most recent valuation at 31 March 2022.

Life expectancies from age 65, based on the fund's membership data at 31 March 2022, are as follows. Non-pensioners are assumed to be aged 45 at that date.

Life expectancy (years)	Ongoing basis	
	Male	Female
Pensioners	21.1	24.0
Non-pensioners	22.3	25.9

APPENDIX 3

Technical information

Funding update methodology

The last formal valuation of the fund was carried out as at 31 March 2022. The results in this report are based on projecting the results of this valuation forward to 30 June 2024 using approximate methods. The roll-forward allows for

- estimated cashflows over the period as described in Appendix 1;
- investment returns over the period as described in Appendix 1;
- changes in financial assumptions as described in Appendix 2;
- estimated additional benefit accrual.

The CARE, deferred and pensioner liabilities at 30 June 2024 include a total adjustment of 11.4% to reflect the difference between actual September CPI inflation values (up to 30 September 2023) and the assumption made at 31 March 2022. The adjustment for each year's actual inflation is applied from 31 October that year, cumulative with prior years' adjustments, which may lead to step changes in the funding level progression chart.

In preparing the updated funding position at 30 June 2024 no allowance has been made for the effect of changes in the membership profile since 31 March 2022. The principal reason for this is that insufficient information is available to allow me to make any such adjustment. Significant membership movements, or any material difference between estimated inputs and actual ones, may affect the reliability of the results. The fund should consider whether any such factors mean that the roll-forward approach may not be appropriate.

No allowance has been made for any early retirements or bulk transfers since 31 March 2022. There is also no allowance for any changes to Local Government Pension Scheme (LGPS) benefits except where noted in the formal valuation report or Funding Strategy Statement.

Sensitivity of results to assumptions

The results are particularly sensitive to the real discount rate assumption (the discount rate net of pension increases) and the assumptions made for future longevity.

If the real discount rate used to value, the accrued liabilities was lower than the value placed on those liabilities would increase. For example, if the real discount rate at 30 June 2024 was 1.0% pa lower, then the liabilities on the Ongoing basis at that date would increase by around 21%.

In addition, the results are sensitive to unexpected changes in the rate of future longevity improvements. If life expectancies improve at a faster rate than allowed for in the assumptions then, again, a higher value would be placed on the liabilities. An increase in life expectancy of 1 year would increase the accrued liabilities by around 3-5%.

APPENDIX 4

Economic Scenario Service (ESS)

The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class e.g. UK equities. This approach is also used to generate future levels of inflation (both realised and expected). The ESS is also designed to reflect the correlations between different asset classes and wider economic variables (e.g. inflation).

In the short-term (first few years), the models in the ESS are fitted with current financial market expectations. Over the longer-term, the models are built around our long-term views of fundamental economic parameters e.g. equity risk premium, credit-spreads, long-term inflation etc.

The ESS is calibrated every month with updated current market expectations (a minor calibration). Every so often (annually at most), the ESS is updated to reflect any changes in the fundamental economic parameters as a result of change in macro-level long-term expectations (a major calibration). The following table shows the calibration (for a selection of asset classes) at 30 June 2024.

Time period	Percentile	Asset class annualised total returns								Inflation/Yields		
		UK Equity	Developed World ex UK Equity	Emerging Markets Equity	Listed Infrastructure Equity	Private Equity	Property	Multi Asset Credit (sub inv grade)	Absolute Return Bonds (inv grade)	Inflation (CPI)	17-year real yield (CPI)	17-year yield
10 years	16 th	2.0%	1.7%	-0.2%	1.3%	1.1%	1.7%	4.4%	3.6%	0.9%	0.4%	3.4%
	50 th	8.1%	7.9%	8.3%	7.4%	12.1%	6.9%	6.2%	4.9%	2.5%	1.6%	4.8%
	84 th	14.0%	14.1%	16.9%	13.5%	23.0%	12.2%	8.0%	6.4%	4.2%	2.8%	6.5%
20 years	16 th	3.4%	3.3%	1.9%	3.0%	4.1%	3.2%	5.1%	3.4%	0.8%	-0.5%	1.6%
	50 th	8.0%	7.9%	8.1%	7.5%	11.9%	6.9%	6.7%	4.9%	2.3%	1.2%	3.6%
	84 th	12.5%	12.7%	14.7%	12.1%	19.7%	10.9%	8.2%	6.8%	3.9%	2.9%	6.1%
40 years	16 th	4.1%	4.0%	3.1%	3.5%	5.7%	3.5%	4.6%	2.7%	0.8%	-0.7%	1.2%
	50 th	7.7%	7.5%	7.8%	7.1%	11.4%	6.5%	6.3%	4.5%	2.1%	1.2%	3.4%
	84 th	11.3%	11.2%	12.7%	10.9%	17.2%	9.9%	8.4%	6.8%	3.7%	3.1%	6.2%
	Volatility (1yr)	17%	18%	25%	18%	30%	15%	6%	3%	3%	-	-

APPENDIX 5

Reliances and limitations

This paper is addressed to Cyngor Gwynedd as Administering Authority to the Gwynedd Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of discussing funding and risk monitoring ahead of the 2025 valuation. It has not been prepared for any other purpose and should not be used for any other purpose.

The results in this paper are wholly dependent on the valuation data provided to us for the 2022 valuation and the assumptions that we use in our calculations. The reliances and limitations that applied to that valuation apply equally to these results. The results of the valuation have been projected forward using approximate methods. The margin of error in these approximate methods increases as time goes by. The method may not be appropriate if there have been significant data changes since the previous formal valuation (for example redundancy exercises, significant unreduced early retirements, ill health retirements and bulk transfers). The methodology assumes that actual experience since the valuation at 31 March 2022 has been in line with our expectations.

The data used in this exercise is summarised in Appendix 1. Data provided for the purposes of the formal valuation at 31 March 2022 was checked at the time for reasonableness and consistency with other sources. Data provided since then (eg actual investment returns) has been used as-is. The data is the responsibility of the Administering Authority, and the results rely on the data.

The methodology underlying these calculations mean that the results should be treated as indicative only. The nature of the Fund's investments means that the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than the date shown.

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing. The advice or any part of it must not be disclosed or released in any medium to any other third party without our prior written consent. In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

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- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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Gwynedd Pension Fund

Pensions Committee - Actuarial update

16 September 2024



Richard Warden



Actuarial valuation basics

How the Fund works



Collect money
(contributions)



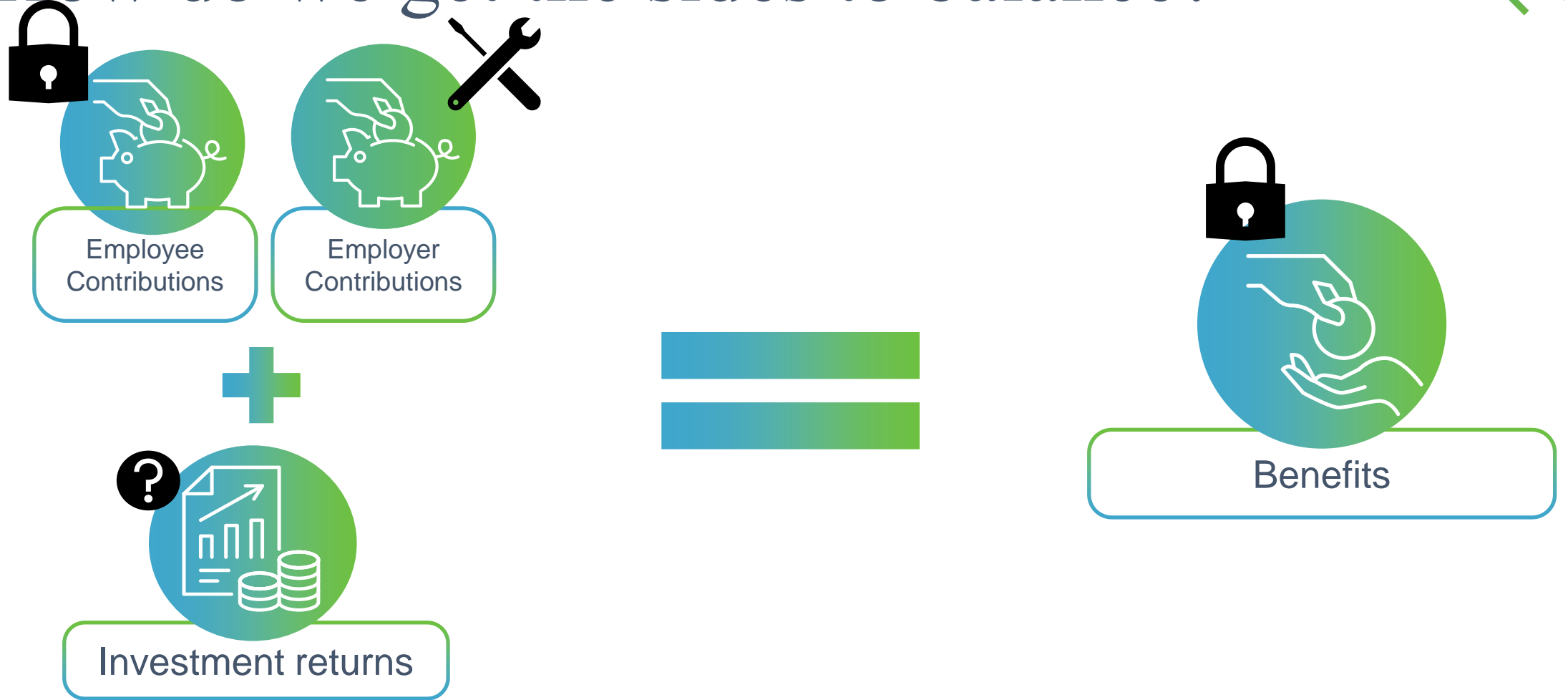
Invest money
(its assets)



Pay money out
(benefits)

Overriding goal of the valuation is to make sure there is enough money to pay the benefits

How do we get the sides to balance?



Employer contributions are the main tool we can control to meet the balance of cost

Why else we do a valuation?



Calculate employer contribution rates



Compliance with legislation



Analyse actual experience vs assumptions



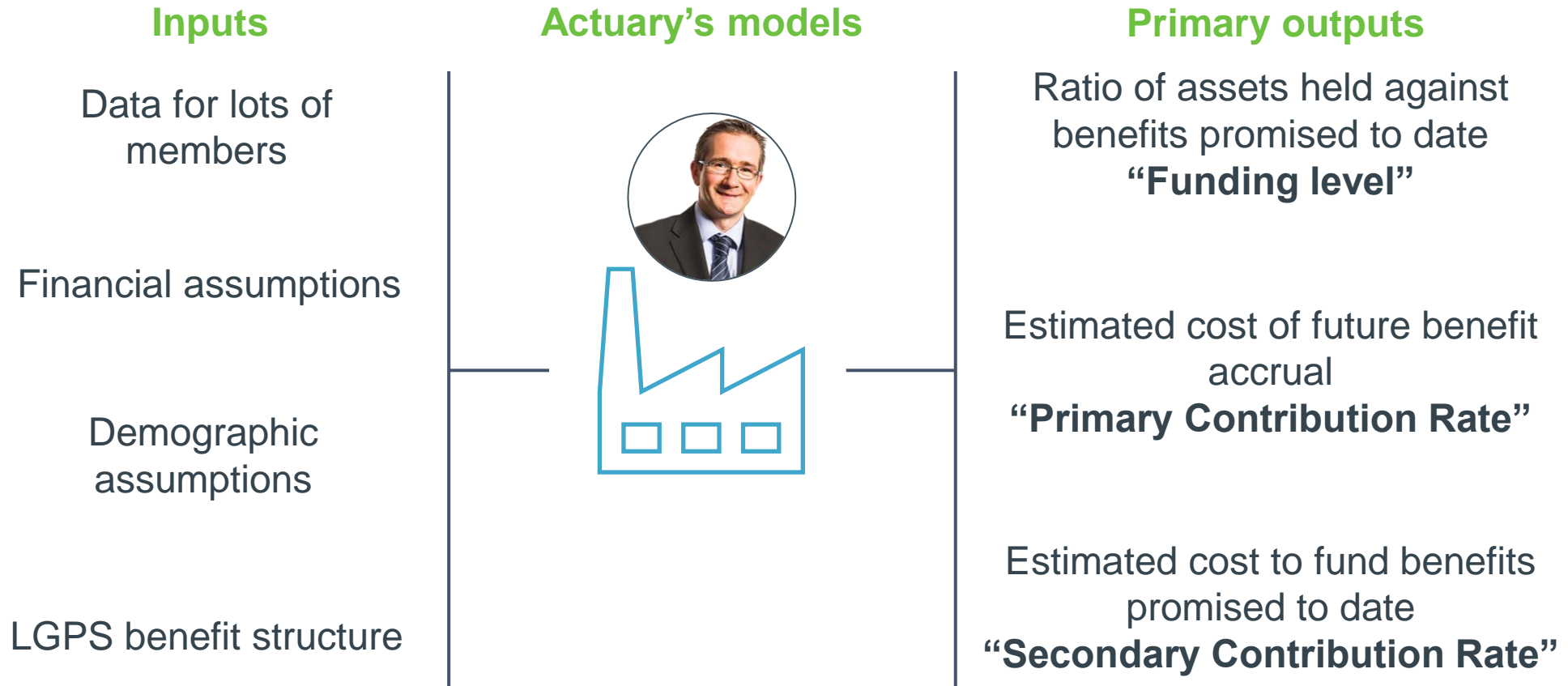
Review Funding Strategy Statement



Part of continual 'health check' on Fund solvency

The triennial valuation is a key risk management exercise for the Fund

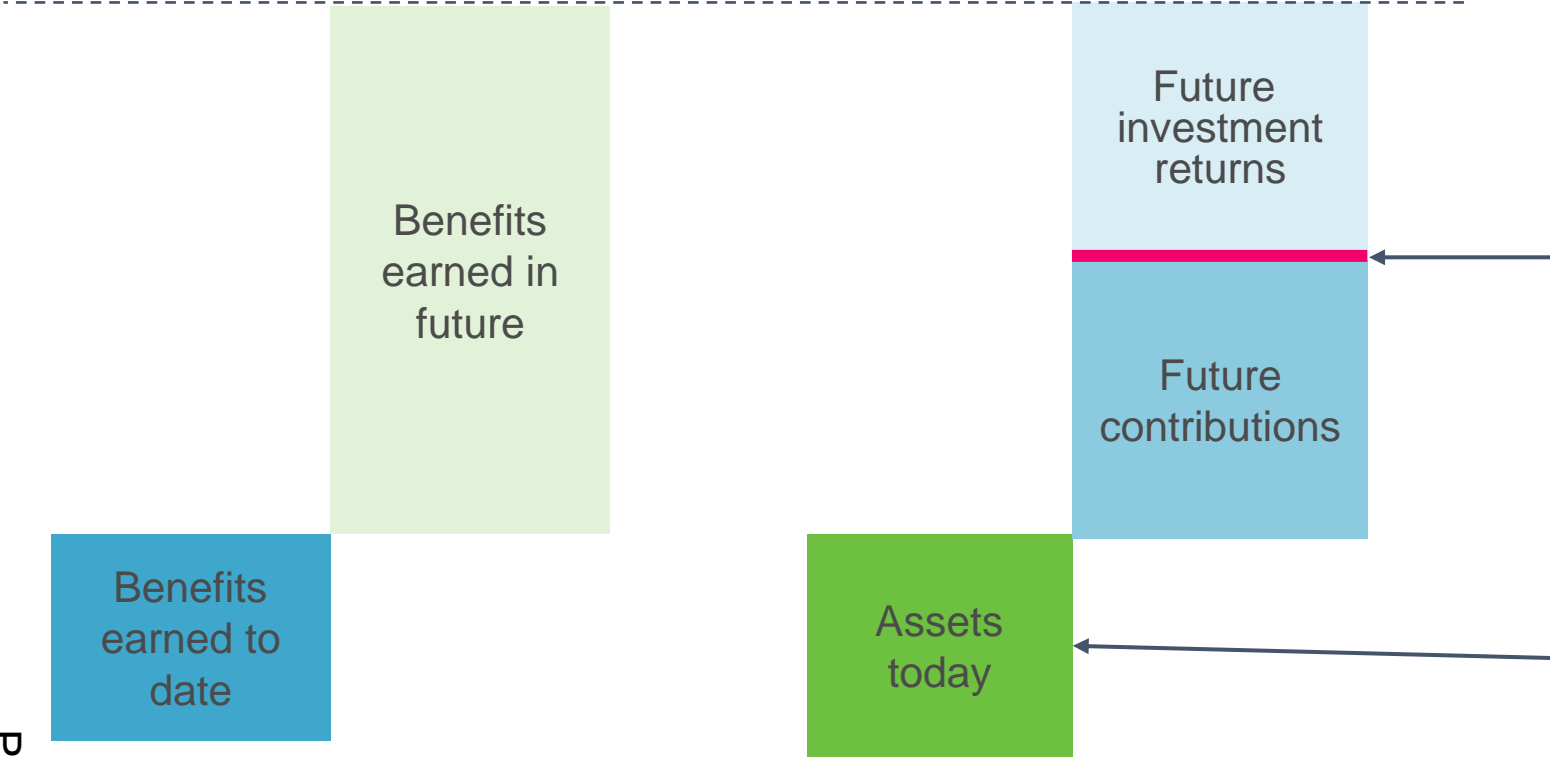
How we do the valuation



Key decision of the valuation

Liabilities

Assets



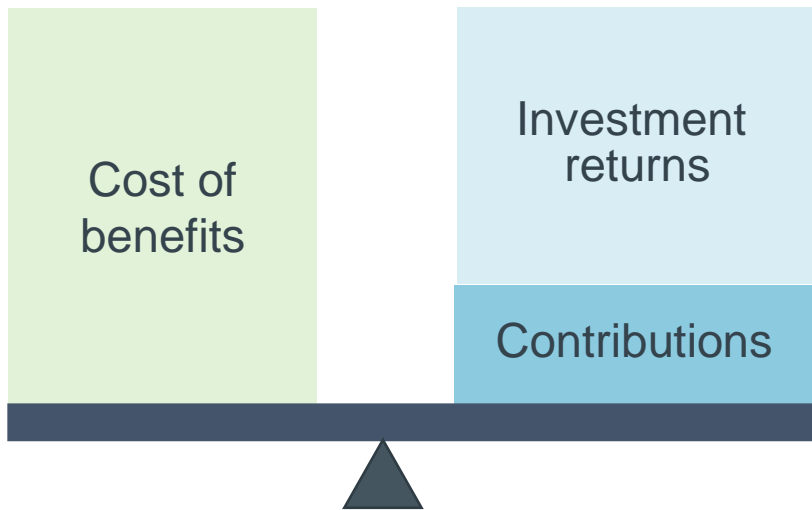
Key funding strategy decision
How much to rely on contributions vs investment returns?

Funding level
Comparison of 'assets today' vs. 'benefits earned to date'
Balance sheet snapshot of Fund at valuation date

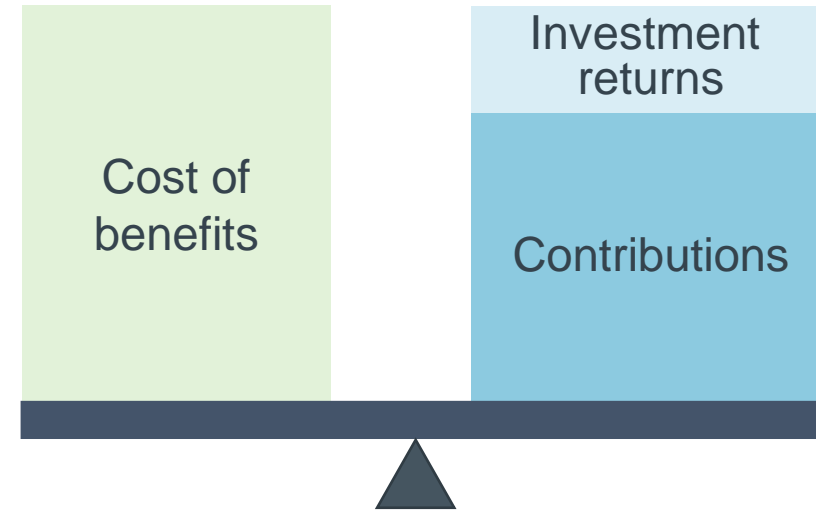
Setting strategy is a balancing act



High risk funding strategy



Low risk funding strategy





We must set employer contributions with an appropriate level of prudence (i.e. risk)

Funding update and change in environment

What's happened since 2022?

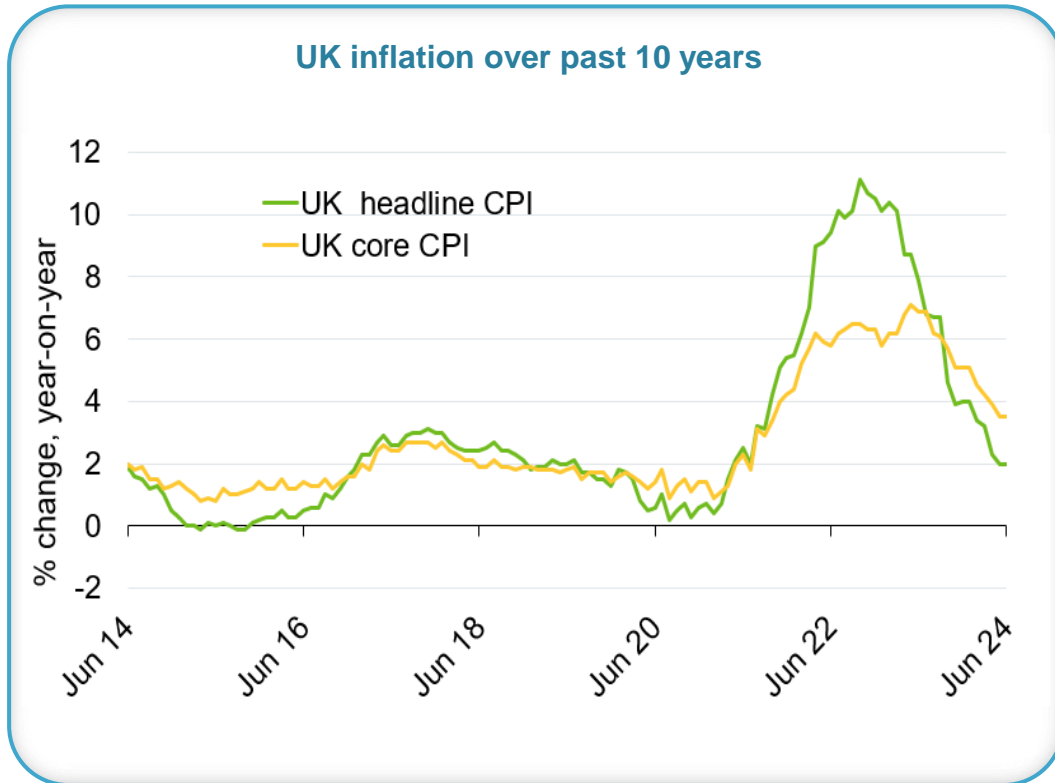


General insights

-  Funding level has improved since 2022 (was 120%)
-  Assets returns were lower than expected up to September 2023 but have since improved
-  Rising interest rates & high inflation
-  Higher expected return on the Fund's assets

The funding level has risen to an estimated 171% at 30 June 2024

High inflation



General insights



High inflation increases the cost of benefits



Pension increases of 10.1% (2023) and 6.7% (2024)



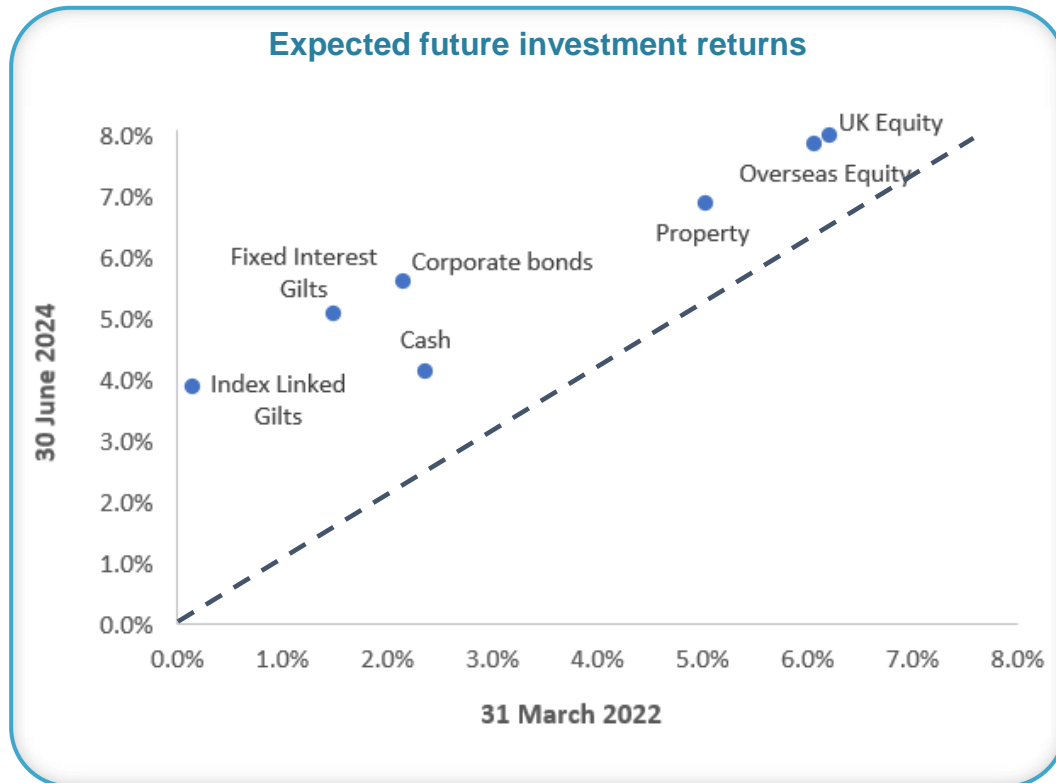
Immediate impact on Fund's net cashflow position



Future inflation remains uncertain

Monitoring inflation is important to manage long-term benefit cost and short-term cashflow risks

Investment outlook



General insights



Expected returns are higher for all asset classes



Higher returns driven by increased interest rates



Leads to a lower value placed on Fund's liabilities

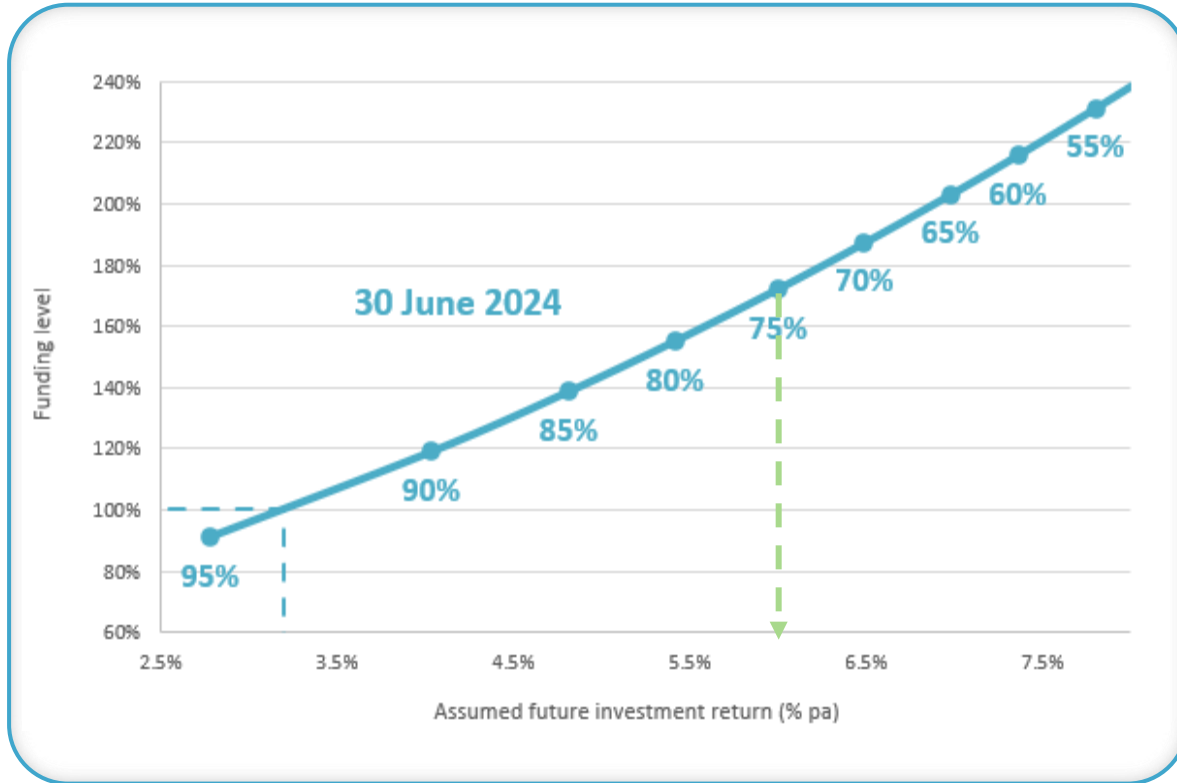


Caution required at 2025 valuation

The improvement in funding level is being driven by higher expected *future* investment returns

Key funding risks

Key uncertainty: Investment returns



General insights



Future investment returns remain uncertain



Funding position is based on 75% likelihood

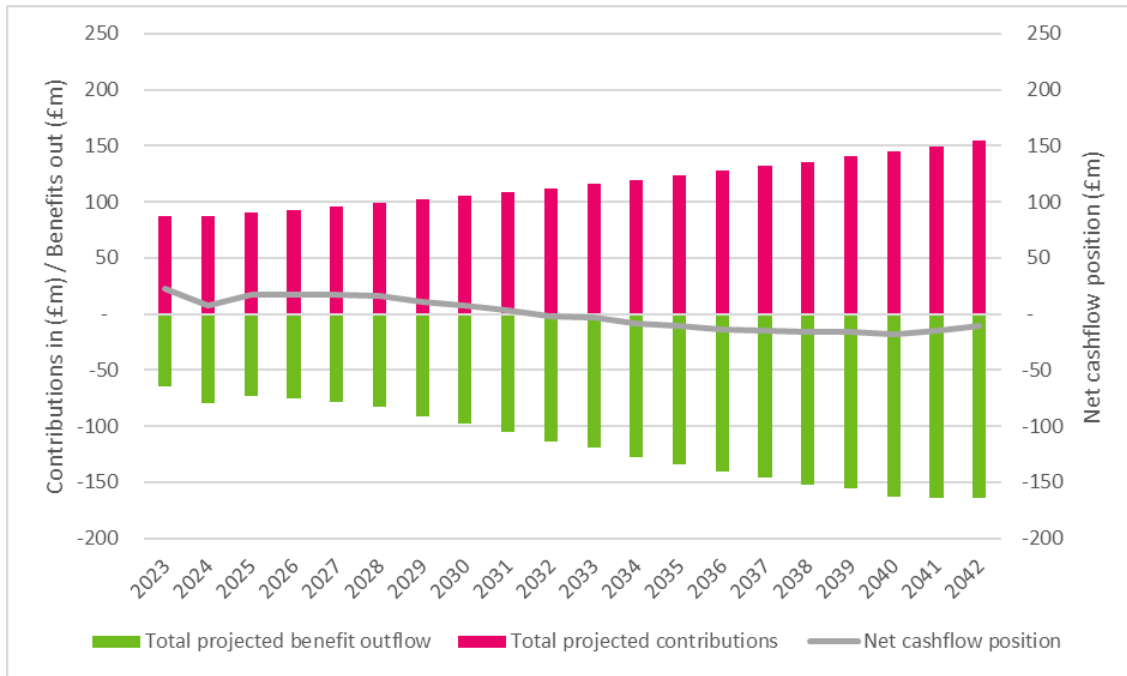


Prudence levels will be reviewed at 2025 valuation

Future investment performance is uncertain during periods of increased market volatility

Key uncertainty: Cashflow position

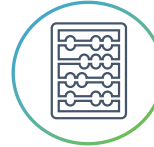
Projected cashflows (baseline scenario)



General insights



Cashflow negativity possible in medium-to-longer term



Sensitive to future levels of inflation



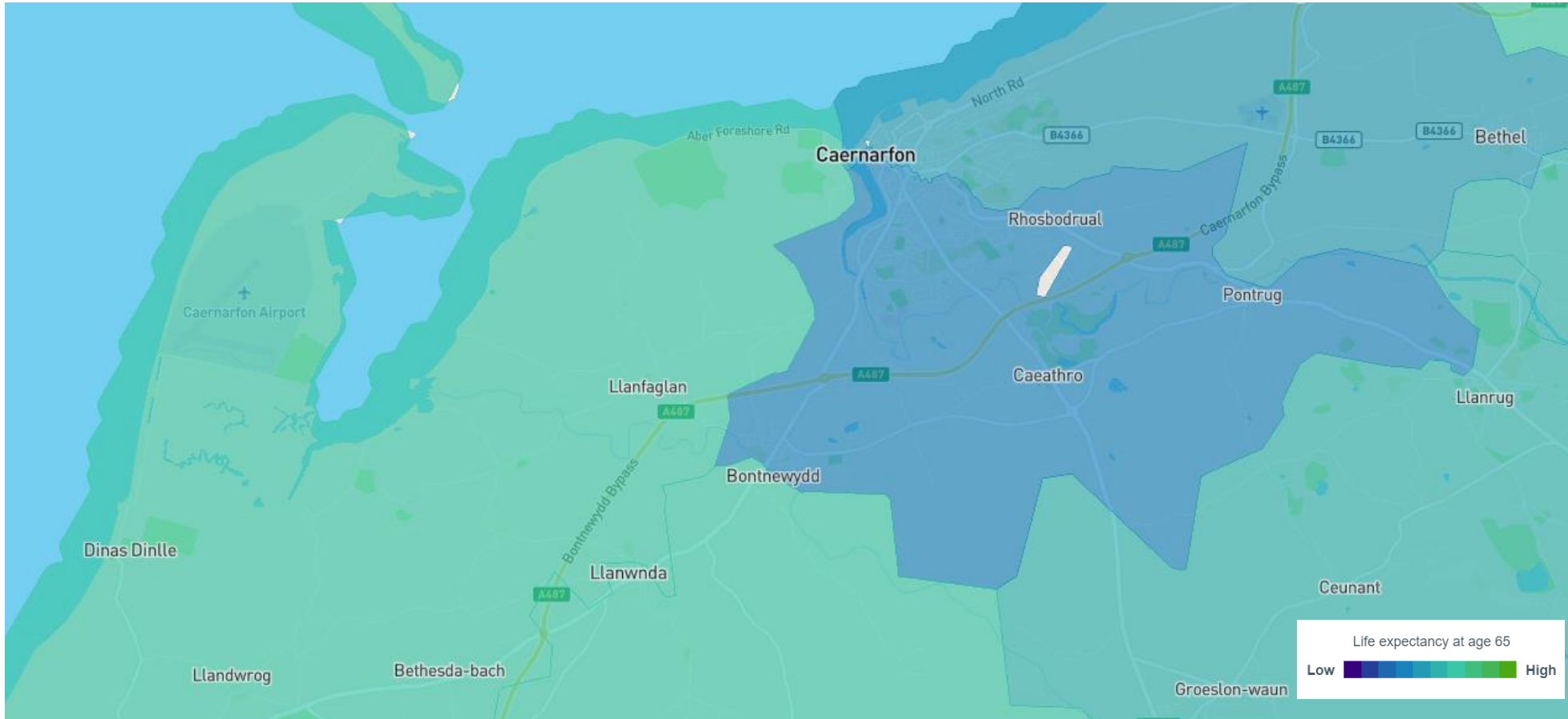
Contribution reductions would worsen the position



Cashflow monitoring to be carried out more frequently

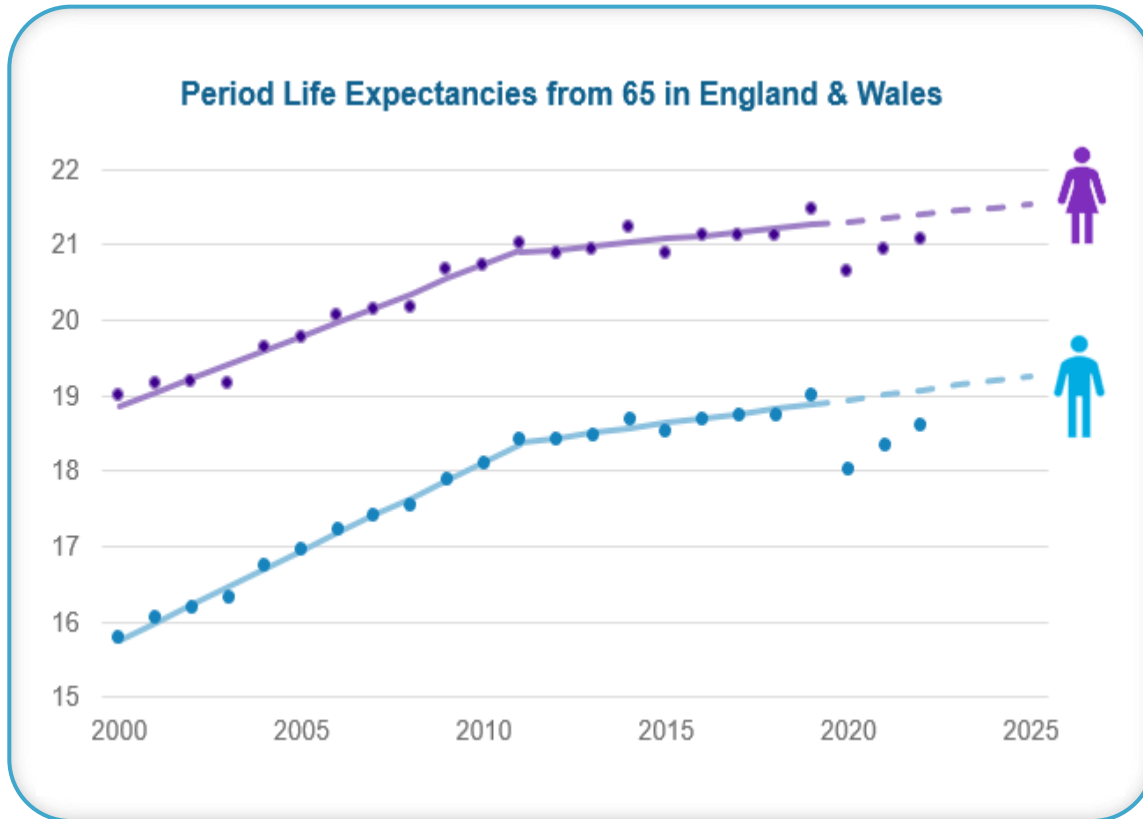
The Fund is currently in a cashflow positive position however the focus on cashflow is increasing

Key uncertainty: Life expectancy



Socio-economic factors can make a big difference to longevity

Recent longevity trends



General insights



Improvements slowing down



Long term impact of the pandemic uncertain

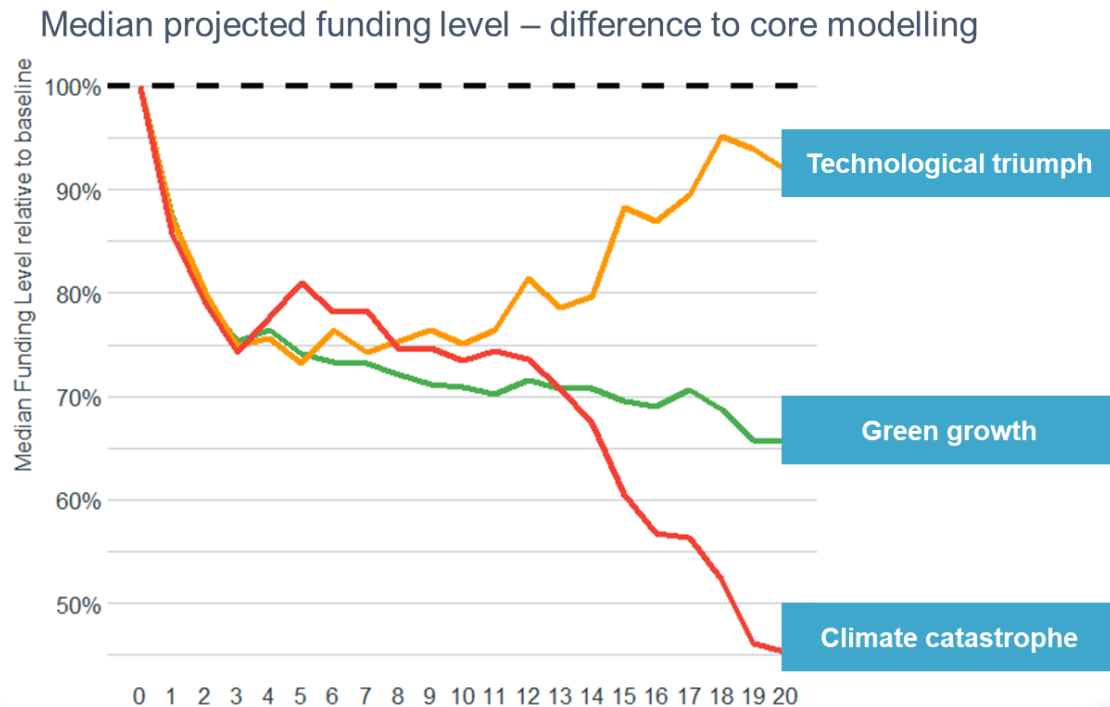


LGPS 'bucking the trend' on excess deaths

Monitoring longevity trends is key to setting life expectancy assumptions

Key uncertainty: Climate risk

Global food supply shock (example)



General insights



Climate damages could be extreme



Narrative-based modelling of downside risks



Consider impact of 'shocks' in funding strategy

Factor in extreme risks when exploring strategy at 2025 valuation

A challenging environment?



Market risk

- High inflation
- Interest rates
- Market volatility



Cashflow risk

- High inflation
- Reduced contributions
- Liquidity risks



Longevity risk

- Increased deaths
- Longevity trends
- Future improvements



Climate risk

- Inflation
- Investment returns
- Longevity



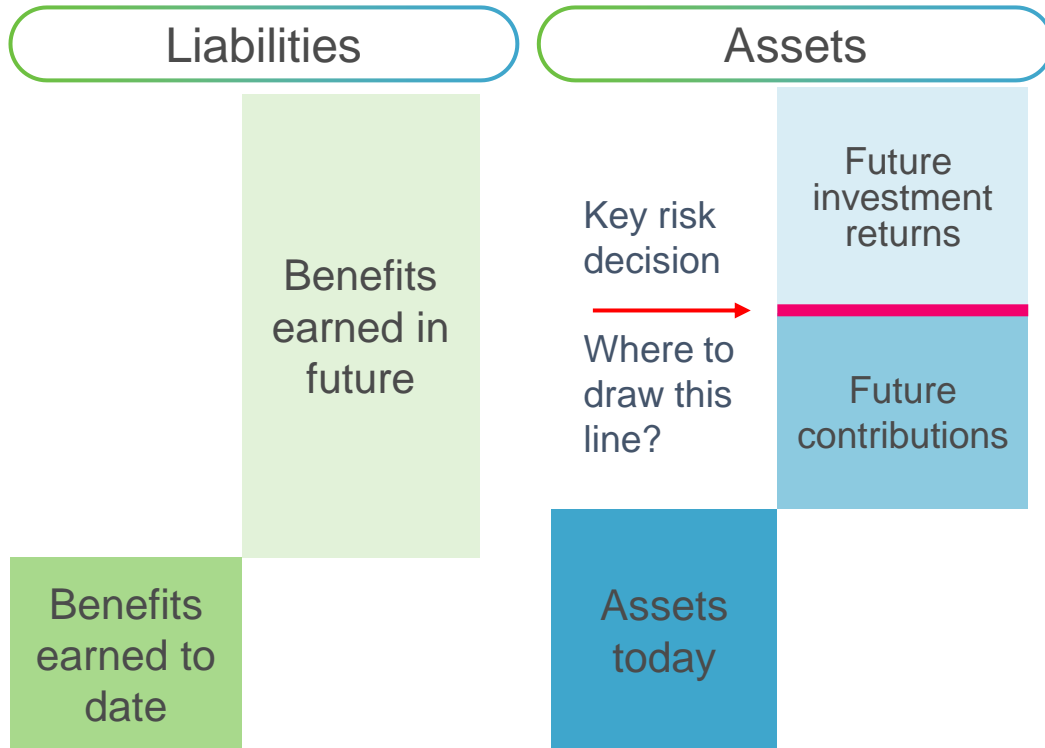
Covenant risk

- Economic environment
- Demographic changes
- Regulatory environment

New economic cycle? What are the key risks to future funding...

2025 valuation

Surplus – what now?



General insights



Funding level is 'past service' only



Majority of benefits yet to be earned



Balance future contributions vs investment risk

Setting contributions requires careful management

Surplus – what are the options?



1. Reduce employer contributions



2. Change investment strategy



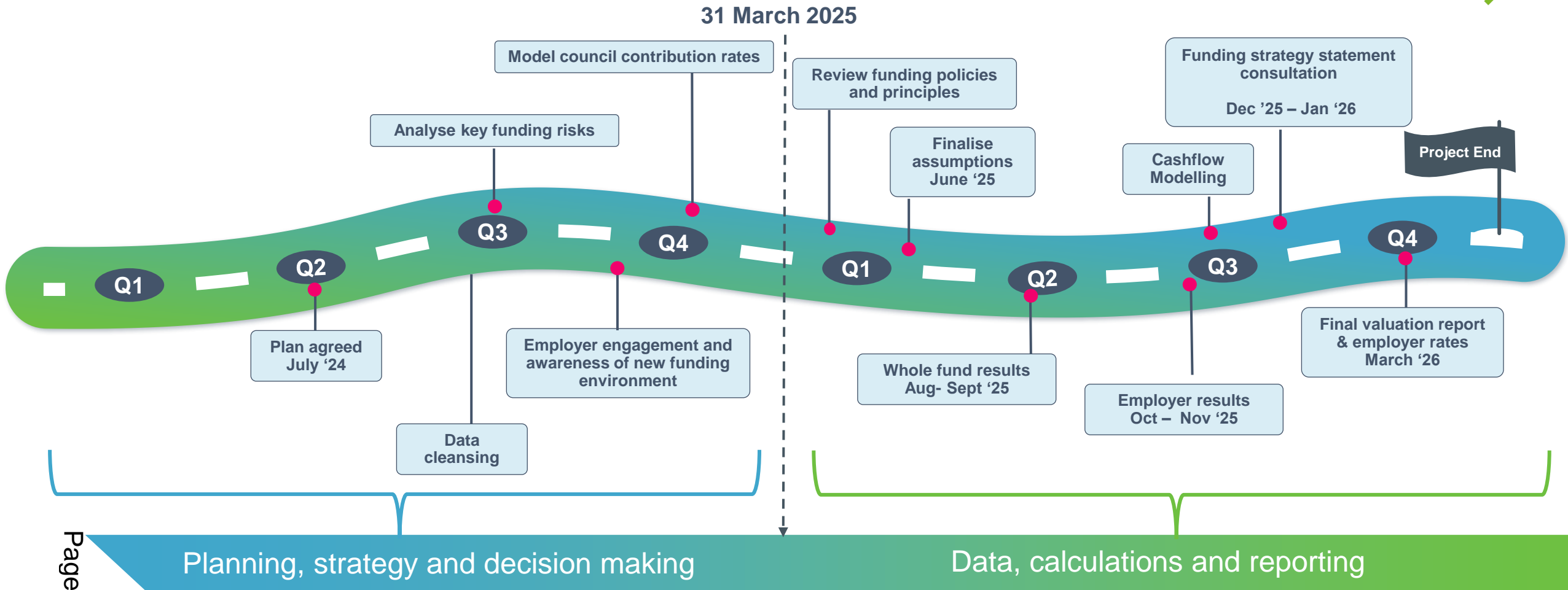
3. Increase prudence levels



4. Retain the surplus

Seek to balance employer affordability with long term sustainability

2025 valuation – key dates



Thank you

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MEETING	PENSIONS COMMITTEE
DATE	16 SEPTEMBER 2024
TITLE	Gwynedd Pension Fund's Final Accounts for the year ended 31 March 2024 and relevant Audit Report
PURPOSE	To Submit Gwynedd Pension Fund's – <ul style="list-style-type: none">• Statement of Accounts post- audit,• Audit Wales' ISA260 report, and• the Letter of Representation
RECOMMENDATION	To consider the auditor's report, approve the Statement of Accounts and authorise the Chair and Head of Finance to certify the letter
RELEVANT OFFICERS	Dewi Morgan, Head of Finance Delyth Jones-Thomas, Investment Manager

1. STATUTORY ACCOUNTS FOR 2023/24

Gwynedd Pension Fund's statutory 2023/24 Statement of Accounts (post audit) are attached here, providing details of the Fund's financial activities during the year which ended on 31 March 2024.

2. AUDIT BY AUDIT WALES ON BEHALF OF THE AUDITOR GENERAL

These accounts have been audited by Audit Wales, and the 'ISA 260' report in respect of Gwynedd Pension Fund is presented here on behalf of the Auditor General for Wales, detailing the audit's findings.

3. PENSION FUND ANNUAL GENERAL MEETING

Gwynedd Pension Fund's Statement of Accounts will also be presented for information to Committee members, Board members, and scheme employers at the Pension Fund's Annual General Meeting on 25th November 2024.

4. RECOMMENDATION

The Pensions Committee is asked -

- to note the 'ISA 260' report from Audit Wales, and receive the auditor's comments,
- to consider and approve Gwynedd Pension Fund's post-audit Statement of Accounts for 2023/24, and
- to authorise the Chair and s.151 to (electronically) certify the Letter of Representation (Appendix 1) after the Pensions Committee has approved the above.

Gwynedd Pension Fund

STATEMENT OF ACCOUNTS 2023/24

NARRATIVE REPORT

Introduction

Gwynedd Pension Fund's accounts and notes for the year 2023/24 are presented here on pages 5 to 44.

The accounts consist of the Gwynedd Pension Fund Account and Net Assets Statement.

These accounts are supported by this Narrative Report, the Accounting Policies and various notes to the accounts.

The Pension Fund accounts, and accompanying notes, summarise the financial transactions and net assets related to the provision of pensions and other benefits payable to former employees of all the Fund's employers, including Anglesey, Conwy and Gwynedd Councils, Snowdonia National Park Authority, Police and Crime Commissioner for North Wales, Cartrefi Conwy, Adra, various town and community councils, and other scheduled and admitted bodies.

The Statement of Accounts and further information is available on Gwynedd Pension Fund's website www.gwyneddpensionfund.wales.

The Fund has two important statements which set out the strategies for ensuring pensions are funded now and in the future as follows:

- Funding Strategy Statement – the statement sets out the fund-specific strategy which will identify how employer pensions liabilities are best met going forward. It is reviewed every three years after the triennial actuarial valuation and includes individual employer rates for the following period.
- Investment Strategy Statement - the statement sets out the types of investments and broad limits on each type of investment.

Both these statements are available on the Fund's website under the investments section.

An Actuarial Valuation is required every three years to establish the level of assets available to pay pensions now and in the future. The most recent valuation was at 31 March 2022 and any changes to employers' contributions was made from 1 April 2023 onwards.

Further information relating to the accounts is available from:

Delyth Jones-Thomas
Investment Manager
01286 679128

Finance Department
Cyngor Gwynedd
Council Offices
Caernarfon
Gwynedd
LL55 1SH

It is part of the Fund's policy to provide full information relating to the Fund's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection will be notified on the Pension Fund website at the appropriate time.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE PENSION FUND'S RESPONSIBILITIES

Cyngor Gwynedd as administrating authority (effectively the trustee) for Gwynedd Pension Fund is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Cyngor Gwynedd, that "Section 151 Officer" is the Head of Finance. It is also the administrating authority's responsibility to manage its affairs to secure economic, efficient and effective use of its resources, to safeguard its assets, and to approve the Statement of Accounts.

16th September 2024

Councillor Richard Medwyn Hughes

Pensions Committee Chair

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing the statement of accounts, the Head of Finance has selected suitable accounting policies and then applied them consistently; has made judgements and estimates that were reasonable and prudent; and complied with the Code.

The Head of Finance has also kept proper accounting records which were up to date, and has taken reasonable steps for the prevention and detection of fraud and other irregularities.

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Pension Fund at 31 March 2024 and the Pension Fund's income and expenditure for the year then ended.



Dewi Morgan CPFA

Head of Finance, Cyngor Gwynedd

9th September 2024

GWYNEDD PENSION FUND ACCOUNTS

THE FUND ACCOUNT

31 March 2023 £'000	Notes	31 March 2024 £'000
Dealings with members, employers and others directly involved in the Fund		
89,762	Contributions	94,278
4	Other Income	3
6,773	Transfers in from other pension funds	8,575
96,539		102,856
(72,108)	Benefits	(82,931)
(3,121)	Payments to and on account of leavers	(5,068)
(75,229)		(87,999)
21,310	Net additions/ (withdrawals) from dealings with members	14,857
(12,729)	Management Expenses	(15,042)
8,581	Net additions/ (withdrawals) including fund management expenses	(185)
Returns on investments		
30,940	Investment income	47,956
(53,153)	Profit and losses on disposal of investments and changes in the market value of investments	260,095
(22,213)	Net returns on investments	308,051
(13,632)	Net Increase/ (Decrease) in the net assets available for benefits during the year	307,866
2,775,761	Opening net assets of the scheme	2,762,129
2,762,129	Closing net assets of the scheme	3,069,995

The notes on pages 7 to 44 form part of these Financial Statements

NET ASSETS STATEMENT

31 March 2023 £'000		Notes	31 March 2024 £'000
2,742,933	Investment assets	14	3,036,264
963	Cash deposits	14	499
(960)	Investment liabilities	14	(333)
2,742,936	Total net investments		3,036,430
22,454	Current assets	20	37,723
(3,261)	Current liabilities	21	(4,158)
2,762,129	Net assets of the fund available to fund benefits at the end of the reporting period		3,069,995

The Financial Statements do not take into account the Fund's liability to pay pensions and other benefits to all the present contributors to the Fund after the financial year-end, but rather summarises the transactions and net assets of the Fund. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (most recently as at 31 March 2022) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will be able to meet future liabilities. The actuarial present value of promised retirement benefits is shown in Note 19.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE I – DESCRIPTION OF FUND

The Gwynedd Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by Cyngor Gwynedd.

a) General

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Cyngor Gwynedd to provide pensions and other benefits for pensionable employees of Cyngor Gwynedd, two other local authorities and other scheduled, resolution and admission bodies within the former Gwynedd County Council area. Teachers, police officers and firefighters are not included as they are in other national pension schemes. The Fund is overseen by the Pensions Committee, which is a committee of Cyngor Gwynedd.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Gwynedd Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Resolution bodies, which are city, town and community councils. They have the power to decide if their employees can join the LGPS and pass a resolution accordingly.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

NOTE 1 – DESCRIPTION OF FUND (continued)

The following bodies are active employers within the Pension Fund:

Scheduled Bodies	
Cyngor Gwynedd	Snowdonia National Park Authority
Conwy County Borough Council	Bryn Elian School
Isle of Anglesey County Council	Emrys ap Iwan School
Police and Crime Commissioner for North Wales	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
GwE	North and Mid Wales Trunk Road Agency
North Wales Economic Ambition Board	
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	Conwy Town Council
Llanfairfechan Town Council	Llanrwst Town Council
Admission Bodies	
Adult Learning Wales	North Wales Society for the Blind
Adferiad Recovery	Community and Voluntary Support Conwy
Holyhead Joint Burial Committee	Careers Wales North West
Cwmni'r Fran Wen	Mantell Gwynedd
Menter Môn	Medrwn Môn
Ynysmaengwyn (left 31/12/2023)	
Community Admission Bodies	
Cartrefi Conwy	Adra
Byw'n Iach	
Transferee Admission Bodies	
ABM Catering	A E & A T Lewis
Kingdom Services Group	Chartwells

NOTE I – DESCRIPTION OF FUND (continued)

Membership details are set out below:

	31 March 2023	31 March 2024
Number of employers	47	46
Number of employees in scheme		
County Council	15,246	15,236
Other employers	4,058	4,112
Total	19,304	19,348
Number of pensioners		
County Council	9,647	10,194
Other employers	2,133	2,310
Total	11,780	12,504
Deferred pensioners		
County Council	11,019	12,093
Other employers	2,141	2,326
Total	13,160	14,419
Unclaimed benefits		
County Council	2,595	3,473
Other employers	378	533
Total	2,973	4,006
Undecided Leavers		
County Council	4,480	2,738
Other employers	513	300
Total	4,993	3,038
Total number of members in pension scheme	52,210	53,315

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 2.75% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employer contributions are set based on triennial actuarial funding valuations. The valuation relating to this year was at 31 March 2022. The employer contribution rates range from 0.0% to 31.8% of pensionable pay.

NOTE 1 – DESCRIPTION OF FUND (continued)

d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre-1 April 2008	Service post-31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the Fund became a career average scheme as summarised below:

	Service post-31 March 2014
Pension	Each year worked is worth 1/49 x career average revalued earnings (CARE)
Lump Sum	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Accrued pension is increased annually in line with the Consumer Prices Index.

There are a number of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Gwynedd Pension Fund scheme handbook available from Cyngor Gwynedd's Pensions Section.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2023/24.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

a) Contribution Income

Normal contributions are accounted for on an accrual basis as follows:

- Employee contributions rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommend by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the fund's actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer in and out relate to members who have joined or left the fund.

Individual transfers in/ out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 9).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds including property

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

e) Management expenses

The fund discloses its management expenses in line with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accrual basis as follows:

Administrative expenses

All staff costs of the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the fund.

Oversight and governance costs

All costs associated with oversight and governance are separately identified, apportioned to this activity and charged as expenses to the fund.

Investment management expenses

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments.

Fees charges by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Transaction costs are associated with the acquisition or disposal of fund assets and are disclosed in the notes to the accounts.

f) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets statement

g) Financial assets

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirement of the Code and IFRS 13 (see note 15). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/ Investment Association, 2016).

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains and losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net assets statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Additional voluntary contributions

Gwynedd Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. There are three AVC funds. They are held with Clerical Medical, Utmost Life and Standard Life. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information only in Note 22.

m) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity, private credit and infrastructure investments

The fair value of private equity, private credit and infrastructure investments are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities, private credit and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2024 was £267.2 million (£234.2 million at 31 March 2023).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from assumptions and estimates made.

The items in the net assets statement for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pension depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and return on fund assets. Hymans Robertson is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Private equity, private credit and infrastructure	Private equity, private credit and infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines (December 2018). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity, private credit and infrastructure investments in the financial statements are £267.2 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE REPORTING DATE

There are no significant events after the year end to report.

NOTE 7 – CONTRIBUTIONS RECEIVED

By category

2022/23		2023/24
£'000		£'000
21,519	Employees' contributions	23,500
	Employers' contributions:	
68,243	• Normal contributions	70,948
0	• Other*	(170)
68,243	Total employers' contributions	70,778
89,762	Total contributions receivable	94,278

By type of employer

2022/23		2023/24
£'000		£'000
29,489	Cyngor Gwynedd	30,331
54,733	Other scheduled bodies	58,497
1,901	Admission bodies	1,799
3,087	Community admission bodies	3,269
154	Transferee admission bodies	151
398	Resolution bodies	403
0	Closed funds**	(172)
89,762		94,278

* Other employers' contributions - this relates to an exit credit payment to an employer that was previously in the Fund.

** Closed funds - these include an exit credit payment and a write off in the contributions paid by an employer to compensate for early retirement. The employers were previously transferee admission bodies but are now closed funds.

NOTE 8 – OTHER INCOME

2022/23		2023/24
£'000		£'000
2	Interest on deferred contributions	2
2	Income from divorce calculations	1
4		3

NOTE 9 – TRANSFERS IN FROM OTHER PENSION FUNDS

2022/23		2023/24
£'000		£'000
6,773	Individual transfers	8,575
6,773		8,575

NOTE 10 - BENEFITS PAID

By category

2022/23		2023/24
£'000		£'000
56,010	Pensions	62,931
13,789	Commutation and lump sum retirement benefits	16,841
2,309	Lump sum death benefits	3,159
72,108		82,931

By type of employer

2022/23		2023/24
£'000		£'000
21,934	Cyngor Gwynedd	25,340
34,788	Other scheduled bodies	40,911
1,384	Admission bodies	1,671
1,365	Community admission bodies	1,916
59	Transferee admission bodies	50
273	Resolution bodies	189
12,305	Closed funds	12,854
72,108		82,931

NOTE 11 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2022/23		2023/24
£'000		£'000
172	Refunds to members leaving service	271
0	Payments for members joining state scheme	(1)
2,949	Individual transfers	4,798
3,121		5,068

NOTE 12 – MANAGEMENT EXPENSES

2022/23		2023/24
£'000		£'000
10,593	Investment management expenses	12,866
1,588	Administrative costs	1,720
548	Oversight and governance costs	456
12,729		15,042

NOTE 12a – INVESTMENT MANAGEMENT EXPENSES

2023/24	Management Fees £'000	Transaction Costs £'000	Total £'000
Pooled Funds			
Fixed Income	502	28	530
Equities	1,910	944	2,854
Other Investments			
Pooled Property	1,740	0	1,740
Private Credit	722	0	722
Private Equity	3,871	0	3,871
Infrastructure	2,875	0	2,875
	11,620	972	12,592
Custody Fees			274
Total			12,866

2022/23	Management Fees £'000	Transaction Costs £'000	Total £'000
Pooled Funds			
Fixed Income	332	0	332
Equities	2,001	551	2,552
Other Investments			
Pooled Property	1,974	0	1,974
Private Equity	2,062	0	2,062
Infrastructure	3,401	0	3,401
	9,770	551	10,321
Custody Fees			272
Total			10,593

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled investment vehicles. There are no performance-related fees paid to investment managers. In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. They are reflected in the cost of investment purchases and in the proceeds of sales of investments in Note 14a.

The WPP Global Opportunities, Sustainable Equity, Multi Asset Credit, Absolute Return Bond, Global Credit and Emerging Market funds are investments which are appointed via a manager of manager approach which have their own underlying fees. The return for this mandate are net of the underlying manager fees which is reflected in Note 14a within the Change in Market value. For transparency, the fees in 2023/24 were £3,074,340 (£2,366,210 in 2022/23).

NOTE 12b- ADMINISTRATIVE COSTS

2022/23		2023/24
£'000		£'000
686	Direct employee costs	794
449	Other direct costs	494
453	Support services, including IT	432
1,588		1,720

Administrative costs include amounts charged to the Pension Fund by Cyngor Gwynedd for staff costs, support services and accommodation.

NOTE 12c- OVERSIGHT AND GOVERNANCE COSTS

2022/23		2023/24
£'000		£'000
234	Actuarial fees	87
72	Investment consultancy fees	78
11	Performance monitoring service	6
40	External audit fees	43
33	Pensions Committee and Local Pension Board	16
158	Wales Pensions Partnership	226
548		456

NOTE 12d- WALES PENSION PARTNERSHIP

The Investment Management Expenses in Note 12a are fees payable to Waystone (the WPP operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the NAV.

The oversight and governance costs in Note 12c are the annual running costs of the pool which includes the host authority costs and other external advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales.

The following fees are included in Note 12 in relation to the Wales Pension Partnership and further details on the WPP can be found in the Annual Report.

	2022/23	2023/24
	£'000	£'000
Investment Management Expenses		
Fund Manager fees	2,268	3,193
Transaction costs	551	972
Custody fees	247	268
	3,066	4,433
Oversight and governance costs		
Running Costs	158	226
Total	3,224	4,659

NOTE 13 – INVESTMENT INCOME

2022/23		2023/24
£'000		£'000
6,581	Fixed Income	16,175
13,109	Equities	20,964
0	Private Credit	750
470	Private Equity	880
2,712	Infrastructure	765
7,817	Pooled property investments	7,168
251	Interest on cash deposits	1,254
30,940	Total before taxes	47,956

The Gwynedd Pension Fund has two bank accounts which are held as part of Cyngor Gwynedd's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Cyngor Gwynedd pays interest over to the Pension Fund, based on the Fund's daily balances over the year.

The Pension Fund also has a Euro account to deal with receipts and payments in Euros and to minimise exchange transactions and relevant costs.

NOTE 14 – INVESTMENTS

31 March		31 March
2023		2024
£'000		£'000
	Investment assets	
	Pooled Funds	
586,703	Fixed income	861,232
1,700,745	Equities	1,697,436
	Other Investments	
221,297	Pooled property investments	210,350
0	Private Credit	10,235
166,622	Private Equity	167,029
67,566	Infrastructure	89,982
2,742,933		3,036,264
963	Cash deposits	499
2,743,896	Total investment assets	3,036,763
	Investment liabilities	
(960)	Amounts payable for purchases	(333)
(960)	Total investment liabilities	(333)
2,742,936	Net investment assets	3,036,430

NOTE 14a – RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2023/24	Market value at 1 April 2023	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Pooled investments	2,287,448	536,033	(523,948)	259,135	2,558,668
Pooled property investments	221,297	2,981	0	(13,928)	210,350
Private credit	0	13,404	(3,332)	163	10,235
Private equity / infrastructure	234,188	37,053	(18,208)	3,978	257,011
	2,742,933	589,471	(545,488)	249,348	3,036,264
Cash deposits	963				499
Amounts payable for purchases of investments	(960)				(333)
Fees within pooled vehicles				10,747	
Net investment assets	2,742,936			260,095	3,036,430

2022/23	Market value at 1 April 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Pooled investments	2,282,622	59,691	(25,000)	(29,865)	2,287,448
Pooled property investments	252,521	18,715	0	(49,939)	221,297
Private equity / infrastructure	226,128	25,540	(35,240)	17,760	234,188
	2,761,271	103,946	(60,240)	(62,044)	2,742,933
Cash deposits	303				963
Amounts payable for purchases of investments	(285)				(960)
Fees within pooled vehicles				8,891	
Net investment assets	2,761,289			(53,153)	2,742,936

NOTE 14b – ANALYSIS OF INVESTMENTS

Investments analysed by fund manager

Market Value at 31 March 2023			Market Value at 31 March 2024		
£'000	%		£'000	%	
1,501,286	54.8	Wales Pension Partnership	2,118,741	69.8	
842,157	30.7	BlackRock	524,137	17.3	
234,188	8.5	Partners Group	236,679	7.8	
74,865	2.7	UBS	72,160	2.4	
57,297	2.1	Lothbury	50,779	1.6	
34,103	1.2	Threadneedle	34,267	1.1	
2,743,896	100.0		3,036,763	100.0	

The following investments represent more than 5% of the net assets of the Fund:

Market Value at 31 March 2023			Market Value at 31 March 2024		
£'000	%		£'000	%	
430,059	15.6	WPP Global Opportunities Fund	434,566	14.2	
426,908	15.5	WPP Global Growth Fund	415,429	13.5	
386,103	14.0	WPP Absolute Return Bond	412,216	13.4	
0	0.0	WPP Sustainable Active Equity Fund	317,063	10.3	
246,433	8.9	Black Rock Aquila Life UK Equity Index Fund	267,131	8.7	
200,600	7.3	WPP Multi Asset Credit Fund	226,013	7.4	
0	0.0	WPP Global Credit Fund	223,004	7.3	
331,802	12.0	Black Rock ACS World Low Carbon Fund	203,363	6.6	
207,927	7.5	Black Rock Aquila Life GI Dev Fundamental Fund	0	0.0	

NOTE 14c – STOCK LENDING

The Fund's investment strategy permits stock lending subject to specific approval. The income earned by the fund through stock lending was £99,730 (£109,916 in 2022/23). Currently the Fund has total quoted equities of £52.2m on loan (£40.6m at 31 March 2023). These equities continue to be recognised in the Fund's financial statements. No liabilities are associated with the loaned assets.

NOTE 15 – FAIR VALUE- BASIS OF VALUATION

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

NOTE 15 – FAIR VALUE- BASIS OF VALUATION (continued)

Description of Asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the Valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short- term nature of these financial instruments	Not required	Not required
Pooled investments- equity funds	Level 2	The ‘NAV’ (net asset value) is calculated based on the market value of the underlying assets	Evaluated price feeds	Not required
Pooled investments- fixed income	Level 2	The ‘NAV’ is calculated based on the market value of the underlying fixed income Securities	Evaluated price feeds	Not required
Pooled property funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price is published	‘NAV’- based set on a forward pricing basis	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board’s Special Valuation Guidance (March 2020)	<ul style="list-style-type: none"> • EBITDA multiple • Revenue multiple • Discount for lack of marketability • Control premium 	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Infrastructure	Level 3	Valued using discounted cashflow techniques to generate a net present value	Discount rate and cashflow used in the models	Rate of inflation, interest, tax and foreign exchange
Private credit	Level 3	Valuation techniques are used in accordance with U.S. GAAP to measure fair value that is consistent with market approach and/or income approach, depending on the type of security and the circumstance.	Private investments are fair valued initially based upon transaction price excluding expenses. The market approach uses prices generated by market transactions involving identical or comparable securities. The income approach	Valuations could be affected by changes to expected cash flows or by differences between audited and unaudited accounts.

			uses valuation techniques to discount estimated future cash flows to present value.	
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Sensitivity of assets valued at level 3

The values reported in the Level 3 valuations represent the most accurate estimation of the portfolio values as at 31 March 2024. Any subjectivity related to the investment value is incorporated into the valuation, and the sensitivity analysis can be seen in Note 17.

Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2023/24.

NOTE 15a – FAIR VALUE HIERARCHY

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Gwynedd Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2024	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Fixed income	0	861,232	0	861,232
Equities	0	1,697,436	0	1,697,436
Pooled property investments	0	0	210,350	210,350
Private credit	0	0	10,235	10,235
Private equity	0	0	167,029	167,029
Infrastructure	0	0	89,982	89,982
Cash deposits	499	0	0	499
	499	2,558,668	477,596	3,036,763
Financial liabilities at fair value through profit and loss				
Payables for investment purchases	(333)	0	0	(333)
Total	166	2,558,668	477,596	3,036,430

NOTE 15a – FAIR VALUE HIERARCHY (CONTINUED)

Re-stated	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2023	Level 1	Level 2	Level 3	£'000
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss				
Fixed income	0	586,703	0	586,703
Equities	0	1,700,745	0	1,700,745
Pooled property investments	0	0	221,297	221,297
Private equity	0	0	166,622	166,622
Infrastructure	0	0	67,566	67,566
Cash deposits	963	0	0	963
	963	2,287,448	455,485	2,743,896
Financial liabilities at fair value through profit and loss				
Payables for investment purchases	(960)	0	0	(960)
Total	3	2,287,448	455,485	2,742,936

Pooled property investments have been restated at level 3 for 31 March 2023 in accordance with the valuations of the investment managers.

NOTE 15b – RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value 1 April 2023	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised (gains)/ losses	Market Value 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property	221,297	0	2,981	0	(13,928)	0	210,350
Private Credit	0	0	13,404	(3,332)	163	0	10,235
Private Equity	166,622	0	10,001	(4,692)	1,419	(6,321)	167,029
Infrastructure	67,566	0	27,052	(2,447)	2,559	(4,748)	89,982
Total Level 3	455,485	0	53,438	(10,471)	(9,787)	(11,069)	477,596

Re-stated	Market Value 1 April 2022	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised (gains)/ losses	Market Value 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property	252,521	0	18,715	0	(49,939)	0	221,297
Private Equity	158,711	0	14,620	(4,852)	6,675	(8,532)	166,622
Infrastructure	67,417	0	10,920	(12,481)	11,085	(9,375)	67,566
Total Level 3	478,649	0	44,255	(17,333)	(32,179)	(17,907)	455,485

NOTE 16 - CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2023			As at 31 March 2024		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
2,287,448			2,558,668		
221,297			210,350		
0			10,235		
166,622			167,029		
67,566			89,982		
	19,255			31,650	
	4,163			6,572	
2,742,933	23,418	0	3,036,264	38,222	0
Financial liabilities					
		(4,222)			(4,491)
0	0	(4,222)	0	0	(4,491)
2,742,933	23,418	(4,222)	3,036,264	38,222	(4,491)

NOTE 16a – NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2023		31 March 2024
Fair value		Fair value
£'000		£'000
Financial assets		
(62,044)	Fair value through profit and loss	249,348
0	Loans and receivables	0
(62,044)	Total financial assets	249,348
Financial liabilities		
0	Fair value through profit and loss	0
0	Financial liabilities at cost	0
0	Total financial liabilities	0
(62,044)	Net financial assets	249,348

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (pricerisk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Pension's Fund operations, then reviewed regularly to reflect changes in activity and market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a risk factor analysis to ensure that risk remains within tolerable levels;
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or by factors affecting all such instruments in the market.

The Fund is exposed to share price risk. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within the limits set in the Fund investment strategy.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 and 2023/24 reporting period.

Asset type	Potential market movement (+/-)	
	31 March 2023	31 March 2024
	%	%
UK Equities	18.2	16.0
Global Equities	19.0	16.7
Emerging Markets Equities	24.4	23.0
Private Equity	31.2	31.2
Corporate Bonds	7.5	7.0
Senior Loans (Sub investment grade)	9.6	8.8
Absolute Return Bond	2.7	2.7
Infrastructure	16.0	13.6
Property	15.5	15.6
Diversified Credit	7.8	7.1
Cash	0.3	0.3
Total Fund	13.3	10.7

The potential volatilities disclosed above are consistent with a one-standard deviation movement in the change of value of the assets over the latest three years. The total fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Had the market price of the Fund investments increased/decreased in line with the above, the change in the market price of the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2024 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
UK Equities	267,131	16.0	309,872	224,390
Global Equities	1,370,421	16.7	1,599,281	1,141,561
Emerging Markets Equities	59,884	23.0	73,657	46,111
Private Equity*	167,029	31.2	219,141	114,916
Corporate Bonds	223,004	7.0	238,614	207,393
Senior Loans (sub investment grades)*	10,235	8.8	11,136	9,335
Absolute Return Bonds	412,215	2.7	423,345	401,086
Infrastructure*	89,982	13.6	102,219	77,744
Property*	210,350	15.6	243,164	177,535
Diversified Credit	226,013	7.1	242,060	209,966
Cash	31,650	0.3	31,745	31,555
Debtors and Creditors	2,081	0.0	2,081	2,081
Total assets available to pay Benefits	3,069,995		3,496,315	2,643,673
*Level 3 assets	477,596		575,661	379,530

Asset type	Value as at 31 March 2023 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Re-stated				
UK Equities	246,433	18.2	291,284	201,583
Global Equities	1,396,696	19.0	1,662,068	1,131,324
Emerging Markets Equities	57,616	24.4	71,674	43,557
Private Equity*	166,622	31.2	218,608	114,636
Absolute Return Bonds	386,103	2.7	396,528	375,679
Infrastructure*	67,566	16.0	78,377	56,756
Property*	221,297	15.5	255,598	186,996
Diversified Credit	200,600	7.8	216,246	184,953
Cash	19,255	0.3	19,313	19,197
Debtors and Creditors	(59)	0.0	(59)	(59)
Total assets available to pay Benefits	2,762,129		3,209,637	2,314,622
*Level 3 assets	455,485		552,583	358,390

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored in accordance with the Fund's risk management strategy,

including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2023	As at 31 March 2024
	£'000	£'000
Cash and cash equivalents	18,292	31,151
Cash balances	963	499
Pooled Fixed Income	586,703	861,232
Total	605,958	892,882

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Carrying amount as at 31 March 2024	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	31,151	312	(312)
Cash balances	499	5	(5)
Pooled Fixed Income *	861,232	8,612	(8,612)
Total change in assets available	892,882	8,929	(8,929)

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

Asset type	Carrying amount as at 31 March 2023	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	18,292	183	(183)
Cash balances	963	10	(10)
Pooled Fixed Income *	586,703	5,867	(5,867)
Total change in assets available	605,958	6,060	(6,060)

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

The average interest rate received on cash during the year was 4.99% amounting to interest of £1,020,271 for the year (average interest rate of 2.04% and interest income of £210,338 in 2022/23).

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

A 1% increase in interest rates will not affect the interest received on fixed income assets but will reduce their fair value, as shown in the tables above. Changes in interest rates do not impact on the value of cash / cash equivalents but they will affect the interest income received on those balances. Changes to both the fair value of assets and income received from investments impact on the net assets to pay benefits but as noted above this does not have a significant effect on the Fund.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds assets denominated in currencies other than £UK.

The Fund has made commitments to private equity and infrastructure in foreign currency (€80.1 million and US\$23.3 million). These commitments are being drawn down on request from the investment manager over a number of years. The current commitments still outstanding are shown in Note 24. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the Fund is fully funded. The Fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

The Fund's currency rate risk has been calculated based on the volatility of the currencies which would affect the value of the investments and any cash held in those currencies.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the likely volatility associated with foreign exchange rate movements has been calculated with reference to the historic volatility of the currencies and their relative amounts in the Fund's investments.

The 1 year expected standard deviation for an individual currency as at 31 March 2024 is 9.3%. The equivalent rate for the year ended 31 March 2023 was 9.9%. This analysis assumes that all other variables, in particular interest rates, remain constant.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The tables below show a breakdown of the Fund's exposure to individual currencies as at 31 March 2024 and at the end of the previous financial year:

Currency exposure - by asset type	Carrying amount as at 31 March 2024	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Global Equities	1,370,421	1,497,870	1,242,972
Emerging Markets Equities	59,884	65,453	54,315
Private Equity	167,029	182,562	151,495
Corporate Bonds	223,004	243,743	202,264
Absolute Return Bonds	412,216	450,552	373,880
Infrastructure	89,982	98,350	81,614
Diversified Credit	226,013	247,032	204,994
Total change in assets available	2,548,549	2,785,562	2,311,534

Currency exposure - by asset type	Carrying amount as at 31 March 2023	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Global Equities	1,396,696	1,534,969	1,258,423
Emerging Markets Equities	57,616	63,320	51,912
Private Equity	166,622	183,118	150,127
Absolute Return Bonds	386,103	424,328	347,879
Infrastructure	67,566	74,255	60,877
Diversified Credit	200,600	220,459	180,740
Total change in assets available	2,275,203	2,500,449	2,049,958

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The benchmark for the concentration of the funds held with investment managers is as follows:

Fund	Percentage of Portfolio
UK Equities (Black Rock)	8.00%
Low Carbon Equities (Black Rock)	4.20%
Sustainable Equity (Wales Pension Partnership)	10.10%
Emerging Markets (Wales Pension Partnership)	2.50%
Global Growth (Wales Pension Partnership)	10.10%
Global Opportunities (Wales Pension Partnership)	10.10%
Multi Asset Credit (Wales Pension Partnership)	7.50%
Absolute Return Bond (Wales Pension Partnership)	12.50%
Private Credit (Wales Pension Partnership)	5.00%
Global Credit (Wales Pension Partnership)	7.50%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10.00%
Infrastructure (WPP and Partners)	7.50%
Private Equity (WPP and Partners)	5.00%

All investments held by investment managers are held in the name of the Pension Fund so, if the investment manager fails, the Fund's investments are not classed amongst their assets.

Contractual credit risk is represented by the net payment or receipt that remains outstanding. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

In order to maximise the returns from short-term investments and cash deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements, any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution. In addition, the Council invests an agreed percentage of funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so the Administering Authority monitors membership movements on an annual basis.

New employers to the Fund will need to agree to the provision of a bond or obtain a guarantee to reduce the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. As shown in Note 25 two employers have provided bonds. Any future liabilities falling on the Fund as a result of cessation are borne by the whole Fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a legal judgement, which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments to pay pensions and other costs and to meet investment commitments.

The Council has a cash flow system that seeks to ensure that cash is available if needed. In addition, current contributions received from contributing employers and members far exceed the benefits being paid. Surplus cash is invested and cannot be paid back to employers. The Fund's Actuary establishes the contributions that should be paid in order that all future liabilities can be met.

There is no limit on the amount that the Pension Fund bank account can hold. The amounts held in this account should meet the normal liquidity needs of the Fund. Any temporary surplus is invested by the Council in accordance with the Treasury Management Strategy Statement to provide additional income to the Pension Fund. Surplus cash is invested in accordance with the Statement of Investment Principles.

The Fund also has access to an overdraft facility through the Council's group bank account arrangements. This facility would only be used to meet short-term timing differences on pension payments. As these borrowings would be of a limited short-term nature, the Fund's exposure to credit risk is considered negligible.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2024 the value of illiquid assets was £478m, which represented 15.6% of the total Fund assets (31 March 2023: £455m, which represented 16.4% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2024 are due within one year as was the case at 31 March 2023.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

NOTE 18 – FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Administration) Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement and was reviewed as part of the 2022 valuation in March 2023.

In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependents
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The Funding Strategy Statement sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

NOTE 18 – FUNDING ARRANGEMENTS (continued)

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the Funding Strategy Statement, there is at least a 70% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £2,776 million, were sufficient to meet 120% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £468 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and probability measure as per the Funding Strategy Statement. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method used to Value the Liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and Funding Strategy Statement.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.1% pa
Salary increase	3.2% pa
Benefit increase (CPI)	2.7% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% pa. Based on these assumptions, the average future life expectancies at age 65 are as follows:

NOTE 18 – FUNDING ARRANGEMENTS (continued)

Mortality assumption	Male	Female
	Years	Years
Current pensioners	21.1	24.0
Future pensioners (aged 45 at the 2022 valuation)	22.3	25.8

Copies of the 2022 valuation report and the Funding Strategy Statement are available on the Pension Fund's website www.gwyneddpensionfund.wales

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18) and has also used them to provide the IAS19 and FRS102 reports for individual employers in the Fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2023 and 2024 are shown below:

	31 March 2023	31 March 2024
	£m	£m
Active members	1,084	1,140
Deferred members	387	381
Pensioners	864	842
Total	2,335	2,363

As noted above, the liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2022 triennial funding valuation (see Note 18) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS (continued)

Assumptions used

The financial assumptions used are those adopted for the Administering Authority's IAS19 report as shown below and are different as at 31 March 2023 and 2024. The actuary estimates that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £140m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £14m.

Assumption	31 March 2023	31 March 2024
	%	%
Pension increase rate	2.95	2.75
Salary increase rate	3.45	3.25
Discount rate	4.75	4.85

The life expectancy for the longevity assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male Years	Female Years
Current pensioners	20.8	23.7
Future pensioners (assumed to be aged 45 at the latest valuation date)	21.8	25.4

All other demographic assumptions have been updated since last year and as per the latest funding valuation of the fund.

The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2024	Approximate increase to liabilities	Approximate monetary amount £m
	%	
0.1% p.a. increase in the rate of CPI inflation	2	44
0.1% p.a. increase in the salary increase rate	0	3
0.1% p.a. decrease in the discount rate	2	46
1 year increase in member life expectancy	4	95

NOTE 20 – CURRENT ASSETS

31 March 2023 £'000		31 March 2024 £'000	
495	Contributions due – employees	930	
1,617	Contributions due – employers	2,853	
2,050	Sundry debtors	2,789	
4,162	Total debtors	6,572	
18,292	Cash	31,151	
22,454	Total	37,723	

NOTE 21 – CURRENT LIABILITIES

31 March 2023 £'000		31 March 2024 £'000	
2,078	Sundry creditors	2,781	
1,183	Benefits payable	1,377	
3,261	Total	4,158	

NOTE 22 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The market value of the funds is stated below:

	Market value at 31 March 2023 £'000	Market value at 31 March 2024 £'000
Clerical Medical	4,576	5,596
Utmost Life	162	153
Standard Life	5	5
Total	4,743	5,754

AVC contributions were paid directly to the following manager:

	2022/23 £'000	2023/24 £'000
Clerical Medical	797	1,062
Total	797	1,062

NOTE 23 - RELATED PARTY TRANSACTIONS

Cyngor Gwynedd

The Gwynedd Pension Fund is administered by Cyngor Gwynedd. Consequently, there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1,606,596 (£1,474,104 in 2022/23) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also one of the largest employers of members of the Fund and contributed £30.33m to the Fund in 2023/24 (£29.49m in 2022/23). At the end of the year, the Council owed £1.08m to the Fund which was primarily in respect of interest paid on the Pension Fund's balances and contributions for March 2024 and the Fund owed £1.6m to the Council which was primarily in respect of recharges to the Council for the administrative costs.

The Gwynedd Pension Fund has two bank accounts which are held as part of Cyngor Gwynedd's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Cyngor Gwynedd pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2023/24, the Fund received interest of £1,020,271 (£210,338 in 2022/23) from Cyngor Gwynedd.

Governance

There is one member of the Pensions Committee who is in receipt of pension benefits from the Gwynedd Pension Fund during 2023/24 (committee member J.B.Hughes). In addition, committee members S.W. Churchman, R.W.Williams, J.B.Hughes, I.Thomas, G.Edwards, J.P.Roberts, R.M.Hughes, E.Hywel and I.Huws are active members of the Pension Fund.

Two members of the Pension Board were in receipt of pension benefits from the Gwynedd Pension Fund during 2023/24 (board members H.E.Jones and A.Deakin). In addition, Board members B.Roberts, O. Richards, N.Michael and S.E.Parry are active members of the Pension Fund.

Key Management Personnel

The key management personnel of the fund are the Fund Director (until 30/06/23), Head of Finance (s151) and the Chair of the Pensions Committee.

The remuneration payable to key management personnel attributable to the fund is set out below:

2022/23		2023/24
£'000		£'000
Re-stated		
48	Short-term benefits	36
9	Post-employment benefits	6
<hr/>		<hr/>
57		42

2022/23 has been re-stated to include the Chair of the Pensions Committee

NOTE 24 - COMMITMENTS UNDER INVESTMENT CONTRACTS

Outstanding capital commitments (investments) at 31 March were as follows:

	Total Commitments £'000	Commitment at 31 March 2023 £'000	Commitment at 31 March 2024 £'000
Schroders Capital WPP Global Private Equity I L.P.	12,500	0	9,056
GCM WPP Global Infrastructure LP	15,000	0	11,481
Capital Dynamics CEI (WPP), LP	10,000	0	7,082
Octopus Renewables Infrastructure	34,500	0	24,824
Russell Investments WPP Global Private Credit L.P.	110,000	0	99,927
Total GBP	182,000	0	152,370
	€'000	€'000	€'000
P.G. Direct 2006	19,224	0	0
P.G. Global Value 2006	50,000	3,477	3,477
P.G. Secondary 2008	15,000	1,960	1,960
P.G. Global Value 2011	15,000	2,096	2,096
P.G. Global Infrastructure 2012	40,000	7,019	7,019
P.G. Direct 2012	12,000	1,181	1,181
P.G. Global Value 2014	12,000	1,531	1,531
P.G. Direct Equity 2016	50,000	2,826	2,826
P.G. Global Value 2017	42,000	11,570	11,570
P.G. Global Infrastructure 2018	28,000	8,131	4,631
P.G. Direct Equity 2019	48,000	8,352	6,192
P.G. Direct Infrastructure 2020	32,000	20,320	12,000
P.G. Direct Equity V	30,000	30,000	25,586
Total Euros	393,224	98,463	80,069
	US\$'000	US\$'000	US\$'000
P.G. Emerging Markets 2011	7,000	1,082	1,082
P.G. Secondary 2015	38,000	15,220	15,220
P.G. Direct Infrastructure 2015	43,600	7,640	6,986
Total Dollars	88,600	23,942	23,288

'PG' above refers to Partners Group, the investment manager which invests in 'alternatives' (private equity and infrastructure) on behalf of the Fund.

These commitments relate to outstanding call payments on unquoted funds held in the the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of the original commitment.

NOTE 25 – CONTINGENT ASSETS

Two admitted body employers in the Gwynedd Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

NOTE 26 – CONTINGENT LIABILITIES

There are no contingent liabilities identified.

NOTE 27 – IMPAIRMENT LOSSES

There are no impairment losses identified.

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Cyngor Gwynedd as administering authority for the Gwynedd Pension Fund

Opinion on financial statements

I have audited the financial statements of the Gwynedd Pension Fund for the year ended 31 March 2024 under the Public Audit (Wales) Act 2004. The Gwynedd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am

required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the Gwynedd Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Gwynedd Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the Gwynedd Pension Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Gwynedd Pension Fund's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in management override.
- Obtaining an understanding of the Gwynedd Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Gwynedd Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Gwynedd Pension Fund.
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Pensions Committee;
- reading minutes of meetings of those charged with governance and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Gwynedd Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Gwynedd Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales

I Capital Quarter
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Audit of Accounts Report – Gwynedd Pension Fund

Audit year: 2023-24

Date issued: September 2024

Document reference: 4455A2024



This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our [Statement of Responsibilities](#).

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

About Audit Wales

Our aims and ambitions

Assure



the people of
Wales that public
money is well
managed

Explain



how public
money is being
used to meet
people's needs

Inspire



and empower
the Welsh
public sector to
improve



Fully exploit
our unique
perspective,
expertise and
depth of insight



Strengthen our
position as an
authoritative,
trusted and
independent
voice



Increase our
visibility,
influence and
relevance



Be a model
organisation for
the public sector
in Wales and
beyond

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Introduction

I have now substantially completed my audit in line with my Detailed Audit Plan 2024, subject to completion of final audit procedure steps. Should any issues arise from this work, we will provide a verbal update at the Pension Fund Committee.

This Audit of Accounts Report summarises the main findings from my audit of your 2023-24 annual report and accounts. My team have already discussed these issues with the Investment Manager.

I am very grateful to your officers for their support in undertaking this audit.



Adrian Crompton

Auditor General for
Wales

Your audit at a glance



Audit opinions

We are proposing to give an unqualified opinion on the accounts.

We have nothing to report under the other sections of my report, i.e. those relating to going concern; other information; other matters; or matters I report by exception.



Significant issues

There are no misstatements or significant issues to report.



Materiality

Materiality £30.744 million

Reporting threshold ('trivial') £1.537 million

Areas of specific interest:

- Related party disclosures - Key Management Personnel £1,000

Financial statements' materiality



Materiality £30.744 million

My aim is to identify and correct material misstatements, i.e. those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2023-24 gross assets of £3.074 billion
- Materiality percentage of 1%

I apply the materiality percentage to gross expenditure to calculate materiality.

I will report to you any misstatements above £1.537 million, calculated as 5% of materiality (called the 'trivial level').



Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts. We set lower materiality levels for these as follows:

- Related party disclosures - Key Management Personnel £1,000

Ethical compliance



Compliance with ethical standards

We believe that:

- we have complied with the ethical standards we are required to follow in carrying out our work;
- we have remained independent of yourselves;
- our objectivity has not been comprised; and
- we have no relationships that could undermine our independence or objectivity.

Proposed audit opinion



Audit opinion

We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation (see below).

Our proposed audit report is set out in **Appendix 1**.



Letter of representation

A Letter of Representation is a formal letter in which you confirm to us the accuracy and completeness of information provided to us during the audit. Some of this information is specified as being necessary by auditing standards; other information may relate specifically to your audit.

The letter we are requesting you to sign is included in **Appendix 2**.

Issues Arising During the Audit



Misstatements

A misstatement arises where information in the accounts is not in accordance with accounting standards.

Corrected misstatements

During our audit, we identified misstatements that have been corrected by management, but which we consider should be drawn to your attention.

These are set out in **Appendix 3**.

Appendix 1

Proposed audit report

The report of the Auditor General for Wales to the members of the Gwynedd Council as administering Authority for the Gwynedd Pension Fund

Opinion on financial statements

I have audited the financial statements of the Gwynedd Pension Fund for the year ended 31 March 2024 under the Public Audit (Wales) Act 2004.

Gwynedd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including the material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year 31 March 2024 and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the Gwynedd Pension Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit, the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and

Appendix 1

- assessing the Gwynedd Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by Gwynedd Pension Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Gwynedd Pension Fund's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals;
- Obtaining an understanding of Gwynedd Pension Fund's framework of authority as well as other legal and regulatory frameworks that Gwynedd Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Gwynedd Pension Fund; and
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;

- Enquiring of management, the Pensions Committee and legal advisors about actual and potential litigation and claims;
- Reading minutes of meetings of those charged with governance and the administering authority;
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Gwynedd Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Gwynedd Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Appendix 2

Letter of representation

Gwynedd Pension Fund

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Cardiff
CF10 4BZ

16 September 2024

Representations regarding the 2023/24 financial statements

This letter is provided in connection with your audit of the financial statements of Gwynedd Pension Fund for the year ended 31st March 2024 for the purpose of expressing an opinion on their truth and fairness.

I confirm that to the best of my knowledge and belief, having made enquiries as I consider sufficient, I can make the following representations to you.

Management representations

Responsibilities

I have fulfilled my responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA code; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.;
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects Gwynedd Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the Pensions Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Gwynedd Pension Fund/ Pensions Committee on Monday 16th September 2024.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Dewi Morgan

Councillor Richard Medwyn Hughes

Head of Finance, Cyngor Gwynedd

Chair of the Pensions Committee

Date:

Date:

Appendix 3

Summary of corrections made

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention.

Value of correction	Accounts areas	Explanation
<p>Note 15a – Fair Value Hierarchy Misclassification of £210,350,000 in Pooled Property investments as Level 2 (£221,297,000 in 2022-23). Per the source documentation, Pooled Property should be disclosed as Level 3.</p>	<p>Note 15a – ‘Fair Value Hierarchy’, Note 15b – ‘Reconciliation of Fair Value Measurement Within Level 3’ and Note 17 – ‘Nature and Extent of Risk arising from financial instruments’.</p>	<p>From our review of underlying Pooled Property investment fund accounts, we found that Pooled Property investments were misclassified as Level 2 as opposed to Level 3 in the table in Note 15a. A new line and analysis have been included in the table in Note 15b.</p> <p>Previous year’s figures have also been restated to reflect the new classification.</p>
<p>Note 23 – Related Party Transactions</p> <p>Key Management Personnel:</p> <p>2023-24: Short term benefits increased by £10,000, Post-employment benefits increased by £2,000.</p> <p>2022-23: Short term benefits increased by £10,000, Post-employment benefits increased by £2,000.</p>	<p>Note 23 – Related Party Transactions - Key Management Personnel</p>	<p>To be in accordance with the CIPFA code and disclosure checklist; inclusion of the Chair of the Pensions Committee as a Key Management Personnel and inclusion of remuneration relating to the discharge of his responsibilities relating to the Gwynedd Pension Fund.</p>

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD*, and our Chair acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).

Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.






- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies and to support those bodies in continuing to improve the services they provide to the people of Wales.

Visit our website to find:

	our Good Practice work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our newsletter which provides you with regular updates on our public service audit work, good practice, and events.
	our publications which cover our audit work completed at public bodies.
	information on our forward performance audit work programme 2023-2026 which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various data tools and infographics to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and [Our Strategy 2022-27](#).



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Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

MEETING	PENSIONS COMMITTEE
DATE	16 SEPTEMBER 2024
TITLE	Gwynedd Pension Fund's Draft Annual Report for the year ended 31 March 2024
PURPOSE	To receive and note – <ul style="list-style-type: none">• Draft Annual Report
RECOMMENDATION	Receive and note the information
AUTHOR	Delyth Jones-Thomas, Investment Manager

1. INTRODUCTION

This report introduces the statutory Annual Report for the 2023/24 financial year, which provides details of the Pension Fund's activities during the year which ended on 31 March 2024.

The document in Appendix A is the draft Annual Report in the statutory format.

2. AUDIT BY AUDIT WALES

The Annual Report has been reviewed as part of the Final Accounts audit by Audit Wales.

3. RECOMMENDATION

The Pensions Committee is asked to receive and note the Pension Fund Annual Report for 2023/24.



Cronfa Bensiwn
GWYNEDD
Pension Fund

ANNUAL REPORT

2023/24

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I. Foreword

Welcome to the Gwynedd Pension Fund's annual report for the financial year ended 31 March 2024.

During the year, the value of the Pension Fund increased from £2.7 billion to £3.1 billion. The value of investments on the market increased during the year after bouncing back following a challenging year with the war in Ukraine and high inflation affecting the money markets. The Fund saw positive returns of 11.2% over the year, against a benchmark of 11.4%. The average LGPS fund delivered a return of 9.2% for the year. While the absolute return delivered was strong, most funds failed to achieve their strategic benchmark return over the period. This was the result of a variety of factors, the key being relatively poor actively managed equity results and alternative assets delivering below many of the absolute return benchmarks set. Therefore, even though Gwynedd Pension Fund did not achieve its benchmark, this was common within LGPS funds and the fund did achieve returns that were better than average during the year.

The Fund's target strategic allocation was updated at the end of 2023 following an improvement in the Fund's funding's position. It was agreed by the Pensions Committee to partially de-risk the Fund by reducing its equity allocation and invest in income generating assets. A plan has been developed to move the Fund towards the new benchmark allocations over the next 12-18 months. Investments in private equity, private debt and infrastructure will increase over time as capital is called.

The Pension Fund continues to work as a committed member of the Wales Pension Partnership (WPP) to achieve efficiencies through pooling assets by combining assets in our investment management arrangements which should in turn reduce investment fees. During the year the consolidation of private markets has developed well, with infrastructure funds, private debt and private equity funds being launched. The Partnership has further developed its governance framework in collaboration with other Welsh LGPS funds and with the support of our specialist advisors. A range of policies have been developed and training sessions have been offered to the relevant stakeholders.

We continue to receive requests to set an ambitious timetable for total divestment of fossil fuels but as a pension fund, it is more responsible to us to plan properly, take real action, and influence where possible for the benefit of our environment. We continue to support our commitment to be net zero by 2050, supported by a commitment to assess the feasibility of the Fund reaching net zero 5, 10 or 20 years earlier. We do whatever we can to ensure that we act responsibly and consider the impact our actions will have on future generations. We have taken significant steps in the year including the investment of £270 million into the WPP Sustainable Equity Fund and will continue to develop our responsible investment practices in the coming years.

The Fund's staff have continued to ensure that we provide a high level of service in 2023/24. There have been great strides in developing electronic ways of working, with employers increasingly using the i-Connect system interface to provide data to the fund and a brand-new member self-service portal being developed to allow members to take control of their pension in an interactive way. We would also like to thank the Gwynedd pension administration staff and their colleagues in the investment team for their hard work over the past year.

We hope the following report will provide you with useful information about our Pension Fund. For more information, or to give your opinion on this report, the contact details of the relevant officers are provided on the next page of the report. Many thanks for your support during 2023/24, and we look forward to the fund's developments in 2024/25.



**Councillor
Stephen Churchman**
Pensions Committee
Chair 2023/24



**Dewi Morgan
s151**
Head of Finance

2. Management Structure

Administering Authority

Cyngor Gwynedd

Pensions Committee

Councillor Stephen Churchman (Chairman)

Councillor Ioan Thomas (Vice Chairman)

Councillor John Pughe Roberts

Councillor John Brynmor Hughes

Councillor Richard Medwyn Hughes

Councillor Elin Hywel

Councillor Iwan Huws

Councillor Robin Wyn Williams (Co-opted Member)

Councillor Goronwy Edwards (Co-opted Member)

Pension Board

Employer Representatives

Mr Ned Michael (Isle of Anglesey County Council)

Mrs Sioned Parry (Conwy County Borough Council)

Councillor Beca Roberts (Cyngor Gwynedd)

Member Representatives

Mr Osian Richards

Mr H. Eifion Jones

Mr Anthony Deakin

Fund Director

Mr Dafydd L. Edwards (until 30/06/2023)

Head of Finance (“Section 151 Officer”)

Mr Dewi Morgan

Advisor

Hymans Robertson

Fund Managers

BlackRock

Lothbury

Partners Group

Threadneedle

UBS Global Asset Management Limited

Russell Investments (WPP)

Schroders Capital (WPP)

GCM Grosvenor (WPP)

Octopus Renewables (WPP)

Capital Dynamics (WPP)

Fund Website

www.gwyneddpensionfund.wales

AVC Providers

Clerical Medical, Utmost Life and Standard Life

Pool

Wales Pension Partnership (WPP)

Pool Operator

Waystone Management (UK) Limited

Custodian

Northern Trust

Actuary

Hymans Robertson

Bank

Barclays Bank plc

Auditor

Audit Wales

Contact Details

Enquiries and more detailed information regarding:

- administration of the Gwynedd Pension Fund can be obtained by contacting:

Mr Meirion Jones,
Pensions Manager,
Cyngor Gwynedd,
Council Offices,
Caernarfon,
Gwynedd. LL55 1SH

☎ 01286 679643

✉ meirionjones2@gwynedd.llyw.cymru

- the Fund’s investment and accounting activities should be made to:

Mrs Delyth Jones-Thomas,
Investment Manager,
Cyngor Gwynedd,
Council Offices,
Caernarfon,
Gwynedd. LL55 1SH

☎ 01286 679128



delythwynjonesthomas@gwynedd.llyw.cymru

3. Annual Report of the Gwynedd Pension Board for 2023/24 (the year to 31 March 2024)

Background / Constitution

The Board was constituted under the Public Services Pensions Act 2013 and held its first meeting on 13th July 2015. The membership consists of three members representing scheme employers and three members representing scheme members (which include staff who contribute to the pension scheme and those who are retired and receiving a pension).

Over the period between 1st April 2023 and 31st March 2024, the Board has met virtually four times. Board members are invited as observers to meetings of the Pensions Committee and have agreed to take this role in turn in order to facilitate understanding as well as communication. This arrangement is reciprocated with the Chair of the Pensions Committee now attending Board meetings, where he is accountable, with officers for the governance and administration of the Fund. At times, the Board has asked for its views and recommendations to be submitted for consideration by the Committee.

Function of the Board

In accordance with legislation, the two primary functions of the Local Pension Board are to assist the administering authority (Cyngor Gwynedd) to:

- i. ensure effective and efficient governance and administration of the LGPS, and
- ii. ensure compliance with relevant laws and regulation

Therefore, the Board is a monitoring, reviewing and assisting body, not a management or decision making body. The Board operates under Terms of Reference agreed by Cyngor Gwynedd (in a meeting of the full Council on the 5th March 2015).

It is supported by the Council's Member Support and Scrutiny Officer and reports are prepared and presented by officers including the Head of Finance, Investment Manager, and the Fund's Pensions Manager.

The work of the Board

Once again, the last year has been a busy year for the senior staff of the Administration Authority. Therefore, Board members were aware of the need to prioritise requests for officers to prepare reports for the Board.

Attendance

During 2023/24 there was a change in the membership of the board with Ned Michael (Employer's representative) and Anthony Deakin (members' representative) joining the board.

	20/07/2023	16/10/2023	18/12/2023	29/02/2024
Anthony Deakin	✓	✓	✓	✓
H. Eifion Jones	✓	✓	✓	✓
Ned Michael	✓	✓	✓	✓
Sioned Evans Parry	✓	✓		✓
Osian Richards		✓		
Cynghorydd Beca Roberts	✓		✓	✓

Work Plan

In accordance with the work plan agreed in the previous year, reports on the following issues were received:

- Pension Fund Budget
- Investment Advisers objectives
- Member Self Service – My Pension On-line
- Investment performance of the Pension Fund
- Pension Administration
- Wales Pension Partnership
- Pension Fund annual report
- Fund accounts
- Training plan
- Wales Audit Report
- The McCloud case
- Pension dashboards programme
- Climate science and economic modelling
- Allocation of strategic assets of the Gwynedd Pension Fund

During the discussions, input was given and a number of comments were made by Board members which has assisted administrative authority officials to complete their work.

The work plan for 2024/25 includes:

- General update on Pensions Administration
- Pension Fund Discretionary Policies
- The Pensions Regulator's General Code of Practice
- Update on the Wales Pension Partnership
- Gwynedd Pension Fund Annual Report
- Gwynedd Pension Fund investment performance update
- Final Accounts for the year ended 31 March 2024
- Risk register
- Budget 2025/26
- Business Plan 2025/26
- Training Plan 2025/26
- Work program for 2025/26
- 2025 valuation

Training

During Board meetings all members of the Board were given details on the LGPS and its administration in Gwynedd through various presentations by the Head of Finance, Investment Manager and Pensions Manager.

Members of the Board have also attended a number of virtual meetings and presentations. These include:

<u>Provider</u>	<u>Title</u>
Wales Pension Partnership	Private Market Asset Class – Private Equity
Wales Pension Partnership	Private Market Asset Class – Property
Wales Pension Partnership	Responsible Investing
Wales Pension Partnership	Levelling up / Development opportunities
Wales Pension Partnership	Responsible Investment - Voting & Engagement
Wales Pension Partnership	Responsible Investment within the WPP sub funds
Wales Pension Partnership	Market Understanding and Regulatory Requirements including progress of other LGPS pools & Collaboration opportunities and pooling guidance
Local Government Association	Fundamental Training

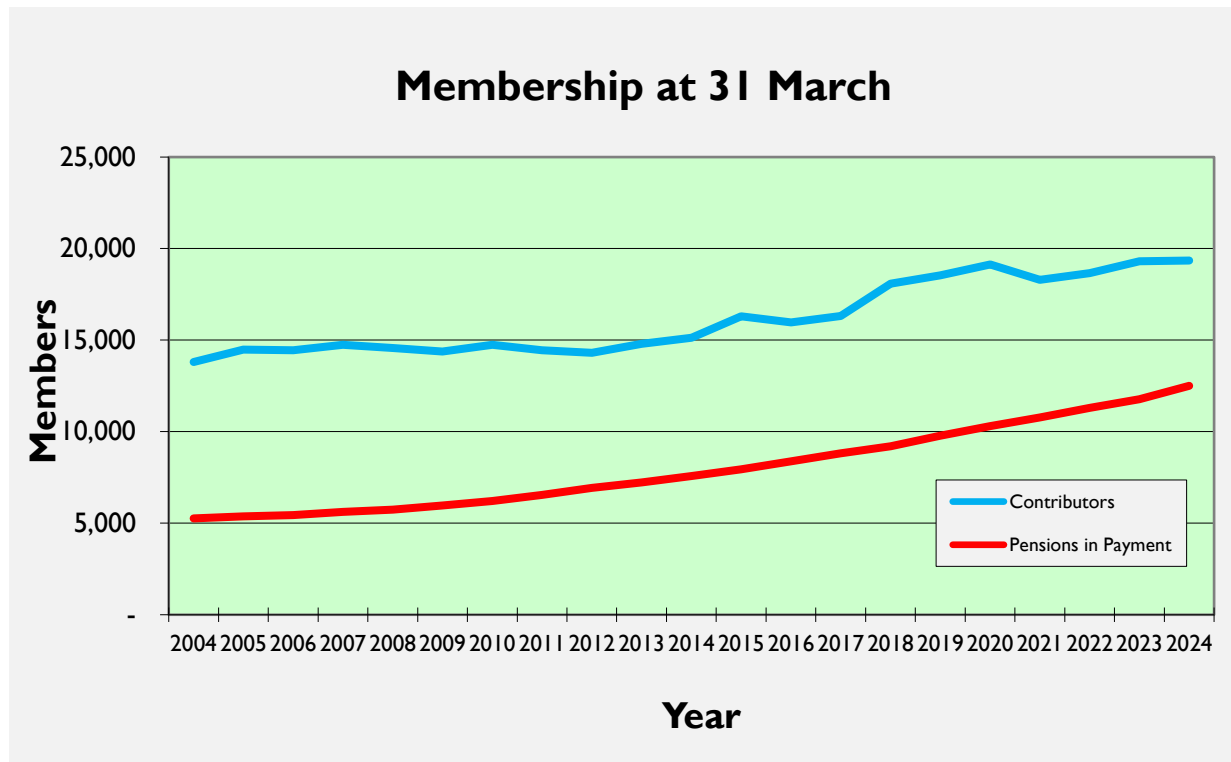
Thanks

The Chair wishes to thank his fellow members on the Board, who have volunteered their time to the roles, and the relevant officers for their support.

**Hywel Eifion Jones
Chair**

4. Membership Summary

The graph below shows the changes in the Fund's membership over the last 20 years. It shows that the number of pensioners has slowly increased from 5,262 in 2004 to 12,504 in 2024 and the number of active contributors has also increased from 13,805 in 2004 to 19,348 in 2024.



The table below shows further details on the Fund's membership:

31 March 2023	Description	31 March 2024
19,304	Contributors	19,348
11,780	Pensions in Payment	12,504
13,160	Deferred Pensioners	14,419
2,973	Unclaimed Benefits	4,006
4,993	Undecided Leavers*	3,038
52,210	Total Membership	53,315

*An undecided leaver is someone who has left their employment but is undecided as to the action that they now want to take with regard to their pension benefits. These records are closely monitored and are ultimately removed from the system once the individual member has decided upon the action they wish to take with regard to their pension benefits. Some records are also undecided leaver as the fund is awaiting termination details from the scheme employer or because there is a delay in processing the records to the correct status due to staff shortage as a result of struggling to recruit new staff.

5. Pensions Administration

5.1 Review of the Year

Introduction

2023/24 has been another busy year for The Pension Service. This report provides a general overview of pension administration over the past year. It contains information on the work carried out over the period and an update on various previously mentioned projects.

Performance Management

The Pension Fund is committed to improving its service delivery and will review the measures in place to monitor performance annually to identify where improvements can be made. Where areas of poor performance are identified, The Pension Service will review the reasons for poor performance and put in place appropriate processes to improve the level of service provision in the future. The service's core duties performance for 2023/24 compared to 2022/23 is as follows:

Core Activities	Performance in 2022/2023		Performance in 2023/2024	
	Number of cases	Average days taken	Number of cases	Average days taken
Average number of work days taken to send a quotation letter offering a transfer in	351	26.60	233	9.18
Average number of work days taken to send a quotation letter detailing a transfer out	218	17.11	745	13.26
Average number of work days taken to send process a refund of pension contributions	287	0.72	397	0.62
Number of working days on average taken to send a letter informing of the value of the deferred benefits	2,015	7.86	2,800	6.03
Average number of work days taken to send a letter informing value of benefits – estimates	2,056	1.16	2,611	0.93
Average number of work days taken to send a letter informing value of benefits – actual	797	0.84	919	0.76
Average number of work days taken to notify dependents benefits	385	1.61	358	1.44
Monthly pension payments processed and paid on time (figure based on number of payments in Month 12 of each year)	11,999	100%	12,526	100%
Number of cases where amended payments were necessary as a result of an error in the section	0	n/a	0	n/a

As can be seen, the performance of the service has improved.

We will continue to work to improve the performance for all tasks during 2024/25.

Member Satisfaction Survey

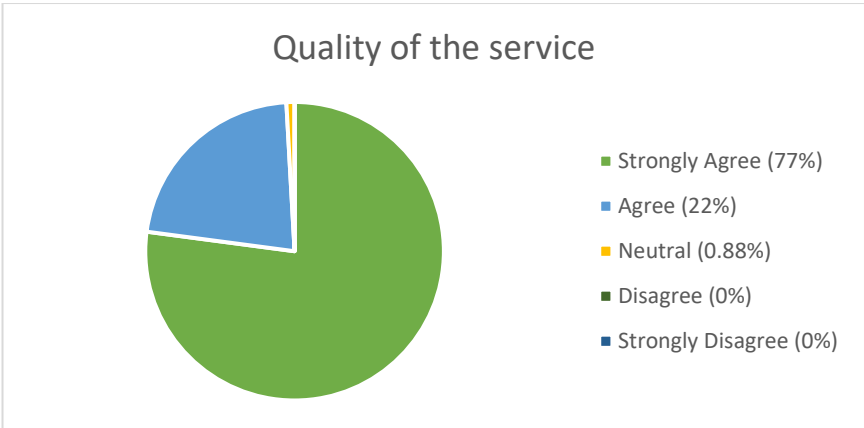
To ensure that we offer the best possible service to our members, a Member Satisfaction Survey is sent at the end of each process, e.g. retirements and payment of refunds for the members to give their opinion on the quality of the service received and their opinion about the service provided by the staff.

162 Members took part in this survey

Here is a summary of the 2023/24 results:

Quality of Service

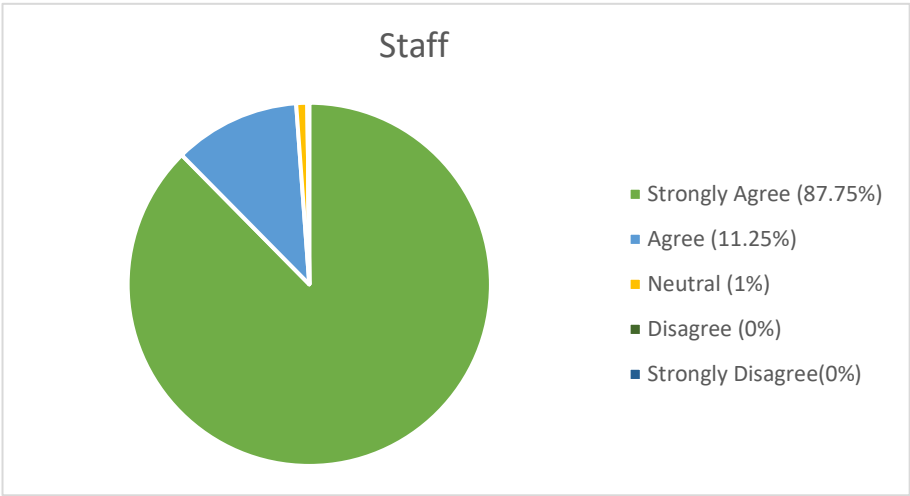
The chart below shows the percentage of users who are satisfied with four aspects of the service's performance based on: i) Service as a whole; ii) clear information; iii) Quality of service; iv) Time to deal with the enquiry.



As can be seen, **99%** of the users strongly agree or agree that the quality of the service provided is of a high standard. The percentage for 2022/23 was **95.34%**.

Staff

The chart below shows the percentage of users who are satisfied with four aspects of staff performance based on: i) Courtesy; ii) Punctuality; iii) Assistance given; iv) level of knowledge.

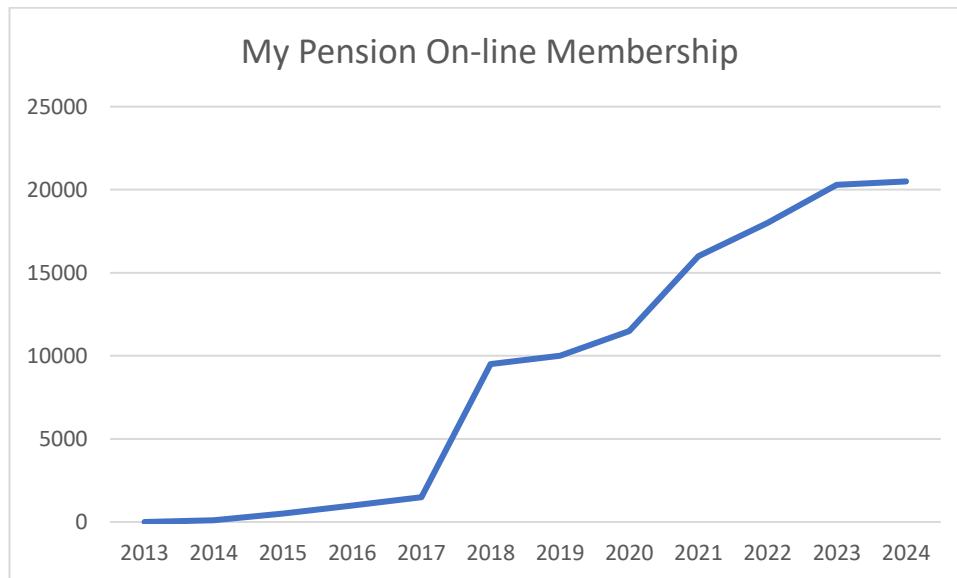


As can be seen, a high percentage once again (**99%**) of the users strongly agree or agree that the quality of the service provided is of a high standard in relation to the staff. The percentage for 2022/23 was **98.04%**.

My Pension Online

The 'My Pension Online' system continues to be very popular, with a large number of members visiting the site daily.

Approximately 20,000 have registered for the service to date. The graph below shows an increase in the number of members joining the self-service system over the last 10 years:



The system allows members to:

- View and update personal details and addresses
- Find out how much benefits will be worth at retirement
- Calculate the amount of extra lump sum they can take in retirement
- View their service history, including any transmitted service
- View and update their nominated beneficiaries
- View their Annual Benefit Statements
- View payslips (Pensioners)

During 2023/24 we have been working on an updated version of the self-service website. The new system went live on 10/04/2024.

Not only does this development have a completely new look, but the new technology used means that there is much better functionality across the website. Further updates are still in progress, with the aim of continually better engaging members at the project's heart. Some of the main developments on the site include:

- Simpler login, without the need for usernames and security questions. Members can use their email address and password to access.
- Better security with 2 factor authentication.
- Simplified navigation and design built with users in mind.
- Retirement planner.
- Personal explanatory videos for complex subjects, e.g. annual pension statements.
- Electronic ID authentication system.

All members who are already registered on the old site will have to move over to the new site, and work to promote this will take place in 2024/25.

i-Connect

i-Connect updates member data in our pension administration system on a monthly basis, avoiding the need for employers to send information at the end of the year.

Data is taken directly from a payroll system by i-Connect which then automatically identifies and submits details of new members, opt-outs and leavers to us.

By now all the employers use i-Connect, with the information being submitted promptly by all the employers on the whole.

Annual Benefit Statements

We must produce an Annual Benefit Statement for each member of the scheme by the end of August each year. This statement provides members with details of the benefits accrued up to the end of the previous financial year and predicts the benefits payable at their Normal Pension Age. The statement also includes pay details and explanatory notes about how the benefits are calculated.

Since 2018, these statements have been available electronically on our website's Member Self Service section. 2022 statements were uploaded to the system for active members on 24/07/2023 and deferred members on 19/07/2023.

1,070 members have written in to confirm that they want to continue receiving a paper copy of their statements. These statements were sent at the end of August 2023.

The Pensions Regulator – Measuring Data

In 2015, the Pensions Regulator (tPR) took over responsibility for Public Sector Pension Schemes. Before that, in June 2010, the tPR published guidance on what they consider to be good practice to measure the presence of members' data.

Over the last few years we have been commissioning our software provider, Heywood Pension Technologies to produce a Data Quality Report for our Fund every September. We now have software to run this report internally.

The report is divided into two sections:

- **Common Data:** e.g. name, address, NI number, gender, date of birth, status and start date
- **Scheme Specific Data:** e.g. benefits in the scheme, transfer details, AVC, salary details, contributions, service, lifetime allowance, annual allowance and GMP.

We provide below a summary of the results:

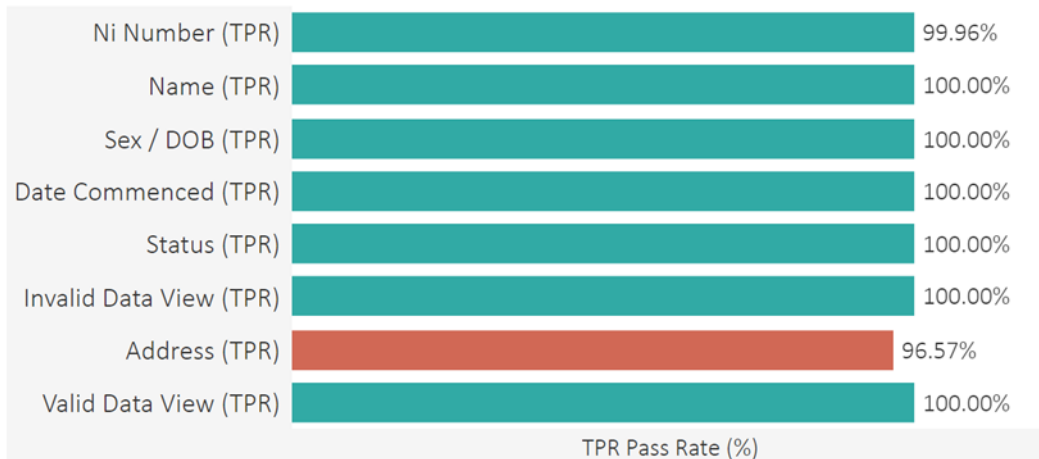
Summary of Common Data Results

The graph below shows Gwynedd's performance for each data category.

7 of the 8 categories achieved the highest benchmark of more than 98% with 6 categories not recording a single failure. The only category that did not reach the highest benchmark in question was **members' addresses** with a score of **96.57%**. With the exception of members' addresses, the general quality of common data in Gwynedd is of a high standard. In order to improve the member address score we are currently working with a company called ATMOS to carry out work to track the address of members recorded as having "disappeared".

The percentage of member records without a common data failure is **97.5%** (97.9% last year) at the date of preparing this report (23/07/2024).

TPR Pass Rate % by Test Category

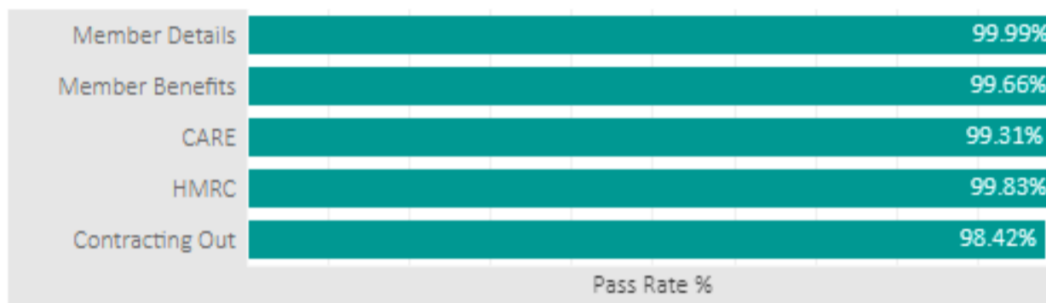


Summary of Scheme Specific Data Results

The graph below shows Gwynedd's performance for each data category against the agreed plan benchmarks.

The percentage of member records without individual data failure that is specific to the scheme is **99.1%** (98.78% last year) at the date of preparing this report.

Grand Total | TPR Pass Rate % by Test Category



An action plan is being developed in relation to the implementation of any data cleansing highlighted as part of this exercise and this data cleansing is expected to improve the data scores for next year.

Work to do

There are a number of tasks and projects requiring attention during the next year. These include:

- Website: Continue to update and expand the website.
- Continue to develop process automation and improve our correspondence.
- Scanning the paper files in the office in order to be a paperless office.
- McCloud: Update records for undertaking the McCloud project.
- Reduce the number of 'undecided leavers' records, which are members who have left the scheme but their record has not been closed.

Scheme Administration Statistics

Number of Employers

This table provides a summary of the number of employers in the Fund with active members and ceased (no active members but some outstanding liabilities).

	Active	Ceased
Scheduled bodies:	28	5
Admitted bodies:	18	26
Total:	46	31

Scheme membership

	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024
Active	17,373	18,582	18,295	18,657	19,304	19,348
Deferred	12,594	12,605	12,431	12,540	13,160	14,419
Pensioners	9,825	10,329	10,780	11,298	11,780	12,504
Undecided	3,563	6,441	8,133	8,617	7,966	7,044
Total:	45,355	47,957	49,639	51,112	52,210	53,315

Retirements during 2023/24

This table provides a summary of the number of retirements within the Fund during 2023/2024.

Reason for leaver	Number of pensioners
Early/Normal Retirement	669
Redundancy/ Efficiency	32
Ill Health	41
Late Retirement	132
Flexible Retirement	39
Total	913

Staffing indicators

The table below shows the number of staff in the Pensions Administration Team working exclusively on Local Government Pension Scheme benefits.

	2020/21	2021/22	2022/23	2023/24
Number of full-time equivalent Pension Fund staff	18.10	19.16	20.16	22.6
Total fund membership (Does not include undecided members)	41,506	42,495	44,244	46,271
Number of fund members to one member of administration staff	2,293	2,218	2,195	2,047

Unit cost per member

Investment Management Expenses	2021/22	2022/23	2023/24
Total Costs	£14,788,000	£10,593,000	£12,866,000
Total Membership Numbers (Does not include undecided members)	42,495	44,244	46,271
Cost per member	£347.99	£239.42	£278.06
Administration Expenses			
Total Costs	£1,373,000	£1,588,000	£1,720,000
Total Membership Numbers (Does not include undecided members)	42,495	44,244	46,271
Cost per member	£32.30	£35.89	£37.17
Oversight and Governance Expenses			
Total Costs	£364,000	£548,000	£456,000
Total Membership Numbers (Does not include undecided members)	42,495	44,244	46,271
Cost per member	£8.57	£12.39	£9.85
Total cost	£388.86	£287.70	£325.08

Acknowledgments

Overall, 2023/24 has been a successful year for The Pension Service. I would like to thank all the staff for their hard work and support over the year, the employers for providing timely information and our actuary Hymans Robertson for their work and advice over the year.

Meirion Jones
Pensions Manager

5.2 Local Government Pension Scheme Regulations

General

The Public Service Pensions Act 2013 governs the Fund. The Fund is administered in accordance with the following secondary laws:

- Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (also as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Cyngor Gwynedd administers the Gwynedd Pension Fund for its own employees and those of 45 other bodies (including 2 Local Authorities). The Fund does not cover teachers, for whom separate arrangements exist. The Fund is financed by contributions from employers and employees, together with income earned from investments.

From April 2014 employee contribution rates are determined in bands according to their actual pay indexed annually in line with inflation. Employees may opt to pay half rate contributions to accrue half rate personal benefits in what is called the 50/50 scheme, death and dependant benefits remain at full rate. The bandings for April 2023– March 2024 are shown in the table below:

Pay Bands	Contribution Rates main scheme	Contribution Rates 50/50 scheme
Up to £16,500	5.5%	2.75%
£16,501 - £25,900	5.8%	2.9%
£25,901 - £42,100	6.5%	3.25%
£42,101 - £53,300	6.8%	3.4%
£53,301 - £74,700	8.5%	4.25%
£74,701 - £105,900	9.9%	4.95%
£105,901 - £124,800	10.5%	5.25%
£124,801 - £187,200	11.4%	5.7%
More than £187,201	12.5%	6.25%

Employers contribute to the fund at a rate assessed triennially by the Fund's Actuary, or in the event of any significant change in an employer's membership or profile. Employers continue to pay the full rate in respect of members who opt for the 50/50 option or are on reduced pay due to illness.

Benefits

The LGPS provides significant benefits to members based on two separate schemes. There is a final salary arrangement, itself consisting of two accrual rates, and a CARE (Career Average Revalued Earnings) arrangement that came into force from 1 April 2014. Below are brief details of how the pensions accrue in both arrangements.

For the final salary element benefits will normally be based on two factors: service or membership during which contributions have been paid to the scheme, known as "Total Membership", and the wage or salary on which those contributions were paid (normally the last 12 months of service), known as "Final Pay".

The CARE part will be in the form of 1/49ths pension calculated on individual years' actual pensionable earnings revalued annually.

- **Annual Pension**

The calculation of the annual standard pension is based on the following formula:

$$\text{Final Pay} \times 1/80 \times \text{Total Membership to 31 March 2008; plus} \\ \text{Final Pay} \times 1/60 \times \text{Total Membership from 1 April 2008 to 31 March 2014; plus}$$

The accrued and revalued CARE pension on years from 1 April 2014 onwards

Once the pension is in payment it will rise each April in line with the increase in the Consumer Price Index.

- **Lump Sum**

There is also an entitlement to a standard tax-free lump sum on membership to 31 March 2008, based on the following formula:

Final Pay x 3/80 x Total Membership to 31 March 2008 only

- **Conversion of Benefits**

There is an option to convert part of the pension into an additional lump sum in excess of the formula shown above, but subject to HMRC limits.

Councillor Pensions

The scheme also provides access for Councillors. The benefit package is based on the pre April 2008 formula for pension and lump sum shown above but using Career Average Salary instead of Final Pay. This remains the position for councillor members even after the introduction of the new main scheme from April 2014. No new Councillors are eligible to join the LGPS in England and current Councillor Members must leave the scheme when their term of office comes to an end.

Ill-Health Retirement

If the membership period is 2 years or more, and an administering authority approved independent registered medical practitioner certifies that the member has become permanently unable to do their job or any comparable job with their employer, they will receive a pension, and if choosing to convert their pension, a tax free lump sum immediately.

The benefit payable depends on the ill health retirement awarded:

Tier 1

If the member is unlikely to be capable of gainful employment before their Normal Pension Age (NPA), ill health benefits are based on the pension they have already built up in their pension account at the date of leaving the scheme plus the pension they would have built up, calculated on assumed pensionable pay, had they been in the main section of the scheme until they reached their NPA.

Tier 2

If the member is unlikely to be capable of gainful employment within 3 years of leaving, but are likely to be capable of undertaking such employment before their NPA, ill health benefits are based on the pension they have already built up in their pension account at the date of leaving the scheme plus 25% of the pension they would have built up calculated on assumed pensionable pay, had they been in the main section of the scheme until they reached their NPA.

Tier 3

If the member is likely to be capable of gainful employment within 3 years of leaving, or before their NPA if earlier, ill health benefits are based on the pension they have already built up in their pension account at leaving. Payment of these benefits will be stopped after 3 years, or earlier if the member is in gainful employment or become capable of such employment, provided they have not reached their NPA by then. If the payment is stopped it will normally become payable again from their NPA.

Gainful employment means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

Early Retirement

If membership period is 2 years or more, a member may elect to retire and receive their LGPS benefits at any time from age 55 onwards; however payment before normal pension age may result in an actuarial reduction for early release, and if after normal pension age benefits may be actuarially increased due to late payment.

Preserved Benefits

Leavers with 2 years of membership are awarded preserved benefits, calculated in the same way as described in the paragraph 'Benefits', but with payment being deferred and index linked until payment is made any time after age 55 (age 60 if termination before 1/04/2014). Alternatively, it may be possible to transfer the equivalent value of benefits to another pension scheme.

Leavers with less than 2 years' membership, and with no further LGPS rights, may reclaim their contributions, less tax and any contracted out premiums that may apply.

Death in Service

A death grant of three times Final Pay is payable, regardless of the length of membership. For part-time employees, the Final Pay is not increased to its whole-time equivalent rate.

In addition, survivor benefits may be payable to spouses, or partners, with dependent children benefits also payable subject to certain criteria, mainly based on age and whether in full time education.

Death after Retirement

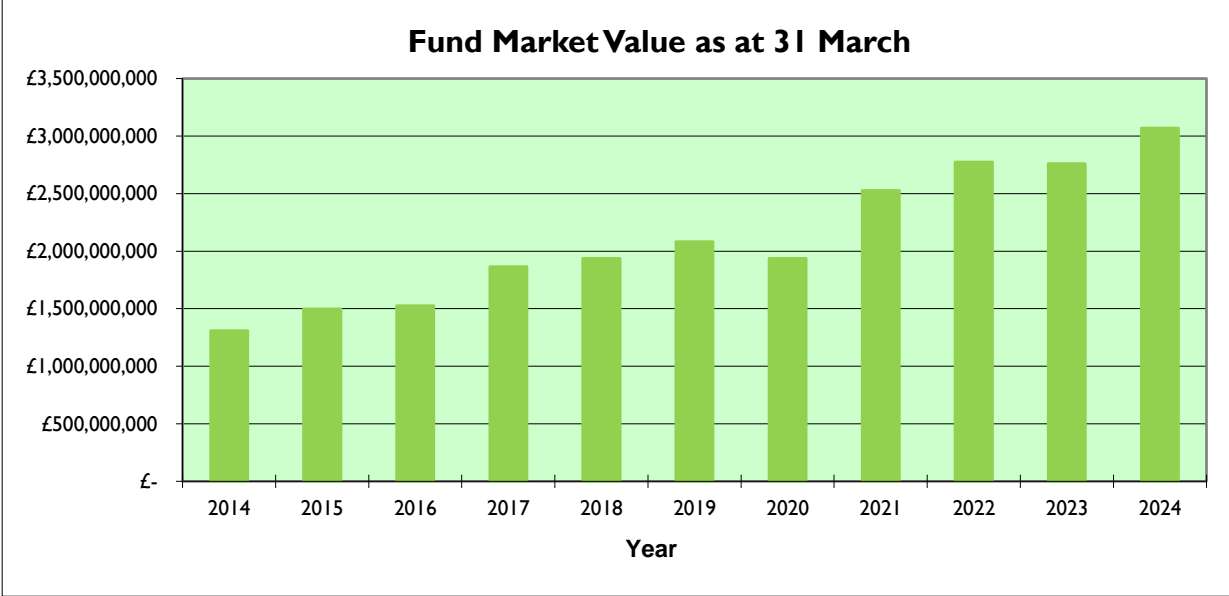
If a member dies after drawing their LGPS pension and before reaching age 75, a death grant may be payable. Generally speaking, the death grant is equal to 10 times (or 5 times if they left the LGPS before 1 April 2008) the pension less the amount already paid. If the member left after 31/03/2014 then the amount of additional lump sum the member received on retirement as a result of giving up pension for lump sum is also deducted from the sum payable.

Like for death in service, spouses and partners' pensions are payable for life whilst dependant eligible children's pensions are payable subject to the same conditions as for Death in Service.

6. Investments

6.1 End of Year Position

The Gwynedd Pension Fund is in a relatively healthy position with the value of the fund gradually increasing for some time now. At 31st March 2024, the Pension Fund’s value has increased to £3.1 billion.



Asset Allocation

The main determinant of the Fund’s long-term performance is the strategic allocation of assets. The following table shows the Fund’s actual asset allocation against its target strategic allocation at 31.03.24.

Type of asset	Actual %	Target %	Difference %
UK Equity	8.80	8.00	+0.80
Global Equity	44.80	34.50	+10.30
Emerging Markets Equity	2.00	2.50	-0.50
Private Equity	5.30	5.00	+0.30
Total Growth	60.90	50.00	+10.90
Property	7.00	10.00	-3.00
Infrastructure	2.60	7.50	-4.90
Multi Asset Credit	7.40	7.50	-0.10
Private Credit	0.30	5.00	-4.70
Total Income	17.30	30.00	-12.70
Absolute Return Bond	13.50	12.50	+1.00
Corporate Bonds	7.30	7.50	-0.20
Total Defensive	20.80	20.00	+0.80
Cash	1.00	0.00	+1.00
Total	100.00	100.00	0.00

The target strategic allocations were updated at the end of 2023 following an improvement in the Fund's funding's position. It was agreed by the Pensions Committee to partially de- risk the Fund by reducing it's equity allocation and invest in income generating assets. A plan has been developed to move the Fund towards the new benchmark allocations over the next 12-18 months. Investments in infrastructure will increase over time as capital is called. The Fund saw initial deployments for the WPP private equity, private debt and infrastructure during the last quarter of year ending 31st March 2024.

Investments by investment manager

Over the period of this report, there were 3 Investment Managers as follows: Wales Pension Partnership, BlackRock and Partners. The Fund has also made direct property investments with Lothbury, Threadneedle and UBS funds.

Manager	Fund	Asset Class	31 March 2023 £000	31 March 2024 £000
Pooled				
Wales Pension Partnership	Global Opportunities	Global Equity	430,059	434,566
Wales Pension Partnership	Global Growth	Global Equity	426,908	415,429
Wales Pension Partnership	Absolute Return Bond	Bonds	386,103	412,216
Wales Pension Partnership	Multi Asset Credit	Multi-Credit Asset	200,600	226,013
Wales Pension Partnership	Emerging Markets	Global Equity	57,616	59,884
Wales Pension Partnership	Sustainable Active Equity	Global Equity	0	317,063
Wales Pension Partnership	Global Credit	Bonds	0	223,004
Wales Pension Partnership	Russell Investments Global Private Credit	Private Credit	0	10,235
Wales Pension Partnership	GCM WPP Global Infrastructure	Infrastructure	0	3,621
Wales Pension Partnership	Capital Dynamics CEI	Infrastructure	0	2,977
Wales Pension Partnership	Schroders Capital WPP Global Private Equity I	Private Equity	0	3,865
Wales Pension Partnership	Octopus Renewables Infrastructure	Infrastructure	0	9,868
Total Pooled			1,501,286	2,118,741
Under pool management				
Black Rock	Aquila Life UK Equity Index	UK Equity	246,433	267,131
Black Rock	Aquila Life GBL Dev Fundamental	Global Equity	207,927	0
Black Rock	ACS World Low Carbon Equity	Global Equity	331,802	203,363
Total Under pool management			786,162	470,494
Not pooled				
Black Rock	Property	Property	55,032	53,144
Lothbury	Property	Property	57,297	50,779
UBS	Property Global Ast Triton	Property	74,865	72,160
Threadneedle	Property TPEN	Property	32,056	32,217
Threadneedle	Property TPUT	Property	2,047	2,050
Partners	Private Equity	Private Equity	166,622	163,163
Partners	Infrastructure	Infrastructure	67,566	73,516
Total Not pooled			455,485	447,029
Total			2,742,933	3,036,264

6.2 Investment Performance

Quarterly Meetings

The performance of the Investment Managers is monitored on a quarterly basis. A quarterly meeting with the Investment Managers is rotated. The Investment Managers submit quarterly reports to the Pensions Committee, relevant officers and the Fund's adviser.

Performance Monitoring

Gwynedd subscribes to a service provided by Pensions & Investment Research Consultants Ltd (PIRC), who calculate the rate of return for Gwynedd and for other pension funds and provides comparisons.

Targets

Individual performance benchmarks for the Investment Managers are shown in the table below.

Fund/ Asset Class	Benchmark
WPP Global Growth	MSCI AC World
WPP Global Opportunities	MSCI AC World
WPP Absolute Return Bond	ICE BofA SONIA Overnight Rate Index +2%
WPP Multi Asset Credit	ICE BofA SONIA Overnight Rate Index +4%
WPP Emerging Markets	MSCI Emerging Markets Index
WPP Sustainable Active Equity Fund	MSCI All Country World Index
WPP Global Credit Fund	Bloomberg Barclays Global Aggregate Credit Index
Black Rock Fundamental Indexation	FTSE RAFI Developed 1000
BlackRock UK/ Low Carbon	FTSE All-Share 52%, MSCI World Low Carbon Index 48%
Property	IPD All Balanced Property Funds
Partners	MSCI World

The fund has made direct investments with Lothbury, UBS and Threadneedle, so therefore have not given them a benchmark. However, for indicative purposes we monitor them against the 'IPD Balanced Property Unit Trust Index'.

The Fund's Performance

	1 Year Return	1 Year Benchmark	3 Year Return	3 Year Benchmark	Since Inception Return	Since Inception Benchmark
	%	%	%	%	%	%
Wales Pension Partnership Funds						
WPP Global Growth	15.8	20.6	5.6	10.2	10.7	12.3
WPP Global Opportunities	19.9	20.6	9.8	10.1	12.9	12.3
WPP Multi Asset Credit	10.2	9.4	0.3	6.6	2.1	6.1
WPP Absolute Return Bond	6.8	7.3	3.1	4.5	3.2	4.2
WPP Emerging Markets	3.9	5.9	d/b	d/b	(3.3)	(2.8)
Local Funds						
Black Rock Aquila Life UK Equity Index	8.4	8.4	8.1	8.0	7.3	7.3
Black Rock ACS World Low Carbon Equity Tracker	24.5	24.1	11.5	11.0	11.4	11.0
BlackRock Property	(3.3)	(0.7)	(0.4)	1.5	4.8	5.4
Lothbury Property	(8.8)	(0.7)	(5.2)	1.5	4.6	5.8
Threadneedle TPEN Property	0.6	(0.7)	2.4	1.5	3.1	3.0
Threadneedle TPUT Property	0.5	(0.7)	1.8	1.5	1.5	1.5
UBS Property	(2.4)	(0.7)	1.6	1.5	3.1	4.3
Partners Group Infrastructure	7.1	8.0	13.9	8.0	13.1	8.0
Partners Group Private Equity	4.4	21.2	6.9	15.4	16.6	13.3
Whole Fund	11.2	11.4	6.4	7.5	7.1	6.8

The Fund saw positive returns over 3 months and 1 year periods. The average LGPS fund delivered a return of 9.2% for the year. While the absolute return delivered was strong, most funds failed to achieve their strategic benchmark return over the period. This was the result of a variety of factors, the key being relatively poor actively managed equity results and alternative assets delivering below many of the absolute return benchmarks set. Therefore, even though Gwynedd Pension fund did not achieve its benchmark, this was common within the LGPS funds and the fund did achieve returns that were better than the LGPS average during the year.

It is generally accepted that investment performance over a longer period of time is a more valid indicator than over a single year as investment strategies designed to bring good performance in the longer run may from time to time suffer from short-term setbacks.

The Fund's performance over three years was behind benchmark, but the performance was in the upper quartile of all LGPS and was ranked 18th out of all LGPS funds. The benchmarks given are very challenging (i.e MSCI AC World) and the fund is performing well in comparison to other LGPS funds. The fund was ranked 36th (20 years return), 10th (10 years return) and 7th (5 years return) and therefore the recent strategy has had a very positive impact on the Fund's position.

6.3 Administrative and Custody Arrangements

Specialist Advice

The Local Government Pension Scheme Regulations oblige the Council to take specialist advice on investment. This advice is provided by an independent advisor from Hymans Robertson (the Fund's advisors), who joins the Pensions Committee in monitoring the Investment Managers. An advisor from Hymans Robertson is always present at the quarterly meetings with the Investment Managers.

Custodians

Some of the investment managers have an associated custodian who holds the assets of their part of the portfolio. The managers and their associated custodians are as follows:

- BlackRock's custodian is JP Morgan Chase Bank;
- WPP's custodian is Northern Trust.

Lothbury, Threadneedle and UBS, with whom the Fund has direct investments, have Northern Trust as their custodians.

Partners Group is not included in the Fund's custody arrangements.

Administrative Procedures

Administrative procedures ensure that those transfers which do take place, between the Council and the Investment Managers, must be authorised by the signatories of two named officers who are on the Pension Fund's authorised signature list.

6.4 Investment Powers

Investment Powers

The regulations require that the Fund has an Investment Strategy Statement (ISS).

This enables pension funds to be flexible in their strategy and invest a larger percentage of their fund in individual pooling arrangements. There are no specific limits in the legislation and therefore no need to formally increase the amounts. However, it is good practice to have some broad limits and these are included in the ISS.

6.5 Investment Management

General

The main objective of an investment policy is to maximise the return on the money entrusted to the Council, consistent with acceptable levels of risk, and for the annual return in the longer run to exceed the level of wage inflation. It must be borne in mind that the Fund's liabilities (pensions) are very long-term, extending to the middle of the century. These liabilities will increase with inflation, both because of the index-linking of pensions and also due to the rising level of employees' salaries and wages to the time of retirement. There is a relationship between the level of returns achieved and the contribution rate which employers are expected to pay. The Pensions Committee considers that in the long run equity returns will exceed bond returns and it is for this reason that the majority of the Fund is invested in equities.

Investment Manager Briefs

As a result of a deliberate policy to diversify assets and investment styles, the Fund has Investment Managers with varying briefs:

Investment Manager	Brief
BlackRock	Passive
WPP	Active
Partners	Active

BlackRock is briefed to be a “passive” manager. The manager will allocate their mandate’s asset allocation in line with that of the benchmark and in each market they aim to track stock exchange indices. As a result, their mandates’ performance should be in line with their respective benchmarks. Appointing a passive manager reduces the risk of underperformance relative to benchmark; however, it also reduces the possibility of out-performance relative to the benchmark.

All the others are “active” managers. They are given the discretion to invest in their best investment ideas. Whilst they have a great deal of flexibility in terms of which stocks, regions and sectors they can invest in, there are a number of restrictions in place which prevents the managers deviating too far from the benchmark and taking excessive risk. Appointing active managers increases the possibility of out-performance, relative to the benchmark; however it also increases the risk of underperformance relative to benchmark.

6.6 Wales Pension Partnership

The WPP was established in 2017 with the objective to deliver:

- economies of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

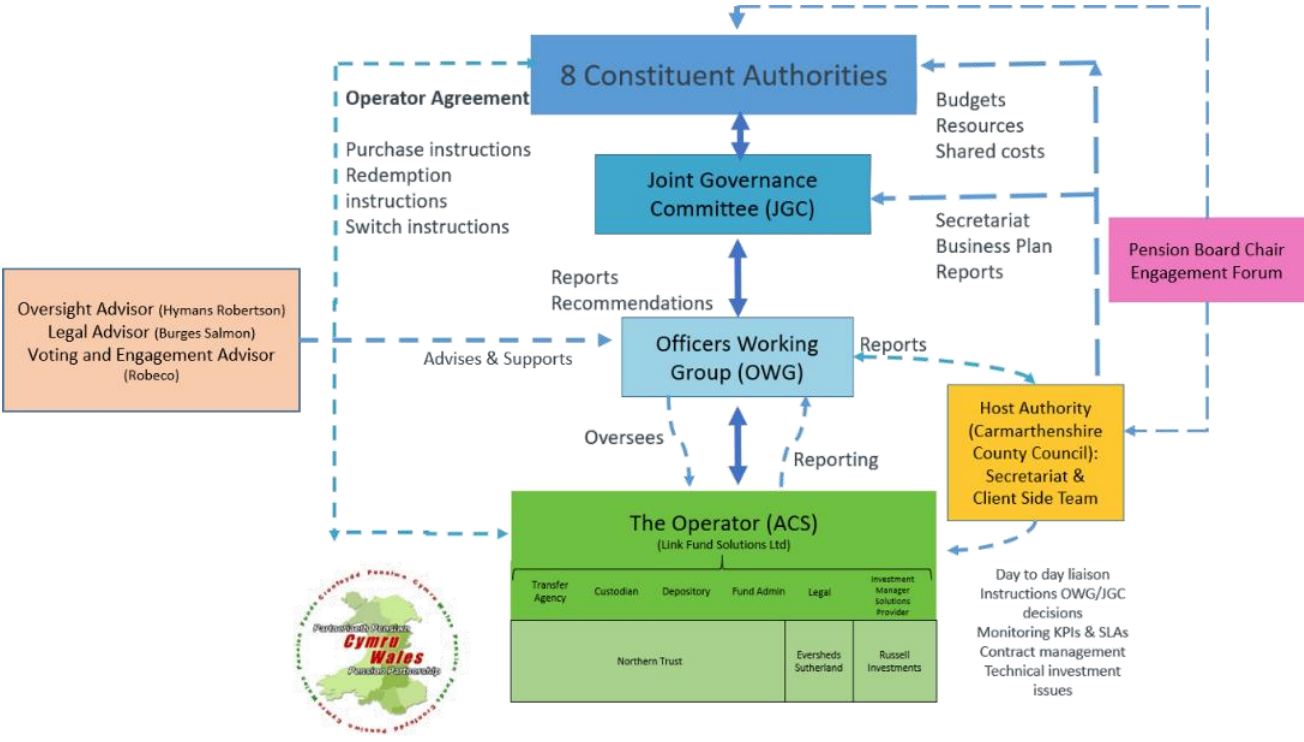
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government’s pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP’s operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator Waystone Management (UK) Limited (Waystone) and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

Governance

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:



The eight Constituent Authorities of the WPP are:

- Carmarthenshire County Council (Host)
- City and County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Cyngor Gwynedd
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

The Constituent Authorities sit at the top of the WPP’s governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP’s Business Plan, which outlines the WPP’s budget and work plan, as well as its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities, and a co-opted (no-voting) scheme member representative.

The Officer Working Group (OWG) provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

Carmarthenshire County Council is the Host Authority for the WPP and is responsible for providing administrative and secretarial support to the JGC and the OWG, and liaising day to day with the Operator on behalf of all of the Welsh LGPS funds.

Waystone (Operator) carries out a broad range of services for the WPP, which includes facilitating investment vehicles and sub-funds, performance reporting, transition implementation, manager monitoring and fee negotiations. There is an Operator Agreement in place which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of Hymans Robertson, oversee the work that Waystone carries out on behalf of the WPP. Waystone engages with the Constituent Authorities by:

- Direct engagement – attendance at one committee meeting annually
- Indirect engagement – with all Constituent Authorities through the JGC and OWG

In collaboration with Waystone, Russell Investments provide investment management solution services to the WPP and they work in consultation with WPP's eight Constituent Authorities to establish investment vehicles.

Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

Hymans Robertson are WPP's Oversight Advisor and their role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

Burges Salmon are WPP's legal advisors and they provide legal advice in relation to FCA regulated funds, tax and governance arrangements, including assisting with complex procurement processes.

Robeco UK has been appointed as WPP's Voting and Engagement provider and are responsible for implementing the Voting Policy across WPP's portfolio and undertaking engagement activity on behalf of the WPP.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies. The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances, the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP's key policies, registers and plans are listed below and can be found on the WPP website.



Responsible Investment has been a key priority for the WPP since it was established in 2017. Various activities have been undertaken to work towards WPP’s ambition of becoming a leader in Responsible Investment. Initially the focus was on formulating a Responsible Investment Policy and since then the WPP has formulated its own Climate Risk Policy and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. A WPP Responsible Investment Sub-Group has been established to take ownership of Responsible Investment related work streams and actions that are required to achieve the commitments made in the WPP’s Responsible Investment and Climate Risk Policies.

The WPP’s Business Plan, Governance Manual and all other policies detailed in the chart above can be found on the WPP website:

<https://www.walespensionpartnership.org/>

Risk

Risk management is a critical element of WPP’s commitment to good governance. The WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP’s Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis.

Training

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP’s pooling activities. Induction training is also provided to all new JGC members.

Pooling progress to date

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP has made significant progress towards delivering on this objective, from the launch of the first three active equity sub-funds in 2019 through to launching the initial Private Markets Investment programmes in 2023. Alongside the Constituent Authorities existing passive investments, this means that the WPP has now pooled 74% of assets.

As at 31 March 2024, WPP has total assets worth £25bn, £18.5bn of which sits within the pool, see breakdown below:

Fund	Managed by	Launch Date	31 March 2024 £000	%
Global Growth Equity	Waystone Management (UK) Limited	February 2019	3,585,735	14.4
Global Opportunities Equity	Russell Investments	February 2019	3,286,471	13.1
UK Opportunities Equity	Russell Investments	September 2019	743,530	3.0
Emerging Markets Equity	Russell Investments	October 2021	259,410	1.0
Sustainable Active Equity	Russell Investments	June 2023	1,570,357	6.3
Global Credit	Russell Investments	July 2020	1,033,734	4.1
Global Government Bond	Russell Investments	July 2020	488,815	2.0
UK Credit	Waystone Management (UK) Limited	July 2020	707,817	2.8
Multi-Asset Credit	Russell Investments	July 2020	732,391	2.9
Absolute Return Bond	Russell Investments	September 2020	572,982	2.3
Private Markets*	GCM Grosvenor, IFM, CBRE, Octopus, Russell Investments, Schroders Capital	Various	314,241	1.3
Passive Investments	BlackRock	March 2016	5,200,324	20.8
Investment not pooled			6,508,700	26.0
Total Investments across all 8 Pension Funds			25,004,507	100

*This is the drawn down values as at 31 March 2024 and does not include commitments.

The investment assets split between Gwynedd Pension Fund and WPP are as follows:

Fund	31 March 2024 £000	%
Global Opportunities	434,566	14.3
Global Growth	415,429	13.7
Emerging Markets	59,884	1.9
Sustainable Active Equity	317,063	10.4
Global Credit	223,004	7.3
Multi Asset Credit	226,013	7.4
Absolute Return Bond	412,216	13.6
Private Markets	30,566	1.0
Passive Equity	470,494	15.5
Investment not pooled	447,029	14.7
Total Investment Assets	3,036,264	100

The above table provides additional details to note 14 from the financial statements and summarises Gwynedd Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund. During the year assets were transitioned and the table above shows the assets currently managed by the pool as at 31 March 2024.

The pooling of assets has progressed well in Gwynedd Pension Fund with 85% of the fund pooled and under pooled management. All equities and fixed income investments are pooled or under pooled management, and the pooling of private markets investments is progressing well. The Fund has committed for all future infrastructure and private equity investment to be through the pool, and the Fund is eager to pool its property investments once the programmes have been established.

Pooling costs

Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership, is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs and the running costs are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to the Gwynedd Pension Fund for the financial year ending 31 March 2024 was £226k and this is included in Note 12d in the financial statements.

In addition to the running costs, there are also transition costs associated with the transition of assets into the pool, these costs can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs include both explicit and implicit costs, such as commissions, spread and impact, and opportunity costs known as implementation shortfall. Transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their net asset value as opposed to a direct charge to the Fund. In 2023/24 direct transition costs incurred by the Gwynedd Pension Fund amounted to £233,461. This was in respect of the transition of £270m of equities from the Black Rock funds to the new Sustainable Global Active Equity fund.

Investment Management Costs

The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP for 2023/24.

		Direct	Indirect	Total
		£000	£000	£000
Management Fees	Pool Assets	3,192	3,074	6,267
	Non-Pool Assets	8,428	530	8,958
Transaction Costs	Pool Assets	973	0	973
	Non-Pool Assets	0	2,493	2,493
Custody Costs	Pool Assets	268	0	268
	Non-Pool Assets	6	0	6
Whole Fund Total		12,866	6,098	18,964

2024/25 Objectives

In establishing the WPP pool, the prime focus has been on pooling listed assets, namely equities and fixed income. Progress continues to be made with the rationalization of the existing range of mandates. In July 2021, the Joint Governance Committee appointed bfinance as WPP's Allocator Advisor and they have assisted the WPP with the identification of Private Markets Allocators. WPP's Infrastructure, Private Credit and Private Equity investment programmes were launched in 2023.

Work has been progressing in formulating the WPP's Real Estate requirements and the optimal means of implementation. With the assistance of bfinance, the procurement process for appointing investment managers is underway with the announcement due to take place in August 2024 and the investment programmes due to launch in 2024/25.

The Sustainable Active Equity Sub- Fund was also launched in 2023/24 and this sub- fund, along with the Private Market investment programmes have incorporated Responsible investment in their allocation and appointment. With further programmes in development, WPP is now working closely with its service providers to develop a common reporting framework to allow the consistent disclosure of information to its stakeholders.

During 2023/24, the WPP published its third annual Stewardship Report, remaining a signatory to the UK Stewardship Code and published its first All- Wales Climate Report (AWCR). The AWCR assessed climate exposures across all the Welsh funds and the recommendations that came out of the report are now being progressed, including the evolution of WPP's investment offerings (in particular within the passive allocation and within fixed income) and the implementation of a climate framework.

WPP's existing Oversight Advisor and Voting & Engagement provider contracts come to an end on 31 December 2023 and 31 March 2025 respectively. Work is underway with the contract re- tenders with both appointments due to be made by the end of this calendar year.

There will be focus on reviewing existing WPP policies, in particular the RI focused policies, evolving the Stewardship Policy and incorporating and escalation strategy. Training also continues to be a key area of focus and the WPP will continue to provide timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

Securities Lending

Securities lending commenced in March 2020. Revenue is split on an 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. Total revenue of WS Wales Revenue during 2023/24 was £1,077,100 (gross) / £915,594 (net) with £473,209,901 out on loan as at 31 March 2024.

6.7 Responsible Investing

The Fund recognises that environmental, social and corporate governance (ESG) issues can represent a material financial risk to its stakeholders and can influence the Fund's long-term returns and reputation. Given this, the Committee aims to be aware of, and monitor, financially material ESG factors and has agreed the following set of investment beliefs in relation to Responsible Investment in its March 2022 meeting:

- In accordance with the Committee's fiduciary duty, financial considerations should carry more weight than non-financial considerations when making investment decisions, even though ESG matters can materially affect risk and returns. Therefore, ESG factors should be embedded in the investment processes and in the decision-making processes of asset managers appointed by the Fund / Wales Pension Partnership.
- The Fund's Committee will seek to invest in sustainable assets, including investing within the Wales area when non-financial investments can derive from this, on condition that they satisfy the requirements of the fiduciary duty.
- The Committee accepts that it has a duty to be a responsible investor. It is expected that consulting with companies, rather than avoiding investing, will be more effective in changing corporate behaviour and reducing risk. Wherever possible, collaborative action (such as that taken via Local Authority Pension Fund Forum (LAPFF) membership and commissioned from Robeco alongside WPP partners) provides the most successful route to influence outputs.
- As a long-term investor, the Fund is vulnerable to systemic risks such as climate change and the expectation of a transfer to a low carbon economy. Financial outcomes can be improved through managing how open to such risks the Fund is.
- Shareholder comprehension and outcomes can be improved through providing transparency at each step of the value-adding chain.
- Training and education are likely to form a key element in developing the Fund and its Committee position on ESG related matters.

The Committee recognises that the Fund's assets are invested globally and across many sectors, which means reducing the Fund's carbon emissions is more challenging than it would be for an individual organisation. In March 2022, the Committee committed to set a goal for the Fund to be net zero by 2050, supported by an undertaking to assess the feasibility of the Fund **reaching net zero 5,10 or 20 years earlier.**

The Committee believes it is important for LGPS funds to take a leading role in shaping the future, both in terms of supporting the transition to a low carbon economy and achieving broader ESG goals. The Committee is able to exert influence in two ways: through the investment decisions it takes; and through ongoing engagement with the companies and projects the Fund invests in. Against this background, the Committee believes it is appropriate to set a realistic goal while also looking at the feasibility to achieve a more ambitious goal.

At the same time, the Committee believes that the reduction in the Fund's carbon emissions should be achieved in a measured way. The Fund must remain focused on its primary obligation to pay benefits to its members, including consideration of any associated risks. A measured approach allows the Fund to capture investment opportunities arising from the transition to a low carbon economy, as well as mitigating the risks. Further, a measured approach supports active stewardship, giving the Committee more time and greater scope to effect change and achieve a just transition through ongoing engagement.

During the year, the Fund has invested £270m into the Wales Pension Partnership Sustainable Equity Fund. This new sub fund offers:

- i) A solution based on the WPP's bespoke requirements
- ii) A diversified exposure to highly rated specialist sustainable equity managers
- iii) Utilisation of Russell Investments 'IPO' (Intent, Purpose, Outcome) framework to ensure suitability of truly sustainable offerings.
- iv) Alignment to WPP's sustainability goals including Net Zero alignment and a clear climate focus.
- v) Multi channel approach to engagement and commitment to deliver reporting outcomes aligned with the Sustainable Development Goals (SDGs)
- vi) Offers flexibility to evolve as the WPP's requirements change, or as the sustainable themes develop further. This can be achieved through Russell Investments Enhanced Portfolio Implementation (EPI)

As a priority in 2024/25 the Fund will be re-assessing its net zero ambition and its responsible investment policy.

7. Management and Financial Performance

7.1 Managing Risk

The Gwynedd Pension Fund recognises the importance of effective risk management. Risk management is the process by which the Fund identifies and deals with the risks associated with the activities.

For the Gwynedd Pension Fund, the risks come from a number of sources including long-term investment strategy, funding position, investment performance, scheme administration, membership change, financial systems and communications.

The following documents explain these major risks and show how they are identified, avoided, managed and reviewed:

- Risk Register
- Investment Strategy Statement
- Funding Strategy Statement
- Gwynedd Pension Fund Accounts- reference to financial instrument risks

Expert advice is provided by Hymans Robertson, our advisers, and the Pensions Committee meets to review the performance of our investment managers on a quarterly basis.

7.2 Investment Strategy Statement

The Pensions Committee approved the Investment Strategy Statement in March 2023 following the 2022 valuation. This strategy defines the types of investments that the fund may use in the long term.

There are no specific limits for types of investments. However, it is good practice to have some broad limits and these are included in the Investment Strategy Statement. A copy of the Investment Strategy Statement is available on the Fund's website at:

<https://www.gwyneddpensionfund.wales/en/Investments/Gwynedd-Pension-Fund-Investment-Strategy-Statement-March-2023.pdf>

7.3 Funding Strategy Statement

Local Government Pension Scheme (LGPS) administering authorities are required to prepare and publish a Funding Strategy Statement. The Funding Strategy Statement sets out the fund-specific strategy which will identify how employers' pension liabilities are best met going forward.

LGPS benefits are guaranteed by statute and thereby the pensions promise is secure. The Funding Strategy Statement addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure. It also provides LGPS administrative authorities with a statutory framework within which to manage their Funds' long-term pension liabilities going forward.

The Funding Strategy Statement was reviewed during 2022/23 to reflect the Actuarial Valuation at 31 March 2022. It includes all employer contribution rates from 1 April 2023 onwards.

A copy of the Funding Strategy is available on the Fund's website at

<https://www.gwyneddpensionfund.wales/en/Investments/Gwynedd-FFS-2023-Saesneg.pdf>

Paper copies of the Investment Strategy Statement and Funding Strategy Statement can be obtained from Delyth Jones-Thomas, Cyngor Gwynedd, Council Offices, Shirehall Street, Caernarfon, LL55 1SH.

7.4 Financial Performance

Income

	Actual 2022/23 £000	Actual 2023/24 £000
Employee/ Member contributions	21,519	23,500
Employer contributions	68,243	70,778
Transfer in	6,773	8,575
Investment Income	30,940	47,956
Other Income	4	3
Total Income	127,479	150,812

There was an increase across all categories of income but in particular an increase in investment income. The equity investments have performed strongly and therefore have generated significant income, but also as part of the new strategic asset allocation we have invested more in the fixed income funds, and in particular the new Global Credit Fund, and these investments have generated significant interest income. These investments follow the pattern of interest rates and therefore it is reasonable that the income level has increased.

Expenditure

	Actual 2022/23 £000	Actual 2023/24 £000
Benefits payable	(72,108)	(82,931)
Payments to leavers	(3,121)	(5,068)
Management expenses	(12,729)	(15,042)
Total Expenditure	(87,958)	(103,041)

There was an increase in the amount of benefits paid after the benefits increased with CPI, and there was an increase in management costs due to the introduction of different asset classes and therefore difference fee charges.

Net Assets

	Actual 2022/23 £'000	Actual 2023/24 £'000
Profit and losses on disposal of investments and changes in the market value of investments	(22,213)	308,051
Net Increase/ (Decrease) in the Net Assets available for benefits during the year	(13,632)	307,866

The value of investments on the market has increased during the year after bouncing back following a challenging year with the war in Ukraine and high inflation affecting the money markets. The fund achieved a return of 11.2% and therefore it is reasonable that the net assets has increased from £2.8 billion to £3.1 billion.

Further information is included in the Statement of Accounts (Section 9).

7.5 International Accounting Standard 19 (IAS19) and Financial Reporting Standard 102 (FRS102)

Definition of IAS19

IAS19 effectively defines how pension scheme assets and liabilities are to be measured for financial reporting purposes and notes that any deficit or surplus should be recognised in full as a balance sheet item, with any movements being recognised in the annual profit and loss account. IAS19 is relevant to bodies required to report under International Financial Reporting Standards (IFRS). This includes the scheduled bodies in the Pension Fund, which are part of Government accounting, namely Cyngor Gwynedd, Isle of Anglesey County Council, Conwy County Borough Council and their foundation schools, Snowdonia National Park Authority, the Police and Crime Commissioner for North Wales and Careers Wales North West. Two of the smaller employers also requested IAS19 reports. All other employers are still subject to FRS102 reporting requirements.

Accounting for IAS19 and FRS102

Adoption of IAS19 or FRS102 means that employers have to recognise the net asset or liability, and a pensions reserve, in the balance sheet. They also have to make entries in the Consolidated Revenue Account for movements in the asset or liability relating to defined benefit schemes.

IAS19 and FRS102 Reports as at 31/03/2024

In March 2024, the necessary data was collected to enable the Actuary to calculate the individual IAS19 or FRS102 information for the Fund's employers.

IAS19 and FRS102 Results as at 31/03/2024

The employer had the choice to base the results on expected returns or actual returns. Each employer's results reflect their own specific circumstances. Therefore, this update should be considered as an illustrative guide to the main issues affecting most employers, rather than a detailed explanation of each employer's experience.

7.6 Final Accounts 2023/24

The Final Accounts were audited by Audit Wales, and the final version in Section 9 was presented to the Pensions Committee on 16 September 2024.

7.7 Governance

The Fund is administered within the framework established by statute, which stipulates that Cyngor Gwynedd is the Administering Authority.

Governance Policies

The Governance Policy Statement and the Governance Compliance Statement states the governance practices of the Pension Fund.

<https://www.gwyneddpensionfund.wales/en/Governance/Governance-Compliance-Statement-2023.pdf>

Paper copies can be obtained from Delyth Jones-Thomas, Cyngor Gwynedd, Council Offices, Shirehall Street, Caernarfon, LL55 1SH.

7.8 Knowledge and Skills Framework

Gwynedd Pension Fund recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

Therefore, Gwynedd Pension Fund seeks to utilise individuals who are both capable and experienced and it will provide training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

All current members of Pensions Committee have completed the LGA Fundamentals which is an A-Z bespoke LGPS training course aimed at elected members to enable them to carry out their duties effectively.

Training undertaken in the last 12 months as part of the Wales Pension Partnership has included:

Wales Pension Partnership	Private Market Asset Class – Private Equity
Wales Pension Partnership	Private Market Asset Class – Property
Wales Pension Partnership	Responsible Investing
Wales Pension Partnership	Levelling up / Development opportunities
Wales Pension Partnership	Responsible Investment - Voting & Engagement
Wales Pension Partnership	Responsible Investment within the WPP sub funds
Wales Pension Partnership	Market Understanding and Regulatory Requirements including progress of other LGPS pools & Collaboration opportunities and pooling guidance

In addition, the committee members have attended numerous conferences and events which have enhanced their knowledge further.

7.9 Investment Unit

Collaboration continues to be very important theme again this year. I would like to thank the staff within the Investment Unit for their hard work during the year and the teams at Hymans Robertson and all the Wales funds for their willing co-operation throughout.

**Delyth Jones-Thomas
Investment Manager**

8. Actuarial Report

General

The Fund needs to be sufficient to meet its commitments, and therefore the Fund receives a valuation every three years to assess the situation. The most recent actuarial valuation of the Fund was undertaken as at 31st March 2022 (previously 31st March 2019), and the new rates are effective from 1 April 2023.

Method and Assumptions Used

The actuarial methods used in the valuation were the “Projected Unit Method” for the Fund as a whole and employers who will continue to admit new entrants to the Fund and the “Attained Age Method” for employers who no longer admit new entrants to the Fund. The main financial assumptions were as follows:

	% per annum
Discount Rate	4.1%
Salary Increases	3.2%
Benefit increases and CARE revaluation (CPI)	2.7%

2022 Valuation Results

The triennial actuarial valuation as at 31 March 2022 was completed during 2022/23. The funding position for the whole Fund improved from 108% at 31 March 2019 to 120% at 31 March 2022, mainly due to strong investment performance over the period.

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	1,042	855
Deferred Pensioners	392	321
Pensioners	874	750
Total Liabilities	2,308	1,925
Assets	2,776	2,081
Surplus/(Deficit)	468	156
Funding Level	120%	108%

The funding position has increased from a surplus of £156m to a surplus of £468m. See the movements in the table below:

Change in the surplus/deficit position	Assets (£m)	Liabilities (£m)	Surplus / (Deficit) (£m)
Last valuation at 31 March 2019	2,081	1,925	156
Cashflows			
Employer contributions paid in	179	0	179
Employee contributions paid in	56	0	56
Benefits paid out	(192)	(192)	0
Net transfers into / out of the Fund*			
Other cashflows (e.g. Fund expenses)	(5)	0	(5)
Expected changes in membership			
Interest on benefits already accrued	0	238	(238)
Accrual of new benefits	0	255	(255)
Expected investment returns	249	0	249
Membership experience vs expectations			
Salary increases greater than expected	0	17	(17)

Benefit increases greater than expected	0	(26)	26
Early retirement strain (and contributions)	0	4	(4)
Ill health retirement strain	0	(3)	3
Early leavers less than expected	0	(2)	2
Pensions ceasing less than expected	0	0	0
Commutation less than expected	0	0	0
McCloud remedy	0	7	(7)
Other membership experience	0	20	(20)
Changes in market conditions			
Investment returns on the Fund's assets	407	0	407
Changes in future inflation expectations	0	175	(175)
Changes in actuarial assumptions			
Change in demographic assumptions (excl. longevity)	0	(30)	30
Change in longevity assumptions	0	6	(6)
Change in salary increase assumption	0	7	(7)
Change in discount rate	0	(92)	92
This valuation at 31 March 2022	2,775	2,309	468

The actuary produced a provisional report for each individual employer. A forum was held for all employers in October 2022, where the Actuary presented the results and answered questions. This was a very useful session and a number of employers attended.

The final Gwynedd Pension Fund 2022 Actuarial Valuation Report was produced in March 2023 and is available on the Fund's website at:

<https://www.cronfabensiwngwynedd.cymru/cy/Buddsoddiadau/230328-Gwynedd-Pension-Fund-Final-Valuation-Report.pdf>

Employer Contribution Rate

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund to meet the Contribution Objective, a primary rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within each individual employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at this valuation.

Primary Rate (% of pay)	Secondary Rate £		
	2023/24	2024/25	2025/26
21.8%	-£8,746,000	-£9,021,000	-£9,303,000

The next triennial actuarial valuation will be at 31 March 2025.

9. Statement of Accounts 2023/24

NARRATIVE REPORT

Introduction

The accounts consist of the Gwynedd Pension Fund Account and Net Assets Statement.

These accounts are supported by this Narrative Report, the Accounting Policies and various notes to the accounts.

The Pension Fund accounts, and accompanying notes, summarise the financial transactions and net assets related to the provision of pensions and other benefits payable to former employees of all the Fund's employers, including Anglesey, Conwy and Gwynedd Councils, Snowdonia National Park Authority, Police and Crime Commissioner for North Wales, Cartrefi Conwy, Adra, various town and community councils, and other scheduled and admitted bodies.

The Statement of Accounts and further information is available on Gwynedd Pension Fund's website www.gwyneddpensionfund.wales.

The Fund has two important statements which set out the strategies for ensuring pensions are funded now and in the future as follows:

- Funding Strategy Statement – the statement sets out the fund-specific strategy which will identify how employer pensions liabilities are best met going forward. It is reviewed every three years after the triennial actuarial valuation and includes individual employer rates for the following period.
- Investment Strategy Statement - the statement sets out the types of investments and broad limits on each type of investment.

Both these statements are available on the Fund's website under the investments section.

An Actuarial Valuation is required every three years to establish the level of assets available to pay pensions now and in the future. The most recent valuation was at 31 March 2022 and any changes to employers' contributions was made from 1 April 2023 onwards.

Further information relating to the accounts is available from:

Delyth Jones-Thomas
Investment Manager
01286 679128

Finance Department
Cyngor Gwynedd
Council Offices
Caernarfon
Gwynedd
LL55 1SH

It is part of the Fund's policy to provide full information relating to the Fund's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection will be notified on the Pension Fund website at the appropriate time.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE PENSION FUND'S RESPONSIBILITIES

Cyngor Gwynedd as administrating authority (effectively the trustee) for Gwynedd Pension Fund is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Cyngor Gwynedd, that "Section 151 Officer" is the Head of Finance. It is also the administrating authority's responsibility to manage its affairs to secure economic, efficient and effective use of its resources, to safeguard its assets, and to approve the Statement of Accounts.

16th September 2024

Councillor Richard Medwyn Hughes
Pensions Committee Chair

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing the statement of accounts, the Head of Finance has selected suitable accounting policies and then applied them consistently; has made judgements and estimates that were reasonable and prudent; and complied with the Code.

The Head of Finance has also kept proper accounting records which were up to date, and has taken reasonable steps for the prevention and detection of fraud and other irregularities.

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Pension Fund at 31 March 2024 and the Pension Fund's income and expenditure for the year then ended.



Dewi Morgan CPFA
Head of Finance, Cyngor Gwynedd

9th September 2024

GWYNEDD PENSION FUND ACCOUNTS

THE FUND ACCOUNT

31 March 2023 £'000		Notes	31 March 2024 £'000
	Dealings with members, employers and others directly involved in the Fund		
89,762	Contributions	7	94,278
4	Other Income	8	3
6,773	Transfers in from other pension funds	9	8,575
96,539			102,856
(72,108)	Benefits	10	(82,931)
(3,121)	Payments to and on account of leavers	11	(5,068)
(75,229)			(87,999)
21,310	Net additions/ (withdrawals) from dealings with members		14,857
(12,729)	Management Expenses	12	(15,042)
8,581	Net additions/ (withdrawals) including fund management expenses		(185)
	Returns on investments		
30,940	Investment income	13	47,956
(53,153)	Profit and losses on disposal of investments and changes in the market value of investments	14	260,095
(22,213)	Net returns on investments		308,051
(13,632)	Net Increase/ (Decrease) in the net assets available for benefits during the year		307,866
2,775,761	Opening net assets of the scheme		2,762,129
2,762,129	Closing net assets of the scheme		3,069,995

The notes on pages 44 to 81 form part of these Financial Statements

NET ASSETS STATEMENT

31 March 2023 £'000		Notes	31 March 2024 £'000
2,742,933	Investment assets	14	3,036,264
963	Cash deposits	14	499
(960)	Investment liabilities	14	(333)
2,742,936	Total net investments		3,036,430
22,454	Current assets	20	37,723
(3,261)	Current liabilities	21	(4,158)
2,762,129	Net assets of the fund available to fund benefits at the end of the reporting period		3,069,995

The Financial Statements do not take into account the Fund's liability to pay pensions and other benefits to all the present contributors to the Fund after the financial year-end, but rather summarises the transactions and net assets of the Fund. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (most recently as at 31 March 2022) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will be able to meet future liabilities. The actuarial present value of promised retirement benefits is shown in Note 19.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE I – DESCRIPTION OF FUND

The Gwynedd Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by Cyngor Gwynedd.

a) General

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Cyngor Gwynedd to provide pensions and other benefits for pensionable employees of Cyngor Gwynedd, two other local authorities and other scheduled, resolution and admission bodies within the former Gwynedd County Council area. Teachers, police officers and firefighters are not included as they are in other national pension schemes. The Fund is overseen by the Pensions Committee, which is a committee of Cyngor Gwynedd.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Gwynedd Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Resolution bodies, which are city, town and community councils. They have the power to decide if their employees can join the LGPS and pass a resolution accordingly.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

NOTE I – DESCRIPTION OF FUND (continued)

The following bodies are active employers within the Pension Fund:

Scheduled Bodies	
Cyngor Gwynedd	Snowdonia National Park Authority
Conwy County Borough Council	Bryn Elian School
Isle of Anglesey County Council	Emrys ap Iwan School
Police and Crime Commissioner for North Wales	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
GwE	North and Mid Wales Trunk Road Agency
North Wales Economic Ambition Board	
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	Conwy Town Council
Llanfairfechan Town Council	Llanrwst Town Council
Admission Bodies	
Adult Learning Wales	North Wales Society for the Blind
Adferiad Recovery	Community and Voluntary Support Conwy
Holyhead Joint Burial Committee	Careers Wales North West
Cwmni'r Fran Wen	Mantell Gwynedd
Menter Môn	Medrwn Môn
Ynysmaengwyn (left 31/12/2023)	
Community Admission Bodies	
Cartrefi Conwy	Adra
Byw'n Iach	
Transferee Admission Bodies	
ABM Catering	A E & A T Lewis
Kingdom Services Group	Chartwells

NOTE I – DESCRIPTION OF FUND (continued)

Membership details are set out below:

	31 March 2023	31 March 2024
Number of employers	47	46
Number of employees in scheme		
County Council	15,246	15,236
Other employers	4,058	4,112
Total	19,304	19,348
Number of pensioners		
County Council	9,647	10,194
Other employers	2,133	2,310
Total	11,780	12,504
Deferred pensioners		
County Council	11,019	12,093
Other employers	2,141	2,326
Total	13,160	14,419
Unclaimed benefits		
County Council	2,595	3,473
Other employers	378	533
Total	2,973	4,006
Undecided Leavers		
County Council	4,480	2,738
Other employers	513	300
Total	4,993	3,038
Total number of members in pension scheme	52,210	53,315

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 2.75% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employer contributions are set based on triennial actuarial funding valuations. The valuation relating to this year was at 31 March 2022. The employer contribution rates range from 0.0% to 31.8% of pensionable pay.

NOTE 1 – DESCRIPTION OF FUND (continued)

d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre-1 April 2008	Service post-31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the Fund became a career average scheme as summarised below:

	Service post-31 March 2014
Pension	Each year worked is worth 1/49 x career average revalued earnings (CARE)
Lump Sum	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Accrued pension is increased annually in line with the Consumer Prices Index.

There are a number of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Gwynedd Pension Fund scheme handbook available from Cyngor Gwynedd's Pensions Section.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2023/24.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

a) Contribution Income

Normal contributions are accounted for on an accrual basis as follows:

- Employee contributions rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommend by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the fund's actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer in and out relate to members who have joined or left the fund.

Individual transfers in/ out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 9).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds including property

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

e) Management expenses

The fund discloses its management expenses in line with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accrual basis as follows:

Administrative expenses

All staff costs of the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the fund.

Oversight and governance costs

All costs associated with oversight and governance are separately identified, apportioned to this activity and charged as expenses to the fund.

Investment management expenses

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments.

Fees charges by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Transaction costs are associated with the acquisition or disposal of fund assets and are disclosed in the notes to the accounts.

f) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets statement

g) Financial assets

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirement of the Code and IFRS 13 (see note 15). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/ Investment Association, 2016).

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains and losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net assets statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Additional voluntary contributions

Gwynedd Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. There are three AVC funds. They are held with Clerical Medical, Utmost Life and Standard Life. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information only in Note 22.

m) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity, private credit and infrastructure investments

The fair value of private equity, private credit and infrastructure investments are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities, private credit and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2024 was £267.2 million (£234.2 million at 31 March 2023).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from assumptions and estimates made.

The items in the net assets statement for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pension depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and return on fund assets. Hymans Robertson is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Private equity, private credit and infrastructure	Private equity, private credit and infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines (December 2018). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity, private credit and infrastructure investments in the financial statements are £267.2 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE REPORTING DATE

There are no significant events after the year end to report.

NOTE 7 – CONTRIBUTIONS RECEIVED

By category

2022/23		2023/24
£'000		£'000
21,519	Employees' contributions	23,500
	Employers' contributions:	
68,243	• Normal contributions	70,948
0	• Other*	(170)
68,243	Total employers' contributions	70,778
89,762	Total contributions receivable	94,278

By type of employer

2022/23		2023/24
£'000		£'000
29,489	Cyngor Gwynedd	30,331
54,733	Other scheduled bodies	58,497
1,901	Admission bodies	1,799
3,087	Community admission bodies	3,269
154	Transferee admission bodies	151
398	Resolution bodies	403
0	Closed funds**	(172)
89,762		94,278

* Other employers' contributions - this relates to an exit credit payment to an employer that was previously in the Fund.

** Closed funds - these include an exit credit payment and a write off in the contributions paid by an employer to compensate for early retirement. The employers were previously transferee admission bodies but are now closed funds.

NOTE 8 – OTHER INCOME

2022/23		2023/24
£'000		£'000
2	Interest on deferred contributions	2
2	Income from divorce calculations	1
4		3

NOTE 9 – TRANSFERS IN FROM OTHER PENSION FUNDS

2022/23		2023/24
£'000		£'000
6,773	Individual transfers	8,575
6,773		8,575

NOTE 10 - BENEFITS PAID

By category

2022/23		2023/24
£'000		£'000
56,010	Pensions	62,931
13,789	Commutation and lump sum retirement benefits	16,841
2,309	Lump sum death benefits	3,159
72,108		82,931

By type of employer

2022/23		2023/24
£'000		£'000
21,934	Cyngor Gwynedd	25,340
34,788	Other scheduled bodies	40,911
1,384	Admission bodies	1,671
1,365	Community admission bodies	1,916
59	Transferee admission bodies	50
273	Resolution bodies	189
12,305	Closed funds	12,854
72,108		82,931

NOTE 11 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2022/23		2023/24
£'000		£'000
172	Refunds to members leaving service	271
0	Payments for members joining state scheme	(1)
2,949	Individual transfers	4,798
3,121		5,068

NOTE 12 – MANAGEMENT EXPENSES

2022/23		2023/24
£'000		£'000
10,593	Investment management expenses	12,866
1,588	Administrative costs	1,720
548	Oversight and governance costs	456
12,729		15,042

NOTE 12a – INVESTMENT MANAGEMENT EXPENSES

2023/24	Management Fees £'000	Transaction Costs £'000	Total £'000
Pooled Funds			
Fixed Income	502	28	530
Equities	1,910	944	2,854
Other Investments			
Pooled Property	1,740	0	1,740
Private Credit	722	0	722
Private Equity	3,871	0	3,871
Infrastructure	2,875	0	2,875
	11,620	972	12,592
Custody Fees			274
Total			12,866

2022/23	Management Fees £'000	Transaction Costs £'000	Total £'000
Pooled Funds			
Fixed Income	332	0	332
Equities	2,001	551	2,552
Other Investments			
Pooled Property	1,974	0	1,974
Private Equity	2,062	0	2,062
Infrastructure	3,401	0	3,401
	9,770	551	10,321
Custody Fees			272
Total			10,593

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled investment vehicles. There are no performance-related fees paid to investment managers. In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. They are reflected in the cost of investment purchases and in the proceeds of sales of investments in Note 14a.

The WPP Global Opportunities, Sustainable Equity, Multi Asset Credit, Absolute Return Bond, Global Credit and Emerging Market funds are investments which are appointed via a manager of manager approach which have their own underlying fees. The return for this mandate are net of the underlying manager fees which is reflected in Note 14a within the Change in Market value. For transparency, the fees in 2023/24 were £3,074,340 (£2,366,210 in 2022/23).

NOTE 12b- ADMINISTRATIVE COSTS

2022/23		2023/24
£'000		£'000
686	Direct employee costs	794
449	Other direct costs	494
453	Support services, including IT	432
1,588		1,720

Administrative costs include amounts charged to the Pension Fund by Cyngor Gwynedd for staff costs, support services and accommodation.

NOTE 12c- OVERSIGHT AND GOVERNANCE COSTS

2022/23		2023/24
£'000		£'000
234	Actuarial fees	87
72	Investment consultancy fees	78
11	Performance monitoring service	6
40	External audit fees	43
33	Pensions Committee and Local Pension Board	16
158	Wales Pensions Partnership	226
548		456

NOTE 12d- WALES PENSION PARTNERSHIP

The Investment Management Expenses in Note 12a are fees payable to Waystone (the WPP operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the NAV.

The oversight and governance costs in Note 12c are the annual running costs of the pool which includes the host authority costs and other external advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales.

The following fees are included in Note 12 in relation to the Wales Pension Partnership and further details on the WPP can be found in the Annual Report.

	2022/23	2023/24
	£'000	£'000
Investment Management Expenses		
Fund Manager fees	2,268	3,193
Transaction costs	551	972
Custody fees	247	268
	3,066	4,433
Oversight and governance costs		
Running Costs	158	226
Total	3,224	4,659

NOTE 13 – INVESTMENT INCOME

2022/23		2023/24
£'000		£'000
6,581	Fixed Income	16,175
13,109	Equities	20,964
0	Private Credit	750
470	Private Equity	880
2,712	Infrastructure	765
7,817	Pooled property investments	7,168
251	Interest on cash deposits	1,254
30,940	Total before taxes	47,956

The Gwynedd Pension Fund has two bank accounts which are held as part of Cyngor Gwynedd's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Cyngor Gwynedd pays interest over to the Pension Fund, based on the Fund's daily balances over the year.

The Pension Fund also has a Euro account to deal with receipts and payments in Euros and to minimise exchange transactions and relevant costs.

NOTE 14 – INVESTMENTS

31 March		31 March
2023		2024
£'000		£'000
	Investment assets	
	Pooled Funds	
586,703	Fixed income	861,232
1,700,745	Equities	1,697,436
	Other Investments	
221,297	Pooled property investments	210,350
0	Private Credit	10,235
166,622	Private Equity	167,029
67,566	Infrastructure	89,982
2,742,933		3,036,264
963	Cash deposits	499
2,743,896	Total investment assets	3,036,763
	Investment liabilities	
(960)	Amounts payable for purchases	(333)
(960)	Total investment liabilities	(333)
2,742,936	Net investment assets	3,036,430

NOTE 14a – RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2023/24	Market value at 1 April 2023	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Pooled investments	2,287,448	536,033	(523,948)	259,135	2,558,668
Pooled property investments	221,297	2,981	0	(13,928)	210,350
Private credit	0	13,404	(3,332)	163	10,235
Private equity / infrastructure	234,188	37,053	(18,208)	3,978	257,011
	<u>2,742,933</u>	<u>589,471</u>	<u>(545,488)</u>	<u>249,348</u>	<u>3,036,264</u>
Cash deposits	963				499
Amounts payable for purchases of investments	(960)				(333)
Fees within pooled vehicles				10,747	
Net investment assets	2,742,936			260,095	3,036,430

2022/23	Market value at 1 April 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Pooled investments	2,282,622	59,691	(25,000)	(29,865)	2,287,448
Pooled property investments	252,521	18,715	0	(49,939)	221,297
Private equity / infrastructure	226,128	25,540	(35,240)	17,760	234,188
	<u>2,761,271</u>	<u>103,946</u>	<u>(60,240)</u>	<u>(62,044)</u>	<u>2,742,933</u>
Cash deposits	303				963
Amounts payable for purchases of investments	(285)				(960)
Fees within pooled vehicles				8,891	
Net investment assets	2,761,289			(53,153)	2,742,936

NOTE 14b – ANALYSIS OF INVESTMENTS

Investments analysed by fund manager

Market Value at 31 March 2023			Market Value at 31 March 2024		
£'000	%		£'000	%	
1,501,286	54.8	Wales Pension Partnership	2,118,741	69.8	
842,157	30.7	BlackRock	524,137	17.3	
234,188	8.5	Partners Group	236,679	7.8	
74,865	2.7	UBS	72,160	2.4	
57,297	2.1	Lothbury	50,779	1.6	
34,103	1.2	Threadneedle	34,267	1.1	
2,743,896	100.0		3,036,763	100.0	

The following investments represent more than 5% of the net assets of the Fund:

Market Value at 31 March 2023			Market Value at 31 March 2024		
£'000	%		£'000	%	
430,059	15.6	WPP Global Opportunities Fund	434,566	14.2	
426,908	15.5	WPP Global Growth Fund	415,429	13.5	
386,103	14.0	WPP Absolute Return Bond	412,216	13.4	
0	0.0	WPP Sustainable Active Equity Fund	317,063	10.3	
246,433	8.9	Black Rock Aquila Life UK Equity Index Fund	267,131	8.7	
200,600	7.3	WPP Multi Asset Credit Fund	226,013	7.4	
0	0.0	WPP Global Credit Fund	223,004	7.3	
331,802	12.0	Black Rock ACS World Low Carbon Fund	203,363	6.6	
207,927	7.5	Black Rock Aquila Life GI Dev Fundamental Fund	0	0.0	

NOTE 14c – STOCK LENDING

The Fund's investment strategy permits stock lending subject to specific approval. The income earned by the fund through stock lending was £99,730 (£109,916 in 2022/23). Currently the Fund has total quoted equities of £52.2m on loan (£40.6m at 31 March 2023). These equities continue to be recognised in the Fund's financial statements. No liabilities are associated with the loaned assets.

NOTE 15 – FAIR VALUE- BASIS OF VALUATION

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

NOTE 15 – FAIR VALUE- BASIS OF VALUATION (continued)

Description of Asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the Valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short- term nature of these financial instruments	Not required	Not required
Pooled investments- equity funds	Level 2	The ‘NAV’ (net asset value) is calculated based on the market value of the underlying assets	Evaluated price feeds	Not required
Pooled investments- fixed income	Level 2	The ‘NAV’ is calculated based on the market value of the underlying fixed income Securities	Evaluated price feeds	Not required
Pooled property funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price is published	‘NAV’- based set on a forward pricing basis	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board’s Special Valuation Guidance (March 2020)	<ul style="list-style-type: none"> • EBITDA multiple • Revenue multiple • Discount for lack of marketability • Control premium 	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Infrastructure	Level 3	Valued using discounted cashflow techniques to generate a net present value	Discount rate and cashflow used in the models	Rate of inflation, interest, tax and foreign exchange
Private credit	Level 3	Valuation techniques are used in accordance with U.S. GAAP to measure fair value that is consistent with market approach and/or income approach, depending on the type of security and the circumstance.	Private investments are fair valued initially based upon transaction price excluding expenses. The market approach uses prices generated by market transactions involving identical or comparable securities. The income approach	Valuations could be affected by changes to expected cash flows or by differences between audited and unaudited accounts.

			uses valuation techniques to discount estimated future cash flows to present value.	
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Sensitivity of assets valued at level 3

The values reported in the Level 3 valuations represent the most accurate estimation of the portfolio values as at 31 March 2024. Any subjectivity related to the investment value is incorporated into the valuation, and the sensitivity analysis can be seen in Note 17.

Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2023/24.

NOTE 15a – FAIR VALUE HIERARCHY

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Gwynedd Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2024	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Fixed income	0	861,232	0	861,232
Equities	0	1,697,436	0	1,697,436
Pooled property investments	0	0	210,350	210,350
Private credit	0	0	10,235	10,235
Private equity	0	0	167,029	167,029
Infrastructure	0	0	89,982	89,982
Cash deposits	499	0	0	499
	499	2,558,668	477,596	3,036,763
Financial liabilities at fair value through profit and loss				
Payables for investment purchases	(333)	0	0	(333)
Total	166	2,558,668	477,596	3,036,430

NOTE 15a – FAIR VALUE HIERARCHY (CONTINUED)

Re-stated	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2023	Level 1	Level 2	Level 3	£'000
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss				
Fixed income	0	586,703	0	586,703
Equities	0	1,700,745	0	1,700,745
Pooled property investments	0	0	221,297	221,297
Private equity	0	0	166,622	166,622
Infrastructure	0	0	67,566	67,566
Cash deposits	963	0	0	963
	963	2,287,448	455,485	2,743,896
Financial liabilities at fair value through profit and loss				
Payables for investment purchases	(960)	0	0	(960)
Total	3	2,287,448	455,485	2,742,936

Pooled property investments have been restated at level 3 for 31 March 2023 in accordance with the valuations of the investment managers.

NOTE 15b – RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value 1 April 2023	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised (gains)/ losses	Market Value 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property	221,297	0	2,981	0	(13,928)	0	210,350
Private Credit	0	0	13,404	(3,332)	163	0	10,235
Private Equity	166,622	0	10,001	(4,692)	1,419	(6,321)	167,029
Infrastructure	67,566	0	27,052	(2,447)	2,559	(4,748)	89,982
Total Level 3	455,485	0	53,438	(10,471)	(9,787)	(11,069)	477,596

Re-stated	Market Value 1 April 2022	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/ (losses)	Realised (gains)/ losses	Market Value 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property	252,521	0	18,715	0	(49,939)	0	221,297
Private Equity	158,711	0	14,620	(4,852)	6,675	(8,532)	166,622
Infrastructure	67,417	0	10,920	(12,481)	11,085	(9,375)	67,566
Total Level 3	478,649	0	44,255	(17,333)	(32,179)	(17,907)	455,485

NOTE 16 - CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2023			As at 31 March 2024		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
2,287,448			2,558,668		
221,297			210,350		
0			10,235		
166,622			167,029		
67,566			89,982		
	19,255			31,650	
	4,163			6,572	
2,742,933	23,418	0	3,036,264	38,222	0
Financial liabilities					
		(4,222)			(4,491)
0	0	(4,222)	0	0	(4,491)
2,742,933	23,418	(4,222)	3,036,264	38,222	(4,491)

NOTE 16a – NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2023		31 March 2024
Fair value		Fair value
£'000		£'000
Financial assets		
(62,044)	Fair value through profit and loss	249,348
0	Loans and receivables	0
(62,044)	Total financial assets	249,348
Financial liabilities		
0	Fair value through profit and loss	0
0	Financial liabilities at cost	0
0	Total financial liabilities	0
(62,044)	Net financial assets	249,348

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Pension's Fund operations, then reviewed regularly to reflect changes in activity and market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a risk factor analysis to ensure that risk remains within tolerable levels;
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or by factors affecting all such instruments in the market.

The Fund is exposed to share price risk. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within the limits set in the Fund investment strategy.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 and 2023/24 reporting period.

Asset type	Potential market movement (+/-)	
	31 March 2023	31 March 2024
	%	%
UK Equities	18.2	16.0
Global Equities	19.0	16.7
Emerging Markets Equities	24.4	23.0
Private Equity	31.2	31.2
Corporate Bonds	7.5	7.0
Senior Loans (Sub investment grade)	9.6	8.8
Absolute Return Bond	2.7	2.7
Infrastructure	16.0	13.6
Property	15.5	15.6
Diversified Credit	7.8	7.1
Cash	0.3	0.3
Total Fund	13.3	10.7

The potential volatilities disclosed above are consistent with a one-standard deviation movement in the change of value of the assets over the latest three years. The total fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Had the market price of the Fund investments increased/decreased in line with the above, the change in the market price of the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2024	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
UK Equities	267,131	16.0	309,872	224,390
Global Equities	1,370,421	16.7	1,599,281	1,141,561
Emerging Markets Equities	59,884	23.0	73,657	46,111
Private Equity*	167,029	31.2	219,141	114,916
Corporate Bonds	223,004	7.0	238,614	207,393
Senior Loans (sub investment grades)*	10,235	8.8	11,136	9,335
Absolute Return Bonds	412,215	2.7	423,345	401,086
Infrastructure*	89,982	13.6	102,219	77,744
Property*	210,350	15.6	243,164	177,535
Diversified Credit	226,013	7.1	242,060	209,966
Cash	31,650	0.3	31,745	31,555
Debtors and Creditors	2,081	0.0	2,081	2,081
Total assets available to pay Benefits	3,069,995		3,496,315	2,643,673
*Level 3 assets	477,596		575,661	379,530

Asset type	Value as at 31 March 2023	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Re-stated				
UK Equities	246,433	18.2	291,284	201,583
Global Equities	1,396,696	19.0	1,662,068	1,131,324
Emerging Markets Equities	57,616	24.4	71,674	43,557
Private Equity*	166,622	31.2	218,608	114,636
Absolute Return Bonds	386,103	2.7	396,528	375,679
Infrastructure*	67,566	16.0	78,377	56,756
Property*	221,297	15.5	255,598	186,996
Diversified Credit	200,600	7.8	216,246	184,953
Cash	19,255	0.3	19,313	19,197
Debtors and Creditors	(59)	0.0	(59)	(59)
Total assets available to pay Benefits	2,762,129		3,209,637	2,314,622
*Level 3 assets	455,485		552,583	358,390

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2023	As at 31 March 2024
	£'000	£'000
Cash and cash equivalents	18,292	31,151
Cash balances	963	499
Pooled Fixed Income	586,703	861,232
Total	605,958	892,882

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Carrying amount as at 31 March 2024	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	31,151	312	(312)
Cash balances	499	5	(5)
Pooled Fixed Income *	861,232	8,612	(8,612)
Total change in assets available	892,882	8,929	(8,929)

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

Asset type	Carrying amount as at 31 March 2023	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	18,292	183	(183)
Cash balances	963	10	(10)
Pooled Fixed Income *	586,703	5,867	(5,867)
Total change in assets available	605,958	6,060	(6,060)

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

The average interest rate received on cash during the year was 4.99% amounting to interest of £1,020,271 for the year (average interest rate of 2.04% and interest income of £210,338 in 2022/23).

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

A 1% increase in interest rates will not affect the interest received on fixed income assets but will reduce their fair value, as shown in the tables above. Changes in interest rates do not impact on the value of cash / cash equivalents but they will affect the interest income received on those balances. Changes to both the fair value of assets and income received from investments impact on the net assets to pay benefits but as noted above this does not have a significant effect on the Fund.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds assets denominated in currencies other than £UK.

The Fund has made commitments to private equity and infrastructure in foreign currency (€80.1 million and US\$23.3 million). These commitments are being drawn down on request from the investment manager over a number of years. The current commitments still outstanding are shown in Note 24. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the Fund is fully funded. The Fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

The Fund's currency rate risk has been calculated based on the volatility of the currencies which would affect the value of the investments and any cash held in those currencies.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the likely volatility associated with foreign exchange rate movements has been calculated with reference to the historic volatility of the currencies and their relative amounts in the Fund's investments.

The 1 year expected standard deviation for an individual currency as at 31 March 2024 is 9.3%. The equivalent rate for the year ended 31 March 2023 was 9.9%. This analysis assumes that all other variables, in particular interest rates, remain constant.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The tables below show a breakdown of the Fund's exposure to individual currencies as at 31 March 2024 and at the end of the previous financial year:

Currency exposure - by asset type	Carrying amount as at 31 March 2024	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Global Equities	1,370,421	1,497,870	1,242,972
Emerging Markets Equities	59,884	65,453	54,315
Private Equity	167,029	182,562	151,495
Corporate Bonds	223,004	243,743	202,264
Absolute Return Bonds	412,216	450,552	373,880
Infrastructure	89,982	98,350	81,614
Diversified Credit	226,013	247,032	204,994
Total change in assets available	2,548,549	2,785,562	2,311,534

Currency exposure - by asset type	Carrying amount as at 31 March 2023	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Global Equities	1,396,696	1,534,969	1,258,423
Emerging Markets Equities	57,616	63,320	51,912
Private Equity	166,622	183,118	150,127
Absolute Return Bonds	386,103	424,328	347,879
Infrastructure	67,566	74,255	60,877
Diversified Credit	200,600	220,459	180,740
Total change in assets available	2,275,203	2,500,449	2,049,958

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The benchmark for the concentration of the funds held with investment managers is as follows:

Fund	Percentage of Portfolio
UK Equities (Black Rock)	8.00%
Low Carbon Equities (Black Rock)	4.20%
Sustainable Equity (Wales Pension Partnership)	10.10%
Emerging Markets (Wales Pension Partnership)	2.50%
Global Growth (Wales Pension Partnership)	10.10%
Global Opportunities (Wales Pension Partnership)	10.10%
Multi Asset Credit (Wales Pension Partnership)	7.50%
Absolute Return Bond (Wales Pension Partnership)	12.50%
Private Credit (Wales Pension Partnership)	5.00%
Global Credit (Wales Pension Partnership)	7.50%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10.00%
Infrastructure (WPP and Partners)	7.50%
Private Equity (WPP and Partners)	5.00%

All investments held by investment managers are held in the name of the Pension Fund so, if the investment manager fails, the Fund’s investments are not classed amongst their assets.

Contractual credit risk is represented by the net payment or receipt that remains outstanding. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

In order to maximise the returns from short-term investments and cash deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements, any surplus cash in the Pension Fund bank accounts is not transferred to the Council’s bank accounts.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council’s credit criteria. The Council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution. In addition, the Council invests an agreed percentage of funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so the Administering Authority monitors membership movements on an annual basis.

New employers to the Fund will need to agree to the provision of a bond or obtain a guarantee to reduce the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. As shown in Note 25 two employers have provided bonds. Any future liabilities falling on the Fund as a result of cessation are borne by the whole Fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a legal judgement, which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments to pay pensions and other costs and to meet investment commitments.

The Council has a cash flow system that seeks to ensure that cash is available if needed. In addition, current contributions received from contributing employers and members far exceed the benefits being paid. Surplus cash is invested and cannot be paid back to employers. The Fund's Actuary establishes the contributions that should be paid in order that all future liabilities can be met.

There is no limit on the amount that the Pension Fund bank account can hold. The amounts held in this account should meet the normal liquidity needs of the Fund. Any temporary surplus is invested by the Council in accordance with the Treasury Management Strategy Statement to provide additional income to the Pension Fund. Surplus cash is invested in accordance with the Statement of Investment Principles.

The Fund also has access to an overdraft facility through the Council's group bank account arrangements. This facility would only be used to meet short-term timing differences on pension payments. As these borrowings would be of a limited short-term nature, the Fund's exposure to credit risk is considered negligible.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2024 the value of illiquid assets was £478m, which represented 15.6% of the total Fund assets (31 March 2023: £455m, which represented 16.4% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2024 are due within one year as was the case at 31 March 2023.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

NOTE 18 – FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Administration) Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement and was reviewed as part of the 2022 valuation in March 2023.

In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependents
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The Funding Strategy Statement sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

NOTE 18 – FUNDING ARRANGEMENTS (continued)

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the Funding Strategy Statement, there is at least a 70% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was at 31 March 2022. This valuation revealed that the Fund’s assets, which at 31 March 2022 were valued at £2,776 million, were sufficient to meet 120% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £468 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and probability measure as per the Funding Strategy Statement. Individual employers’ contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund’s funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method used to Value the Liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and Funding Strategy Statement.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.1% pa
Salary increase	3.2% pa
Benefit increase (CPI)	2.7% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund’s VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% pa. Based on these assumptions, the average future life expectancies at age 65 are as follows:

NOTE 18 – FUNDING ARRANGEMENTS (continued)

Mortality assumption	Male	Female
	Years	Years
Current pensioners	21.1	24.0
Future pensioners (aged 45 at the 2022 valuation)	22.3	25.8

Copies of the 2022 valuation report and the Funding Strategy Statement are available on the Pension Fund's website www.gwyneddpensionfund.wales

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18) and has also used them to provide the IAS19 and FRS102 reports for individual employers in the Fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2023 and 2024 are shown below:

	31 March 2023	31 March 2024
	£m	£m
Active members	1,084	1,140
Deferred members	387	381
Pensioners	864	842
Total	2,335	2,363

As noted above, the liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2022 triennial funding valuation (see Note 18) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS (continued)

Assumptions used

The financial assumptions used are those adopted for the Administering Authority's IAS19 report as shown below and are different as at 31 March 2023 and 2024. The actuary estimates that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £140m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £14m.

Assumption	31 March 2023	31 March 2024
	%	%
Pension increase rate	2.95	2.75
Salary increase rate	3.45	3.25
Discount rate	4.75	4.85

The life expectancy for the longevity assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male Years	Female Years
Current pensioners	20.8	23.7
Future pensioners (assumed to be aged 45 at the latest valuation date)	21.8	25.4

All other demographic assumptions have been updated since last year and as per the latest funding valuation of the fund.

The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2024	Approximate increase to liabilities %	Approximate monetary amount £m
0.1% p.a. increase in the rate of CPI inflation	2	44
0.1% p.a. increase in the salary increase rate	0	3
0.1% p.a. decrease in the discount rate	2	46
1 year increase in member life expectancy	4	95

NOTE 20 – CURRENT ASSETS

31 March 2023 £'000		31 March 2024 £'000	
495	Contributions due – employees	930	
1,617	Contributions due – employers	2,853	
2,050	Sundry debtors	2,789	
4,162	Total debtors	6,572	
18,292	Cash	31,151	
22,454	Total	37,723	

NOTE 21 – CURRENT LIABILITIES

31 March 2023 £'000		31 March 2024 £'000	
2,078	Sundry creditors	2,781	
1,183	Benefits payable	1,377	
3,261	Total	4,158	

NOTE 22 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The market value of the funds is stated below:

	Market value at 31 March 2023 £'000	Market value at 31 March 2024 £'000
Clerical Medical	4,576	5,596
Utmost Life	162	153
Standard Life	5	5
Total	4,743	5,754

AVC contributions were paid directly to the following manager:

	2022/23 £'000	2023/24 £'000
Clerical Medical	797	1,062
Total	797	1,062

NOTE 23 - RELATED PARTY TRANSACTIONS

Cyngor Gwynedd

The Gwynedd Pension Fund is administered by Cyngor Gwynedd. Consequently, there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1,606,596 (£1,474,104 in 2022/23) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also one of the largest employers of members of the Fund and contributed £30.33m to the Fund in 2023/24 (£29.49m in 2022/23). At the end of the year, the Council owed £1.08m to the Fund which was primarily in respect of interest paid on the Pension Fund’s balances and contributions for March 2024 and the Fund owed £1.6m to the Council which was primarily in respect of recharges to the Council for the administrative costs.

The Gwynedd Pension Fund has two bank accounts which are held as part of Cyngor Gwynedd’s Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Cyngor Gwynedd pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2023/24, the Fund received interest of £1,020,271 (£210,338 in 2022/23) from Cyngor Gwynedd.

Governance

There is one member of the Pensions Committee who is in receipt of pension benefits from the Gwynedd Pension Fund during 2023/24 (committee member J.B.Hughes). In addition, committee members S.W. Churchman, R.W.Williams, J.B.Hughes, I.Thomas, G.Edwards, J.P.Roberts, R.M.Hughes, E.Hywel and I.Huws are active members of the Pension Fund.

Two members of the Pension Board were in receipt of pension benefits from the Gwynedd Pension Fund during 2023/24 (board members H.E.Jones and A.Deakin). In addition, Board members B.Roberts, O. Richards, N.Michael and S.E.Parry are active members of the Pension Fund.

Key Management Personnel

The key management personnel of the fund are the Fund Director (until 30/06/23), Head of Finance (s151) and the Chair of the Pensions Committee.

The remuneration payable to key management personnel attributable to the fund is set out below:

2022/23		2023/24
£'000		£'000
Re-stated		
48	Short-term benefits	36
9	Post-employment benefits	6
57		42

2022/23 has been re-stated to include the Chair of the Pensions Committee

NOTE 24 - COMMITMENTS UNDER INVESTMENT CONTRACTS

Outstanding capital commitments (investments) at 31 March were as follows:

	Total Commitments £'000	Commitment at 31 March 2023 £'000	Commitment at 31 March 2024 £'000
Schroders Capital WPP Global Private Equity I L.P.	12,500	0	9,056
GCM WPP Global Infrastructure LP	15,000	0	11,481
Capital Dynamics CEI (WPP), LP	10,000	0	7,082
Octopus Renewables Infrastructure	34,500	0	24,824
Russell Investments WPP Global Private Credit L.P.	110,000	0	99,927
Total GBP	182,000	0	152,370
	€'000	€'000	€'000
P.G. Direct 2006	19,224	0	0
P.G. Global Value 2006	50,000	3,477	3,477
P.G. Secondary 2008	15,000	1,960	1,960
P.G. Global Value 2011	15,000	2,096	2,096
P.G. Global Infrastructure 2012	40,000	7,019	7,019
P.G. Direct 2012	12,000	1,181	1,181
P.G. Global Value 2014	12,000	1,531	1,531
P.G. Direct Equity 2016	50,000	2,826	2,826
P.G. Global Value 2017	42,000	11,570	11,570
P.G. Global Infrastructure 2018	28,000	8,131	4,631
P.G. Direct Equity 2019	48,000	8,352	6,192
P.G. Direct Infrastructure 2020	32,000	20,320	12,000
P.G. Direct Equity V	30,000	30,000	25,586
Total Euros	393,224	98,463	80,069
	US\$'000	US\$'000	US\$'000
P.G. Emerging Markets 2011	7,000	1,082	1,082
P.G. Secondary 2015	38,000	15,220	15,220
P.G. Direct Infrastructure 2015	43,600	7,640	6,986
Total Dollars	88,600	23,942	23,288

'PG' above refers to Partners Group, the investment manager which invests in 'alternatives' (private equity and infrastructure) on behalf of the Fund.

These commitments relate to outstanding call payments on unquoted funds held in the the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of the original commitment.

NOTE 25 – CONTINGENT ASSETS

Two admitted body employers in the Gwynedd Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

NOTE 26 – CONTINGENT LIABILITIES

There are no contingent liabilities identified.

NOTE 27 – IMPAIRMENT LOSSES

There are no impairment losses identified.

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Cyngor Gwynedd as administering authority for the Gwynedd Pension Fund

Opinion on financial statements

I have audited the financial statements of the Gwynedd Pension Fund for the year ended 31 March 2024 under the Public Audit (Wales) Act 2004. The Gwynedd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements

themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the Gwynedd Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Gwynedd Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the Gwynedd Pension Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Gwynedd Pension Fund's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in management override.
- Obtaining an understanding of the Gwynedd Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Gwynedd Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Gwynedd Pension Fund.
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Pensions Committee;
- reading minutes of meetings of those charged with governance and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Gwynedd Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Gwynedd Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales

I Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

10. Communication Policy Statement

Introduction

Regulation 61 of the Local Government Pension Scheme (LGPS) 2013 Regulations stipulates that all administering authorities are required to publish a statement of policy regarding communication with key stakeholders.

Gwynedd Council is the administering authority for the Gwynedd Pension Fund and the Fund's key stakeholders include:

1. Scheme members:

- 1.1 Active Scheme Members
- 1.2 Deferred members
- 1.3 Pensioner members
- 1.4 Prospective members

2. Scheme Employers

3. Other bodies:

- 3.1 Pension Committee and Pension Board
- 3.2 Fund Staff
- 3.3 Other Bodies

This communication statement sets out the policy for the provision of information and how the Fund intends to publicise, promote and develop the Scheme to each stakeholder group. It will be kept under review and amended when there is a material change in the policy.

The Fund's aim is to provide a high quality and consistent service to their stakeholders in the most efficient and cost-effective manner.

The intention is that all communications are as timely as possible, factual and in plain language, and presented in a manner appropriate to the receiver. Where individuals have specific needs in relation to the format of information, steps are taken to ensure that the required format is available, such as Braille, Audio, and Large Print.

All Gwynedd Pension Fund's publications are bilingual, in line with Gwynedd Council's Language Policy. Information in other languages may be available on request.

Where legislative Scheme changes are known in advance, procedures will be put in place to implement the changes in the most effective manner.

1.1 Communicating with Active Members

Active Members (including Councillor Members) are those who are contributing into the LGPS through one of the Gwynedd Pension Fund Scheme Employers. The methods of communication with these members are described below.

- **Website** - The Gwynedd Pension Fund website contains a section dedicated to Active Members. It provides general information about the LGPS including, Transfers, Improving Benefits, Retirement, Divorce, Death Benefits, Tax Allowances and Frequently Asked Questions. News items are added when required to notify members of any Scheme changes. There is a separate section dedicated to the pension benefits for Councillor Members.
- **Member Self Service** - The member self-service web portal on the Gwynedd Pension Fund website allows members to view and update their pension data securely online, such as death grant expression of wish, contact details, annual benefit statements and letters. The planning tools allow members to perform benefit calculations and prepare for retirement.

- **Employer Events** – The Gwynedd Pension Fund is available to attend employer events on request and provide a pension stand where members can discuss any pension issues with the pension fund staff and provide relevant scheme literature.
- **Presentations** – The Gwynedd Pension Fund is always available to offer presentations on the scheme. Presentations are also held when needed to inform Active Members of major changes to scheme regulations. Specialist information sessions can also be held at the request of the employer for members who are affected by the bulk transfer of pensions from the LGPS to other pension providers.
- **Pre-Retirement Courses** – A program of six courses are held by Chadwicks IFA, a firm of financial advisors' form Chester each year. The Gwynedd and Flintshire Pension Funds provide alternate LGPS presentations at these events.
- **Consultation Sessions** – The Gwynedd Pension Fund Communications Officers can hold individual consultation session for scheme members at the request of scheme employers. Consultations are usually held at the employees worksites and they offer the opportunity for scheme members to receive general and specific information about the LGPS and ask any question they may have relating to their LGPS pension.
- **Individual Appointments** - Active Members can arrange an appointment with a member of the Gwynedd Pension Fund staff at the Pension office in Caernarfon.
 - In some cases (e.g terminal illness) a representative from the Gwynedd Pension Fund will visit a member at their home at the request of their employer.
- **Scheme Literature** –
 - **Pension Starter Pack.** Issued when a Scheme Employer notifies us of a new Active Member. This includes a Short Guide to the LGPS, a New Starter Form, Death Grant Expression of Wish form and a Statutory Notification of entry into the scheme.
 - **Short Scheme Guide.** The short scheme guide provides general information on the LGPS and is issued to all new employees and to existing members on request. Copies of the scheme guide in Braille, large print and audio can be provided on request.
 - **Retirement Guide.** The Retirement Guide outlines the arrangements for the payment of pension benefits and sets out the benefits payable to survivors in the event of the member's death and the other most important things to note.
 - **Factsheets.** A range of factsheets have been produced for scheme members which give information specific topics relating to the LGPS.
- **Newsletters** - We issue periodic newsletters to Active Members to update them of changes in the scheme regulations.
- **Annual Benefit Statements** - Each year we issue a statement to each member showing the pension they have built up to the previous 31st March and forecasts the benefits payable at State Pension Age. They are uploaded automatically to a member's Member Self Service Online portal or sent directly to their home address if they have chosen not to register.
- **Annual Report and Accounts** - An electronic copy of the Fund's Annual Report and Accounts is available to all Scheme members on the website. Hard copies are also available upon request.
- **Correspondence** - The Fund uses both paper mail and e-mail to receive and send correspondence. Response will be made in the individuals preferred language of choice.
- **Statutory Notification** - Members are notified when any change occurs to their pension record, thus affecting their pension benefits.
- **Pensions Helpline** – A single helpline number is available for all pension enquiries and a dedicated e-mail address is available for enquiries by e-mail.
- **Poster Campaign** – A poster campaign will be implemented when major scheme changes need to be communicated to Active Scheme members. They will be distributed to employers so that they can be displayed at employees work sites.
- **Internal Dispute Resolution Procedure (IDRP) leaflet** – A document covering stage I of the IDRP is available on request.

1.2 Communicating with Deferred Members

Deferred Members (including Councillor Members) are those who have left their employment with a scheme employer and who have preserved benefits within the fund. The methods of communication with these members are described below.

- **Website** - The Gwynedd Pension Fund website contains a section dedicated to Deferred Members. It provides general information about the LGPS including, Transfers Out, Retirement, Divorce, Death Benefits and Frequently Asked Questions. News items are added when required to notify members of any Scheme changes. There is a separate section dedicated to the pension benefits for Councillor Members leaving before retirement.
- **Member Self Service** - The member self-service web portal on the Gwynedd Pension Fund website allows members to view and update their pension data securely online, such as death grant expression of wish, contact details, annual benefit statements and letters. The planning tools allow members to perform benefit calculations and prepare for retirement.
- **Individual Appointments** - Deferred Members can arrange an appointment with a member of the Gwynedd Pension Fund staff at the Pension office in Caernarfon.
 - In some cases (e.g terminal illness) a representative from the Gwynedd Pension Fund will visit a member at their home at the request of their old employer, the individual or individual's representative.
- **Scheme Literature** –
 - **Retirement Guide.** The Retirement Guide outlines the arrangements for the payment of pension benefits and sets out the benefits payable to survivors in the event of the member's death and the other most important things to note.
 - **Factsheets.** A range of factsheets have been produced for scheme members which give information specific topics relating to the LGPS.
- **Newsletters** - we issue periodic newsletters to Deferred Members to update them of changes in the scheme regulations.
- **Deferred Benefit Statements** - Each year we issue a statement to each deferred member showing the up to date value of their pension benefits. They are uploaded automatically to the member's Member Self Service online portal or sent directly to their home address if they have chosen not to register.
- **Annual Report and Accounts** - An electronic copy of the Fund's Annual Report and Accounts is available to all Scheme members on the website. Hard copies are also available upon request.
- **Correspondence** - The Fund uses both paper mail and e-mail to receive and send correspondence. Response will be made in the individuals preferred language of choice.
- **Pensions Helpline** – A single helpline number is available for all pension enquiries and a dedicated e-mail address is available for enquiries by e-mail.
- **Internal Dispute Resolution Procedure (IDRP) leaflet** – A document covering stage 1 of the IDRP is available on request.

1.3 Communicating with Pensioners

Pensioners include retired members and the dependants of deceased members. The methods of communication with pensioners are described below.

- **Website** - The Gwynedd Pension Fund website contains a section dedicated to Pensioners. It provides general information about the LGPS including, Divorce, Death Benefits, Payment Dates, Living Abroad, Pensions Increases and Frequently Asked Questions. News items are added when required to notify pensioners of any Scheme changes.
- **Member Self Service** - The member self-service web portal on the Gwynedd Pension Fund website allows pensioners to view and update their pension data securely online, such as death grant expression of wish, contact details and letters.
- **Individual Appointments** - Pensioners can arrange an appointment with a member of the Gwynedd Pension Fund staff at the Pension office in Caernarfon.
- **Payslips and P60** – A payslip is sent to Pensioner when there is a change of £5 or more in their next payment as compared with the previous month. All pensioners receive a combined P60 and payslip at the end of each tax year.

- **Notice of Pensions Increase** – Each April, pensioners receive a notice informing them of the Pensions Increase which is to be applied on their pension (if applicable) and they also receive confirmation of the pay dates for the next 12 months.
- **Annual Report and Accounts** - An electronic copy of the Fund's Annual Report and Accounts is available to all Scheme members on the website. Hard copies are also available upon request.
- **Correspondence** - The Fund uses both paper mail and e-mail to receive and send correspondence. Response will be made in the individuals preferred language of choice.
- **Pensions Helpline** – A single helpline number is available for all pension enquiries and a dedicated e-mail address is available for enquiries by e-mail.
- **Birthday Congratulations** – Pensioners, including those receiving dependents benefits, celebrating their 100th birthday will receive a birthday card from the Gwynedd Pension Fund.
- **Internal Dispute Resolution Procedure (IDRP) leaflet** – A document covering stage 1 of the IDRP is available on request.

1.4 Communicating with Prospective Members

Prospective Members are employees who are eligible to join the LGPS with one of the Gwynedd Pension Fund Scheme Employers but have decided not to. The methods of communication with prospective members are described below.

- **Website** - The Gwynedd Pension Fund website contains a section dedicated to Prospective Members. It provides general information about the LGPS including, Reasons for Joining, Transfers, Contribution Rates, Retirement, Opting Out and Frequently Asked Questions. News items are added when required to notify members of any Scheme changes. There is a separate section dedicated to the pension benefits for Councillor Members.
- **Employer Events** – The Gwynedd Pension Fund is available to attend employer events on request and provide a pension stand where prospective members can discuss any pension issues with the pension fund staff and provide relevant scheme literature and forms.

The Gwynedd Pension Fund encourages employers to include pensions as part of staff induction events and will provide scheme literature and forms. The communications team could attend upon request.

- **Consultation Sessions** – The Gwynedd Pension Fund Communications Officers can hold individual consultation session for scheme members and prospective members at the request of scheme employers. Consultations are usually held at the employees worksites and they offer the opportunity for scheme members to receive general and specific information about the LGPS and ask any question they may have about joining the LGPS.
- **Individual Appointments** - Prospective Members can arrange an appointment with a member of the Gwynedd Pension Fund staff at the Pension office in Caernarfon.
- **Scheme Literature** –
 - **Short Scheme Guide.** The short scheme guide provides general information on the LGPS and is issued to all new employees and on request. Copies of the scheme guide in Braille, large print and audio can be provided on request.
 - **Factsheets.** A range of factsheets have been produced for scheme members which give information specific topics relating to the LGPS
- **Correspondence** - The Fund uses both paper mail and e-mail to receive and send correspondence. Response will be made in the individuals preferred language of choice.
- **Pensions Helpline** – A single helpline number is available for all pension enquiries and a dedicated e-mail address is available for enquiries by e-mail.
- **Poster Campaign** – A poster campaign is periodically implemented which highlights the benefits of joining the LGPS. They will be distributed to employers so that they can be displayed at employees work sites.

2 Communicating with Scheme Employers

For Gwynedd Council as Administering Authority to efficiently run the scheme it is essential that the flow of accurate, timely and clear information between Scheme Employers and the Fund is maintained through effective communication.

The methods of communication with Scheme Employers are described below.

- **Website** - Our website is under review to develop a section dedicated to Scheme Employers. The Website also contains all the Pension Fund Governance Documents, for example the Actuarial Valuation Report, Policy Documents and the Annual Report and Accounts. There are also links to sources of further information such as the Local Government Association's (LGA's) dedicated LGPS website.
- **i-Connect** - i-Connect is a secure online portal that takes data directly from the payroll system and feeds it directly into the pension system on a monthly basis. It automatically identifies and processes new joiners, opt-outs and leavers and enables the employer to check and cleanse the data before submission.
- **Contact Database** - Regulatory and administrative updates are frequently issued to all employers listed on the contact database via e-mail or letter. The employer Contact database is amended as necessary following updates from the Employers.
- **Annual General Meetings** - The Annual General Meeting is held specifically for Employers and Union Representatives to discuss the Annual Report and Accounts. Representatives from various professional advisory bodies, such as the Fund Actuary and Fund Managers also attend in order to answer on Funding, Investment Performance and Valuations.
- **Employer meetings** - As required to discuss topical issues, significant legislation changes, pre and post actuarial valuation and provide information and discuss improvements in the flow of information.
- **Individual Employer meetings** - Meetings with individual employers can be arranged to discuss matters specific to their participation in the Pension Fund, or to provide advice and guidance on specific issues.
- **Individual Employer Training meetings** - These can be arranged to resolve any administrative training issues identified by either the employer, or the Fund. These sessions are held at employer venues, with development being monitored and reviewed periodically thereafter.
- **Employer Guide** - The new Employer Guide is in the process of being completed and will be circulated electronically to all Employing Bodies and uploaded onto our website.
- **Service Level Agreements** - To improve the standard of service to members we aim to establish Service Level Agreements with Employers. The agreements will provide guidance on statutory obligations and responsibilities and set targets for both Employers and the Administering Authority–
 - To provide correct information
 - To act on, and respond to that information within a given timescaleAny targets for the Service Level Agreements will be agreed beforehand.

3.1 Communicating with the Pensions Committee and Local Pension Board

As the Gwynedd Pension Fund's administering authority, Gwynedd Council has formed a Pensions Committee and a Pensions Board which meets quarterly to discharge the duties of the Council regarding the governance and administration of the Fund.

The Pensions Committee is responsible for approving the pension fund governance documents, including the Annual Report and Accounts and the Pension Fund Policies. It is also responsible for setting the Pension Fund Investment Strategy and the appointment of Investment Managers. The Pensions Committee is made up of nine elected Councillors.

The Pension Board is responsible for overseeing the work of the Pensions Committee and assists the Pension Fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed. The Pension Board has three scheme member representatives and three employer representatives, one of which is elected as chair.

To facilitate the work of both the Pension Committee and Pension Board they are provided with access to all the Pension Fund Documents including the Annual Report and Accounts, the Actuarial Report, Policy Documents, Pensions Committee reports and decisions and Pension Board reports.

The methods of communication with Pension Committee and Board members are described below.

- **E-mails** - E-mail is the preferred method of communication for general messages.
- **Reports** – The Committee and Board members are provided with the following Reports:
 - **Annual Reports and Accounts** - The key publication on investment and administration.
 - **Actuarial Report** – Following the Fund’s triennial valuation
 - **Specialised Reports** – Produced by the Gwynedd Pension Fund for their consideration.
- **Pension Fund Policies** – The committee have access to all the Gwynedd Pension Fund policies for consideration and approval
- **Presentations** – Committee and Board members are invited to presentations by The Gwynedd Pension Fund and advisers on investment, actuarial, and administration matters.
- **Training** - Committee members and Pension Board Members are required to undertake relevant training to enable them to carry out their roles effectively. Training can be done in-house, by LGA, the Pension Fund Investment Managers and advisers or the Pension Fund Actuary.
- **Agenda and Minutes** – The agenda and minutes for each meeting are published on the Gwynedd Council website.

3.2 Communicating with Pension Fund Staff

Effective communication with Pension Fund Staff is an important part of daily operations and enables the Gwynedd Pension Fund to deliver a quality and accurate service to our key stakeholders.

The methods of communication with Pension Fund Staff are described below.

- **Induction** – All new members of staff undergo an induction program.
- **E-mails** - E-mail is the preferred method of communication for general messages within the unit. Where necessary, this will be followed up with individual or team training.
- **WhatsApp Group Chat** – During emergencies when e-mail is not available general messages will be shared on WhatsApp.
- **In-house Training** – General and pension-specific training on matters arising with regards to regulatory or procedural changes is given as a necessary as part of the unit’s commitment to continuous improvement.
- **External Training** – Professional qualifications can only improve the knowledge and confidence of the team in their communication with stakeholders. All new and existing members of staff are therefore encouraged to study for professional qualifications in pension administration with the Chartered Institute of Payroll Professionals (CIPP). Staff also attend LGA and Heywood training as appropriate
- **Staff Meetings** – Staff Meetings are held bi-monthly to discuss any developments in legislation, changes to working procedures and operational matters. Staff are encouraged to participate in these meetings and influence the decisions that affect the whole Unit.

The operational plan, including Key Performance Indicators is also discussed on a regular basis to ensure that the members of the team are aware of and are meeting their targets.

- **Staff Appraisals** - Fund staff of all levels have an appraisal each year to discuss work issues, monitor performance and areas for development.
- **Continuous Monitoring** – Service Standards are monitored regularly to ensure staff are aware of their responsibilities in relation to the Scheme. On a daily basis communication is encouraged between members of staff and the Management team and an open door policy is in place.
- **Internet** - All staff have access to the Internet to ensure timely access to LGPS information. They also have access to Member Self Service to assist them in carrying out their roles.

3.3 Communication with Other Bodies

To facilitate the administration of the Gwynedd Pension Fund we must communicate with the following bodies:

- **Member Representatives** - These can include any individual or group, such as solicitors, Trade Unions or other Pension Providers, requesting information on behalf of a Scheme Member. This is only provided with the member's authority, in compliance with the Data Protection Act 1998 and GDPR. All Scheme Literature is available on request.
- **Wales Pension Partnership** - The Wales Pension Partnership (WPP) was established in 2017. The WPP is a combination of eight Local Government Pension Scheme (Constituent Authorities) funds across Wales and one of eight national funds for Local Government Pension Scheme.
- **Shrewsbury Pensions Officers Group** - Senior Pensions Officers from the Gwynedd Pension Fund meet representatives from other Local Authority Funds in the West Pennines area on a quarterly basis to share information, discuss questions on legislation and prevailing regulations as well as any technical or procedural issues.
- **All Wales Group** - Senior Pensions Officers from the Gwynedd Pension Fund meet representatives from other Local Authority Funds in Wales on a quarterly basis to share information, discuss questions on legislation and prevailing regulations as well as any technical or procedural issues.
- **All Wales Communication Group** - The Group meets as and when required, with a view of formalising and unifying approach to communications within the Welsh Local Government Authorities. The Group have collectively produced:
 - Uniform Annual Benefit Statement for both active and deferred members
 - A Short Scheme Guide
 - A Retirement Guide
 - Death Grant Expression of Wish Forms
 - Ill Health Certificates
 - Pension Fact Sheets on various topics which can be distributed to members.
- **Scheme Actuary** – Regarding Funding Levels, the Triennial Valuation, FRS17, TUPE and all funding issues.
- **HMRC** – With regards to tax issues for Scheme members.
- **Additional Voluntary Contributions** – Officers of the Pension fund have regular contact with the Fund's AVC providers regarding the funds of individual Scheme members.
- **Fund Managers** – Regarding investment and Fund performance.
- **LGA** – The Local Government Association (The Pensions Team) provides technical advice to Pension Fund Administering Authorities and to employers on the LGPS.

11. Glossary

Active Management - A mark through either asset allocation, market timing or stock selection (or a combination of these). Directly contrasted with passive management.

Actuary - An independent consultant who advises on the viability of the Fund. Every three years the actuary review the assets and liabilities of the Fund and reports to the Council as Administering Authority on the financial position and the recommended employers contribution rates. This is known as the actuarial valuation.

Active Member - Current employee who is contributing to a pension scheme.

Administering Authority - The Council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admitted Body - An organisation whose staff can become members of the Fund by virtue of an admission agreement between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

Asset Allocation - Apportionment of investment funds among categories of assets, such as bonds, equities, cash, property and private equity. Asset allocation affects both risk and return.

Asset Class - A specific area/ type of investment e.g. overseas equities, fixed income, cash, property.

Benchmark Return- The benchmark return is the return that would be achieved if the Fund Manager had not deviated from the weightings of each asset class given to them by the Investment Panel, and had achieved returns in each of these asset classes consistent with the average return of all Local Authority Funds for that class. The benchmark weightings of asset classes are outlined within the Investment Strategy Statement.

Corporate Governance - Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management.

Custodian - Bank or other financial institution that keeps custody of stock certificates and other assets of a client, collects dividends and tax refunds due, and settles purchases and sales.

Deferred pensioner - A member who has stopped paying into the scheme but is not yet retired.

Emerging markets - Relatively new and immature stock markets for equities and bonds. Settlement and liquidity can be less reliable than in the more established 'developed' markets, and they tend to be more volatile.

Employer contributions rates - The percentage of the salary of employees that employers pay as a contributions towards the employees' pension.

Equities - Ordinary shares in UK and overseas companies traded on a recognised Stock Exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders meetings.

Fair value - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fixed interest securities/ bonds - Investments, especially in government stocks, with a guaranteed rate of interest. Conventional bonds have fixed rates, whilst index linked vary with inflation. They represent loans repayable at a stated future date, and which can be traded on a Stock Exchange in the meantime.

Fund Manager - A person or company to whom the investment of the whole, or part of the assets of a fund is delegated by the trustees.

Investment - An asset acquired for the purpose of producing income and capital gain for its owner.

Market value - The price at which an investment can be sold at a given date.

Passive - A style of investment management which aims to construct a portfolio in such a way as to provide the same return as to that of a chosen index.

Pensioner - A scheme member who receives a pension from the Fund.

Performance - A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period - either in absolute terms or as measured against the average fund or a particular benchmark.

Pooled funds - Pooled investment vehicles issue units to a range of investors. Unit prices move in response to changes in the value of the underlying portfolio, and investors do not own directly the assets in the fund.

Portfolio - A collective term for all investments held in a fund, market or sector.

Private equity - Investments made by specialist managers in all types of unlisted companies rather than through publicly tradable shares.

Resolution body - Bodies that have a right to allow some or all their staff to become members of the LGPS, subject to the resolution body meeting the requirements of the LGPS regulations.

Return - The total gain from holding an investment over a given period, including income and increase/ (decrease) in market value.

Risk - Generally taken to mean the variability of returns. Investments with greater risk must usually promise higher returns than more 'stable' investments before investors will buy them.

Scheme employers - Local authorities and bodies specified in the LGPS regulations, whose employees are entitled automatically to be members of the Fund, and Admission bodies including voluntary, charitable and similar bodies, carrying out work of public nature, whose staff can become members of the Fund by virtue of an admission agreement with the Council.

Scheduled body - An organisation that has the right to become a member of the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

Transfer value - Payments made between funds when contributors leave service with one employer and decide to take the value of their contributions to the new fund.

Unrealised increase/ (decrease) in market value - The change in market value, since the purchase date, of those investments held at year end.

MEETING	PENSIONS COMMITTEE
DATE	16 SEPTEMBER 2024
TITLE	WALES PENSION PARTNERSHIP UPDATE
PURPOSE	To receive and note a quarterly update from Wales Pension Partnership
RECOMMENDATION	RECEIVE AND NOTE THE INFORMATION
AUTHOR	DELYTH JONES-THOMAS, INVESTMENT MANAGER

1. INTRODUCTION

This is a regular report which provides the members of the Pensions Committee with an update on the work undertaken by the Wales Pension Partnership (WPP) on behalf of the eight LGPS funds in Wales.

The WPP is now well established, with Waystone as its operator to provide FCA regulated services and Russell Investments who provide investment management solutions to the WPP on all listed assets. Northern Trust are the appointed global custodian and depositary. Hymans Robertson are the governance and oversight advisor and Robeco provide voting and engagement services to the WPP in accordance with its stewardship responsibilities and commitments.

2. JGC QUARTERLY UPDATE

The WPP's decision making body, the Joint Governance Committee (JGC), last met formally on 17th July 2024. The host authority has provided a summary of the items discussed at that meeting which is attached as Appendix 1 to this report.

3. OPERATOR UPDATE

A copy of the latest quarterly update from the operator is attached under Appendix 3.

The update provides a snapshot of the full range of WPP investment sub-funds as at 31st March 2024.

Gwynedd Pension Fund currently has exposure to eight of the eleven sub-funds and as of 31st March 2024, these were as follows:

- **Global Opportunities - £434.6m**
- **Global Growth- £415.4m**
- **Emerging Markets - £59.9m**
- **Global Passive - £470.5m**
- **Multi Asset Credit - £226.0m**
- **Absolute Return Bond- £412.2m**
- **Global Credit Fund - £223.0m**
- **Sustainable Equity Fund- £317.1m**

4. PERFORMANCE REPORTS AS AT 31st MARCH 2024

The performance reports can be seen in Appendix 4.

Global equities rose while fixed income markets edged lower in the first quarter of 2024. For equities, the year-end rally continued into the new year, propelling benchmark indices in the US, Europe and Japan to record highs. Sentiment was boosted by strong earnings results, optimism over artificial intelligence (AI)-related technology and expectations of interest rate cuts. Nevertheless, the US dollar strengthened against most currencies as investors were faced with the prospect of fewer cuts than initially expected given a buoyant US economy. Within fixed income, high yield outperformed investment grade assets, with risk-on sentiment driving the market. Oil prices rose amid continuing geopolitical concerns in the Middle East and Ukraine. The Federal Reserve, the European Central Bank, and Bank of England (BoE) all left interest rates unchanged, as expected. In contrast, the Bank of Japan ended eight years of negative interest rates with its first rate increase in 17 years

The performance of the sub funds that Gwynedd Pension Fund invests in are monitored by officers, and as part of the quarterly investment review by Hymans Robertson and no concerns have been raised.

5. PRIVATE MARKETS UPDATE (PRIVATE EQUITY)

Schroders Capital were appointed WPP's Private Equity Allocator in September 2022. Schroders Capital provided a progress update on the Private Equity Investment programme (included in Appendix 5)

The Gwynedd Pension Fund has invested £2.2m as at 31st March 2024, but this amount will significantly increase over time.

6. REAL ESTATE PROCUREMENT

Following the completion of a rigorous public procurement process, with the support of bfinance and Hymans Robertson, Private Real Estate Investment Managers have been appointed for the partnership. The appointed managers are:

- UK Core Real Estate – Schroders
- International Real Estate – CBRE
- Impact / Local Real Estate – Schroders

The brief for each manager is as follows:

UK Core Real Estate, to take existing pooled fund investments and transition them over time to an open-ended direct property investment portfolio.

International Real Estate, to establish an open-ended investment vehicle investing in funds and direct assets on a global basis.

Local / Impact Real Estate, to develop an investment programme utilising fund investments and direct asset investments in UK Impact strategies, with at least 50% of assets located in Wales.

Gwynedd Pension Fund will in due course consider our property portfolio in order to take advantage of these options.

7. RECOMMENDATION

To receive and note the information.

Wales Pension Partnership (WPP) - JGC Update

JGC meeting date: Wednesday 17 July 2024

Location: Virtual meeting

Chair: Cllr Elwyn Williams, Dyfed

Vice Chair: Cllr Medwyn Hughes, Gwynedd

Agenda item	Detail
Chair / Vice Chair	Cllr Elwyn Williams and Cllr Medwyn Hughes were appointed as Chair and Vice Chair for 2024/25
Annual Return 2023/24	Anthony Parnell of the Host Authority and Jason Blewitt of Audit Wales presented the 2023/24 Annual Return and Audit letter. The audit is now complete and there were no issues raised.
Host Authority update	<p>Anthony Parnell of the Host Authority provided an update in relation to work that has been completed since the last JGC meeting and WPP's next steps / priorities.</p> <p>Following a request, Anthony confirmed that a pooling progress table will be included in next quarter's update, showing the total % of assets pooled to date and the individual fund splits.</p> <p>Anthony also presented the 2023/24 Business Plan update as at 31 March 2024 (Appendix 2).</p>
Risk Register Q2 2024 Review	<p>The OWG is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the JGC on a quarterly basis. The OWG has a dedicated Risk Sub-Group to take ownership of the Risk Register and quarterly reviews of the document.</p> <p>During Q2 2024, a review was undertaken of some of the risks within the Governance and Regulation section of the Risk Register, risks G8 to G15.</p>

	<p>Hymans presented the changes which were approved by the JGC. The Risk Register has been uploaded on the WPP website.</p>
<p>Policy Reviews:</p> <ul style="list-style-type: none"> • Responsible Investment Policy • Climate Policy • Stewardship Policy 	<p>The WPP have approved several policies / plans which are to be reviewed on a regular basis. This quarter, the OWG have undertaken an annual review of the Responsible Investment (RI), Climate and Stewardship Policies.</p> <p>Following this year’s review of the RI policy, there have been changes in four main areas: Climate Change (section 4), Nature (section 5, new), Stewardship (section 9) and Securities Lending (section 11).</p> <p>The Climate Policy sets out WPP’s approach to addressing the requirements of the Constituent Authorities with regard to climate-related risks and opportunities, as well as the monitoring of these. The policy has been amended to reflect the understanding that consideration of climate opportunities (including climate solutions) is also relevant, not just consideration of climate risk.</p> <p>The Stewardship policy now includes an engagement section (section 3) and the escalation section of this policy (section 4) has been expanded, with the inclusion of a set of escalation principles that will govern how the WPP will address unsuccessful engagements.</p> <p>All policies have also been updated to reflect the launch of the private-market vehicles, to align wording across all three policies and to expand on definitions.</p> <p>Hymans presented the 2023/24 WPP annual progress update in relation to Responsible Investment and Climate Risk and the proposed areas for future focus.</p> <p>The updated policies have been approved and have been updated on the WPP website. The progress update has also been uploaded to the website.</p> <p>There were no new policies this quarter.</p>

Operator Update	Waystone presented their quarterly update report as at 31 March 2024 (Appendix 3). This provides an update on WPP's sub funds and corporate and engagement activity.
Performance Reports as at 31 March 2024	Russell Investments presented a Q1 2024 performance summary paper (Appendix 4) summarising the performance of each individual ACS sub fund for the quarter ending 31 March 2024.
Private Markets update - Private Equity	Schroders Capital were appointed WPP's Private Equity Allocator in September 2022. Schroders Capital provided a progress update on the Private Equity Investment programme (Appendix 5).
Exempt Items – the following items were discussed during the non-public part of the meeting.	
Securities Lending Performance Review 2023/24	Stock Lending commenced in March 2020 and Northern Trust presented the Securities Lending Performance Review for the fiscal year 2023/24.
Robeco Engagement Report – Q1 2024	In March 2020, Robeco was appointed as WPP's Voting & Engagement Provider to undertake Voting and Engagement functions on behalf of the WPP. Robeco commenced their engagement service in April 2020, and they have provided an engagement report for Quarter 1 2024. The engagement theme chosen for Q1 2024 was Just Transition in Emerging Markets.
Responsible Investment and Climate Risk reports	Each quarter, Hymans Robertson produce quarterly Responsible Investment & Climate Risk Reports for the WPP's sub funds. For Quarter 1 2024 (quarter ending 31 March 2024), the Global Growth, Global Opportunities and Sustainable Active Equity reports were produced. Hymans presented the reports to the JGC members.
Sub fund reviews	Hymans Robertson undertake an annual performance review of a selection of WPP Sub Funds.

	<p>During 2023/24, reviews were undertaken of the WPP's Emerging Market, Multi Asset Credit, Absolute Return Bond and Sterling Credit Funds.</p> <p>Hymans presented the reports to the JGC members.</p>
<p>Real Estate Allocator procurement recommendation report</p>	<p>A competitive procedure with negotiation procurement process has been undertaken to appoint Investment Managers for the Real Estate asset classes. The evaluation process is now complete, and a recommendation report was presented to the JGC on the preferred bidders.</p> <p>The recommended bidders were approved by the JGC. Letters will now be sent to all bidders with the appointments being announced in August 2024.</p>

Webcast link for the 17 July 2024 JGC meeting below:

[Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 17th July, 2024, 10.00 am](#)

WPP's website address - [Wales Pension Fund | Home \(walespensionpartnership.org\)](https://walespensionpartnership.org)

Next meeting:

- Wednesday 18 September 2024 – Hybrid meeting, hosted by Clwyd



**Wales Pension Partnership
Business Plan
2023-2024
Q4 Review
(April 2023 to March 2024)**

Governance

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> Development of a WPP Breaches and Errors Policy 	Yes	Approved at the September 2023 JGC
<ul style="list-style-type: none"> Legal Services provider contract (initial 3 year review) 	Yes	Initial 3 year review completed, 2 year contract extension put in place
<ul style="list-style-type: none"> Ongoing review of the Inter Authority Agreement 	Ongoing	
<ul style="list-style-type: none"> Annual review of WPP's policies and plans 	Ongoing	
<ul style="list-style-type: none"> Quarterly reviews of the Risk Register 	Ongoing	
<ul style="list-style-type: none"> Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes 	Ongoing	Response submitted in relation to the recent LGPS Investments consultation

Ongoing Sub-Fund development

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> Launch of Private Debt & Infrastructure Sub-Funds 	Yes	Infrastructure and Private Debt investment programmes launched
<ul style="list-style-type: none"> Launch of Private Equity Sub-Fund 	Yes	Private Equity investment programme launched
<ul style="list-style-type: none"> Launch Sustainable Equities Sub-Fund 	Yes	Launched 20 June 2023
<ul style="list-style-type: none"> Formulate the WPP's Property requirements and optimal means of implementation & launch the property Sub-funds 	In progress	Procurement process completed, recommendation report to be taken to the July 2024 JGC for approved
<ul style="list-style-type: none"> Consideration of WPP's Levelling up / impact requirements 	Ongoing	
<ul style="list-style-type: none"> Launch of other Private Market sub-funds (TBC) 	Ongoing	

<ul style="list-style-type: none"> • Consultation with CAs on need for further sub-funds, review and develop a mechanism to pool any suitable non-pooled assets 	Ongoing	
<ul style="list-style-type: none"> • Consideration of Local Investment opportunities 	Ongoing	

Operator Services

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> • Operator contract / procurement process 	Yes	Waystone has been awarded the new Contract
<ul style="list-style-type: none"> • Operator oversight 	Ongoing	

Investments and Reporting

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> • Review Sub-Fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs 	Ongoing	
<ul style="list-style-type: none"> • Task Force on Climate-related Financial Disclosures (TCFD) reporting 		Awaiting TCFD consultation response
<ul style="list-style-type: none"> • Stewardship Code reporting 	Yes	WPP remains a signatory to the UK Stewardship Code
<ul style="list-style-type: none"> • Consider additional reporting that demonstrates WPP's commitment to Responsible Investment 	Ongoing	
<ul style="list-style-type: none"> • On-going Investment Manager performance reporting, scrutiny and challenge 	Ongoing	
<ul style="list-style-type: none"> • Annual review of WPP's Cost Transparency Requirements 	Yes	

<ul style="list-style-type: none"> Annual performance review of WPP Sub Funds (Equity and Fixed Income) 	Yes	Report being taken to the July 2024 JGC
<ul style="list-style-type: none"> On-going engagement with Constituent Authorities regarding minimum ESG / RI standards and their climate ambitions 	Ongoing	

Communication and Training

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> Formulation of the WPP's Annual Responsible Investment Progress Report 	Yes	Report presented at the July 2023 JGC and published on website
<ul style="list-style-type: none"> Formulation of the WPP's annual training plan 	Yes	2024/25 training plan approved at the March 2024 JGC and published on website
<ul style="list-style-type: none"> Formulation of the WPP's Annual Update 	Yes	2022/23 Annual Update published in August 2023
<ul style="list-style-type: none"> Formulation of the WPP's Annual Report 	Yes	2022/23 Annual Report published in November 2023

Resources, budget and fees

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> Annual review of resources and capacity 	Yes	Reviewed when formulating the 2024/25 budget
<ul style="list-style-type: none"> Formulation of Annual WPP Budget 	Yes	Formulated and included in the 2024-27 Business Plan
<ul style="list-style-type: none"> Review and Monitoring of Operator / external provider fees 	Ongoing	

Training Plan

Training topics to be completed during 2023–2024 as per approved 2023-2024 Training Plan and progress to date:

	Completed	Comments
• Private Market Asset Classes – Private Equity / Property	Yes	8 June 2023
• Levelling up / development opportunities	Yes	8 June 2023
• TCFD reporting	Yes	13 December 2023
• Performance reporting	Yes	13 December 2023
• Voting & Engagement	Yes	21 September 2023
• RI within the WPP sub funds	Yes	21 September 2023
• Progress of other LGPS pools & Collaboration Opportunities	Yes	5 March 2024
• Pooling Guidance	Yes	5 March 2024

Budget

2023-2024 Budget Monitoring Report:

	Budget 2023 – 2024 £000	Actual 2023 – 2024 £000	Variances 2023 – 2024 £000
Host Authority *	200	174	26
External Advisors *	1,448	1,631	(183)
TOTAL to be recharged	1,648	1,805	(157)
Operator Services **	37,257	35,909	1,348
TOTAL to be deducted from the NAV	37,257	35,909	1,348

**Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

***Operator Services costs are based on each Constituent Authority's percentage share of WPP assets (held with the Operator) and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets (held with the Operator).*

Investments

Equity Sub-Funds

Global Growth Fund

Managed by: Link Fund Solutions

Portfolio Value: £2bn*

Global Opportunities Fund

Managed by: Russell Investments

Portfolio Value: £2bn*

UK Opportunities Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn*

Emerging Markets Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn*

Sustainable Active Equity Fund

Managed by: Russell Investments

Portfolio Value: £1.2bn*

Fixed Income Sub-Funds

Absolute Return Bond Fund

Managed by: Russell Investments

Portfolio Value: £0.4bn*

Global Government Bond Fund

Managed by: Russell Investments

Portfolio Value: £0.5bn*

Multi-Asset Credit Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn*

Global Credit Fund

Managed by: Russell Investments

Portfolio Value: £0.8bn*

UK Credit Fund

Managed by: Link Fund Solutions

Portfolio Value: £0.5bn*

Private Markets

Infrastructure – closed ended

Managed by: GCM Grosvenor

Infrastructure – open ended

Managed by: CBRE, IFM and Octopus

Private Credit

Managed by: Russell Investments

Private Equity

Managed by: Schroders Capital

* Portfolio Values as at launch date



Wales Pension Partnership

<https://www.walespensionpartnership.org/>



Wales Pension Partnership
Joint Governance Committee
Q1 2024 review – 17 July 2024



Market Updates

As discussed at the last Joint Governance Meeting on 13 March 2024;

Waystone Management (UK) Limited (WMUK) are undertaking a full integration project to migrate former LFSL employees on to WMUK's systems (e.g. email, HR system & Finance platform) before October 2024. WMUK are undertaking a full review of all systems and controls to ensure the processes remain best in class. A timeline of events will be shared once they become available to ensure any potential updates for our clients is planned accordingly.

Waystone became the first independent ACD to have a Long Term Asset fund (LTAF) approved. The LTAF will invest in a blend of private market asset classes – such as private equity, private credit, infrastructure and real estate.

FCA business plan is looking at key items

Protecting consumers

Continuing to test higher standards through embedding the Consumer Duty. Working with regulatory partners to ensure pension products deliver value for money and working to ensure that consumers better engage with their pensions. There is continuing development with the use of Artificial Intelligence to help prevent fraud and scams.

Ensuring market integrity

Finalise capital markets reforms and continue to lead the debate on how the right form of regulation can support growth for UK markets and investing in data and technology to support rigorous market oversight.

Promoting effective competition

Continue to promote competition and innovation to deliver good outcomes for consumers. Identifying where more effective competition can better deliver fair value outcomes under the Consumer Duty. Continue to look to market reforms that bring the benefits of innovation and digitalisation.

Market Updates continued.....

FCA published handbook changes from CP23/25

Handbook Notice 117, making various changes to COLL with effect from 2 April.

Key items was broadening the range of eligible assets available under the QIS regime. The FCA will now allow QIS to invest in interests in loans, as LTAFs are permitted to do.

Clarifying comprehensive cover requirements for global exposure in transactions in derivatives and forward transactions by a QIS. The rules now clarify that the determination of cover for such investments can permit the use of value-at-risk methodologies.





Correcting the rules around investment in second schemes In addition, the FCA had proposed aligning the rules for FAIFs and QIS with the LTAF rules, applying second scheme rules to a master scheme, rather than a feeder fund. Responses had highlighted issues surrounding FAIFs in this respect and the FCA will not carry forward the proposals, instead considering whether to consult further.

Accelerated Settlement Taskforce (AST) has published its report on the UK moving to an accelerated settlement cycle. Key recommendations of the report are that the UK should commit to moving to a T+1 settlement cycle. This move should take place no later than 31 December 2027. The UK and other European jurisdictions should collaborate closely to see if a coordinated move to T+1 is possible, and if other European jurisdictions commit to a transition date, then the UK should consider whether it wishes to align with that timeline.





Full regulatory update is issued to Host on monthly basis but can be obtained by signing up to on the Waystone Website.

[UK/EU updates Archives - Waystone Compliance](#)

Oversight of Third Parties Q1-24

Activity	Status	Commentary
Transfer Agency – Northern Trust		Transfer Agency review to commence in Q2/3 2024. Review to undertake all dealing and processing functions by NT. (Fieldwork planned for November 2024 as merged with another review) date to be confirmed.
Fund Administration – Northern Trust		Fund Administration review completed in Q1 2024. No material findings reported across the business that includes functions solely for WPP.
Due Diligence Visits - Northern Trust		No planned scheduled visits for Q1-2024. We do request that an annual Questionnaire is completed which demonstrates that the vendor is assessed on monthly basis against service levels and key performance indicators. In addition, it checks that they have the ability, capacity, financial soundness, and correct authorisation/s to perform the services outsourced to them and that they continue to fulfil their contractual obligations.
Due Diligence Visits - Russell Investments		No planned scheduled visits in this Quarter

Status Key:

-  Completed or already in place
-  On target;
-  Delay Expected;
-  Not Applicable

WPP SUB FUND VALUES AS AT 31 MARCH 2024

Equities	
Fund	AUM
Global Growth	£3,585,734,575
Global Opportunities	£3,286,471,524
UK Opportunities	£743,530,440
Emerging Markets	£259,409,623
Sustainable Active Equity Fund	£1,570,357,344
Sub-Total	£9,445,503,506

Fixed Income	
Fund	AUM
Multi Asset Credit	£732,390,846
Global Credit	£1,033,734,036
Global Government Bond	£488,815,286
Absolute Return Bond	£572,981,524
Sterling Credit	£707,816,825
Sub-Total	£3,535,738,517

Total Active Investments	£12,981,242,024 as at 31 March 2024
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WPP SUB FUND VALUES & PERCENTAGE OWNERSHIP AS AT 31 MARCH 2024

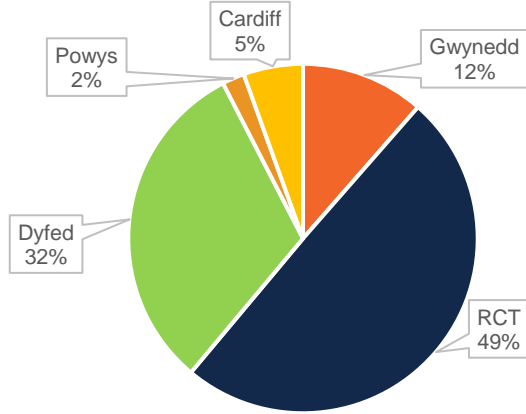
Fund name	Gwynedd	Powys	Clwyd	Swansea	Cardiff	Torfaen	RCT	Dyfed	Sub Fund Total
WS WPP Global Growth Fund	£415,427,861	£74,331,417			£199,080,522		£1,763,565,346	£1,133,329,430	£3,585,734,575
WS WPP Global Opportunities Equities Fund	£434,574,139			£1,182,967,233	£535,226,241	£646,508,795	£487,195,116		£3,286,471,524
WS Wales PP UK Opportunities Fund					£173,667,498	£569,862,942			£743,530,440
WS Wales PP Emerging Markets Equity Fund	£59,883,761	£15,268,127			£115,161,083	£69,096,652			£259,409,623
WS Wales PP Sustainable Active Equity Fund	£317,060,597	£73,888,642	£344,497,865	£227,342,533	£142,090,439	£170,526,941	£113,381,088	£181,569,239	£1,570,357,344
WS Wales PP Multi Asset Credit Fund	£226,013,120	£33,049,049	£251,529,683	£66,555,073	£155,243,921				£732,390,846
WS Wales PP Global Credit Fund	£222,997,251	£27,015,719			£207,388,953	£254,382,543		£321,949,570	£1,033,734,036
WS Wales PP Global Government Bond Fund					£234,350,977	£254,464,309			£488,815,286
WS Wales PP Absolute Return Bond Fund	£412,228,245	£90,596,572		£70,156,706					£572,981,524
WS Wales PP Sterling Credit Fund							£707,816,825		£707,816,825
Constituent Authority Total	£2,112,020,375	£325,105,743	£491,890,398	£1,569,059,883	£1,742,490,365	£2,000,913,681	£3,083,426,084	£1,656,335,496	£12,981,242,024

Fund name	Gwynedd	Powys	Clwyd	Swansea	Cardiff	Torfaen	RCT	Dyfed
WS WPP Global Growth Fund	12%	2%			5%		49%	32%
WS WPP Global Opportunities Equities Fund	13%			36%	16%	20%	15%	
WS Wales PP UK Opportunities Fund					23%	77%		
WS Wales PP Multi Asset Credit Fund	30%	5%	35%	9%	21%			
WS Wales PP Emerging Markets Equity Fund	23%	6%			44%	27%		
WS Wales PP Global Credit Fund	21%	3%			20%	25%		31%
WS Wales PP Global Government Bond Fund					48%	52%		
WS Wales PP Absolute Return Bond Fund	72%	16%		12%				
WS Wales PP Sterling Credit Fund							100%	
WS Wales PP Sustainable Active Equity Fund	20%	5%	22%	14%	9%	11%	7%	12%

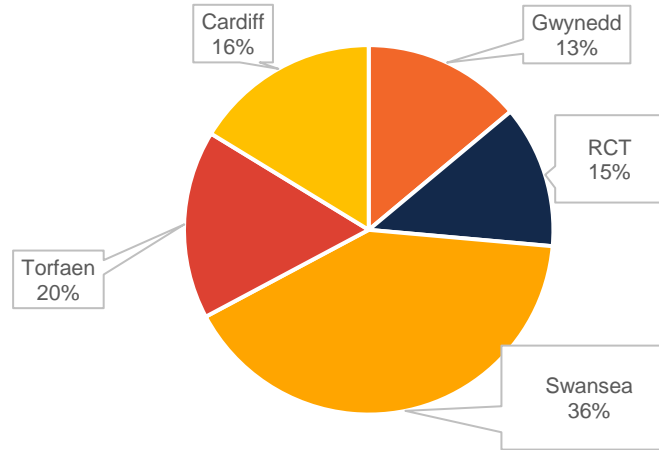
March 2024 Fund Snapshot - Equities

- Key:
- Dyfed
 - Powys
 - Gwynedd
 - RCT
 - Torfaen
 - Clwyd
 - Swansea
 - Cardiff

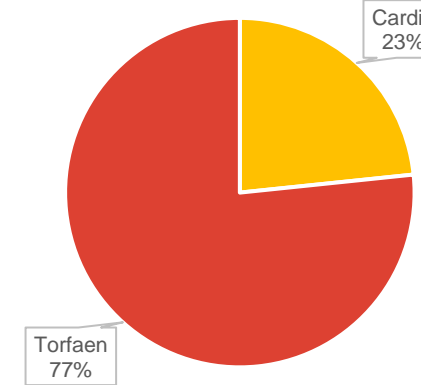
Global Growth



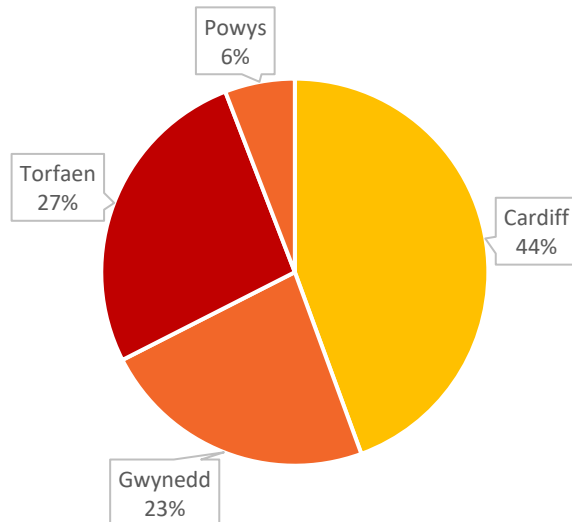
Global Opportunities



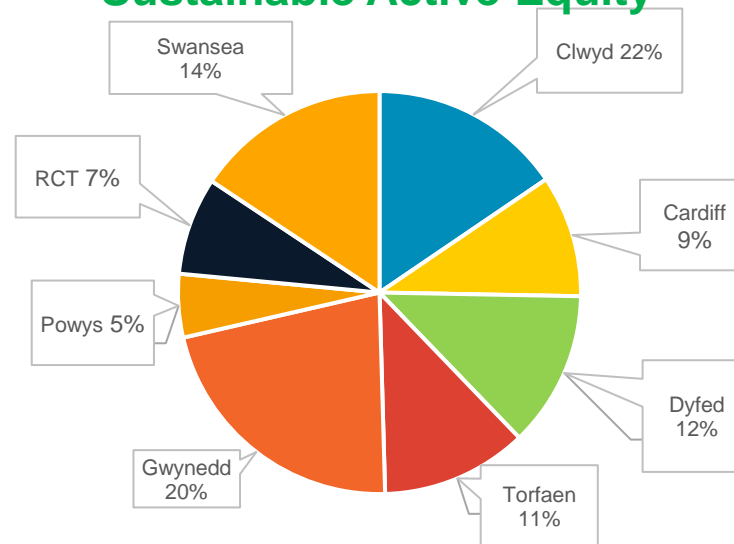
UK Opportunities



Emerging Markets

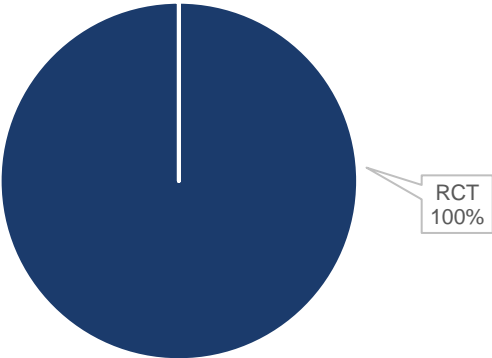


Sustainable Active Equity

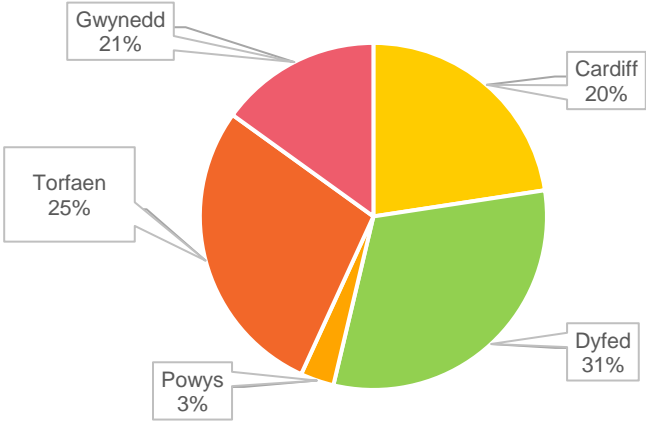


March 2024 Fund Snapshot - Fixed Income

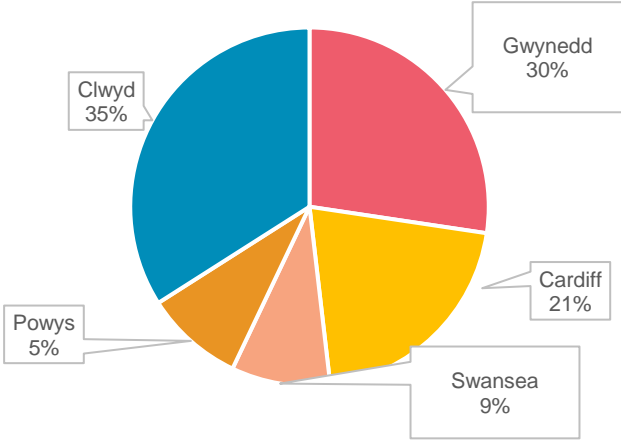
Sterling Credit



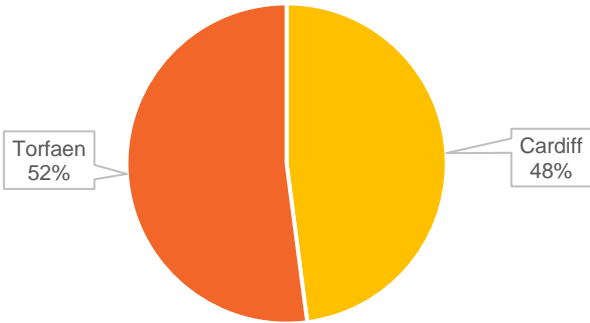
Global Credit



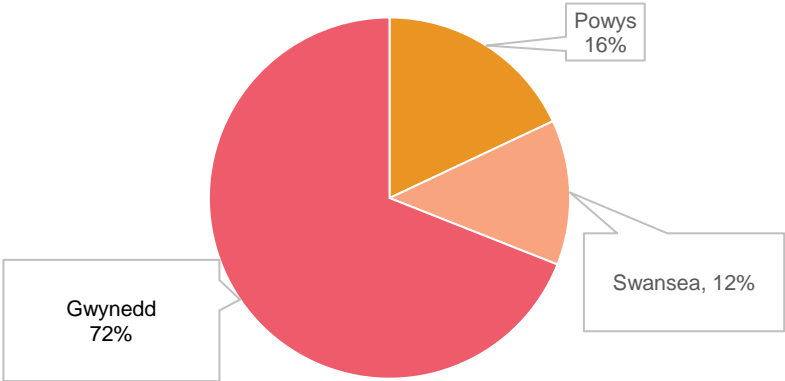
Multi Asset Credit



Global Gov. Bond




Absolute Return Bond



- Key:
- Dyfed
 - Powys
 - Gwynedd
 - RCT
 - Torfaen
 - Clwyd
 - Swansea
 - Cardiff





Sub-Funds Update

Fund Launches & Changes		
	Activity	Status Commentary
Completed Fund Launches & Changes	N/a	N/a
	Addition of New Investment Manager to the Global Growth Fund, as an addition to current Managers	

Market Updates

Market Updates			
	Activity	Status	Commentary
Russia / Ukraine	Impact to ACS sub-funds holding Russian companies	✓	WMUK continue to monitor the situation and will advise Constituent Authorities of any developments. Our Fair Value Pricing Committee regularly discuss, and assets are still priced accordingly. All WPP Funds holding no Russian companies.
Middle East	Impact to ACS sub-funds holding Israeli companies	✓	<p>Currently 8 securities held in Israeli companies across five sub funds; Global Opportunities Fund - 1 company with 0.01% exposure. Global Credit Fund – 2 companies with 0.245%. Multi Asset Credit Fund – 2 companies with 0.596%. Absolute Return Fund – 2 companies with 0.064%. Global Government Bond Fund – 1 company with 0.343%</p> <p>Total value of approx. £9.54m.</p> <p>Situation currently being monitored as part of the BAU oversight process.</p>

Status key:

-  Completed or already in place
-  On target;
-  Delay Expected;
-  Not Applicable

WMUK Corporate Update & Engagement

Key Q1 and future WPP Engagement

Waystone attendance at OWG/JGC meetings in period:

- OWG 2 February 2024
- WPP JGC 13 March 2024

Waystone attendance at OWG/JGC meetings in next quarter:

- OWG 21 May 2024
- WPP JGC 17 July 2024

Waystone attendance at Strategic Relationship Review:

- 17 May 2024

Waystone - Pension Committee attendance in period:

- No meetings scheduled in person

Waystone - Pension Committee attendance in next quarter :

- Clwyd Pension Committee meeting, 19 June 2024

WPP Pension Board Chairs Engagement meeting

- 9 April 2024

Other meetings in period

- Host Authority update – occurs bi-weekly
- WPP briefing / training session – (Reporting Session)

Other meetings in next quarter

- Host Authority update – occurs bi-weekly
- Training 18 June 2024 – Cyber Security & Product knowledge

WMUK Engagement Protocol – Business as Usual

Strategic Relationship Review	Frequency	Objective
WPP Attendees <ul style="list-style-type: none">Chris MooreAnthony ParnellTwo Section 151 / Deputy Section 151 officers	<ul style="list-style-type: none">Bi-annual	<ul style="list-style-type: none">Ensure strategic alignment between Host Authority and WMUK
JGC Engagement	Frequency <ul style="list-style-type: none">Quarterly	Objective <ul style="list-style-type: none">Engage with JGC on pertinent matters and strategic deliverables
WPP Attendees <ul style="list-style-type: none">Joint Governance Committee (JGC)		Waystone Attendees <ul style="list-style-type: none">Karl Midl, Country Head, UK and CEO / Peter Ritchie, Head of Investment Management requiredRichard Thornton, Head of Relationship Management, Asset OwnersJames Zealander, Senior Relationship ManagerRussell Investments
OWG Engagement	Frequency <ul style="list-style-type: none">Quarterly	Objective <ul style="list-style-type: none">Identify and deliver on opportunities to improve and expand the relationshipProvide update on open projects or issuesMonthly KPI Review (Data supplied quarterly)
WPP Attendees <ul style="list-style-type: none">Officers Working Group (OWG)		Waystone Attendees <ul style="list-style-type: none">James Zealander, Senior Relationship ManagerRichard Thornton, Head of Relationship Management, Asset OwnersPeter Ritchie, Head of Investment Management OversightHeidi Robinson, Relationship Manager (as required)Ad-hoc Link attendance from functional departments: Tax, Compliance, Product, etc.Russell Investments

WMUK Engagement Protocol continued...

Host Authority Update	Frequency	Objective
WPP Attendees <ul style="list-style-type: none"> ▪ Anthony Parnell ▪ Tracey Williams 	<ul style="list-style-type: none"> ▪ Bi-Weekly 	<ul style="list-style-type: none"> ▪ Regular Host Authority – WMUK to discuss deliverables and business updates ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ James Zealander, Senior Relationship Manager ▪ Heidi Robinson, Relationship Managers (as required) ▪ Clair Baguley, Client Service Manager (as required)
Pension Fund Committees	Frequency	Objective
<ul style="list-style-type: none"> ▪ Individual Pension Fund Committee meetings 	<ul style="list-style-type: none"> ▪ Annual 	<ul style="list-style-type: none"> ▪ General update on the ACS and planned initiatives ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ James Zealander, Senior Relationship Manager ▪ Heidi Robinson, Relationship Managers (as required) ▪ Russell Investments
Manager Engagement Days	Objective	
<ul style="list-style-type: none"> ▪ Open to all involved parties 	<ul style="list-style-type: none"> ▪ Annual ▪ Open day for presentations on strategy and performance (with IM) ▪ Waystone Client Team ▪ Northern Trust ▪ Russell Investments and other Investment Managers ▪ Other consultants as required (e.g. bFinance) 	
Pension Board Engagement	Frequency	Objective
WPP Attendees <ul style="list-style-type: none"> ▪ Chairpersons of the Constituent Authorities ▪ Host Authority 	<ul style="list-style-type: none"> ▪ Bi-Annual 	<ul style="list-style-type: none"> ▪ General update on the ACS and planned initiatives ▪ Waystone Client Team ▪ Russell Investments

P&G 255

Thank you

Relationship Managers

Name: James Zealander
Role: Senior Relationship Manager
Number: +44 (0)7522 348 474
Email: James.Zealander@linkgroup.co.uk

Heidi Robinson
Relationship Manager
+44 (0) 7843 804917
Heidi.Robinson@linkgroup.co.uk

Head of Client Relations

Name: Richard Thornton
Role: Head of Relationship Management – Asset Owners
Number: +44 (0) 7765 220277
Email: Richard.Thornton@linkgroup.co.uk

Executive Contact

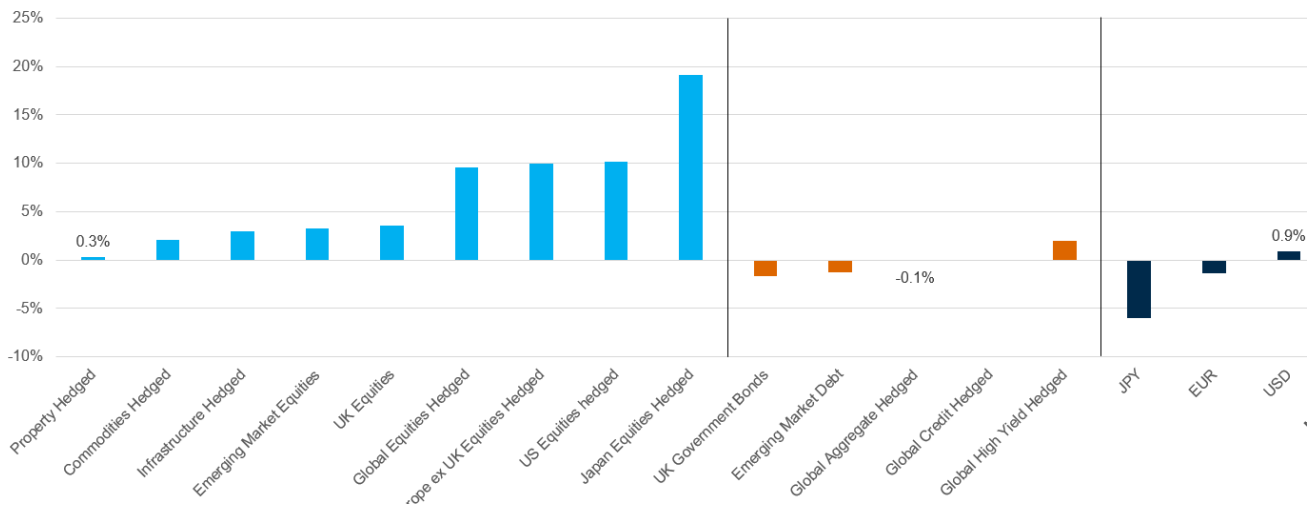
Name: Karl Midl
Role: Country Head, UK and CEO
Number: +44 (0)7951 266225
Email: karl.midl@linkgroup.co.uk

JGC - WPP Performance Summary Q1 2024

Global Market Commentary

Global equities rose while fixed income markets edged lower in the first quarter of 2024. For equities, the year-end rally continued into the new year, propelling benchmark indices in the US, Europe and Japan to record highs. Sentiment was boosted by strong earnings results, optimism over artificial intelligence (AI)-related technology and expectations of interest rate cuts. Nevertheless, the US dollar strengthened against most currencies as investors were faced with the prospect of fewer cuts than initially expected given a buoyant US economy. Within fixed income, high yield outperformed investment grade assets, with risk-on sentiment driving the market. Oil prices rose amid continuing geopolitical concerns in the Middle East and Ukraine. The Federal Reserve, the European Central Bank, and Bank of England (BoE) all left interest rates unchanged, as expected. In contrast, the Bank of Japan ended eight years of negative interest rates with its first rate increase in 17 years.

Asset class performance – Quarter to Date (March) 2024



Benchmarks : Global equity hedged (MSCI World ACWI), UK equity (FTSE All Share), US equity hedged (Russell 1000 Net GBPH), Europe ex UK equity (MSCI Europe ex UK Equity Net GBPH), Japan equity (TOPIX Net GBPH), Emerging equity (MSCI Emerging Markets Net), Global HY bonds (BofAML Global High Yield 2% Constrained Index), EMD LC (JP Morgan GBI-EM Global Diversified Index), Global credit hedged (Bloomberg Barclays Global Aggregate Credit Index), Global aggregate hedged (Bloomberg Barclays Global Aggregate Bond Index GBPH), UK Government Bonds (ICEBofAML UK Gilts All Stocks (GB)), Property hedged (FTSEEPRA Nareit Dev Re GBP)

Global Growth Equity Fund:

	Three Months	1 Year	Since Inception
Gross	8.0	16.3	11.1
Net	7.9	15.8	10.7
MSCI AC World Index Net	9.2	20.6	12.3
Excess returns (gross)	-1.2	-4.3	-1.1
Excess returns (Net)	-1.3	-4.8	-1.6

Inception Date: 31st January 2019

Source: Northern Trust as of 31 March 2024

Benchmark: MSCI AC World Net Total Return Index GBP

Objective: The sub-fund aims to achieve a long-term capital appreciation, net of fees.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Despite posting a solid positive return, the fund trailed the benchmark over the quarter. The market was led by growth, quality, and technology reflected in the returns of Nvidia, Microsoft, Meta and Amazon. Value styles underperformed making Pzena's 6.1% return the largest relative underperformer. Baillie Gifford (8.8%) and Veritas (9.1%) underperformed modestly.

Global Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
Gross	9.1	20.4	13.3
Net	8.9	19.9	12.9
MSCI AC World Index Net	9.2	20.6	12.2
Excess returns (gross)	-0.1	-0.2	1.0
Excess returns (Net)	-0.3	-0.7	0.7

Inception Date: COB 31st January 2019

Source: Northern Trust as of 31 March 2024

Benchmark: MSCI AC World Net Total Return Index GBP

Objective: The sub-fund aims to achieve long-term capital appreciation, net of fees.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Through the quarter the Fund's tilt to value and small caps was a headwind. At the sector level, stock selection within communication services was the main positive contributor to returns, in particular an overweight to Meta. In consumer discretionary an underweight to Tesla was a notable contributor. Selection within utilities was also helpful. Within materials an overweight to Antofagasta was positive. However, in information technology stock selection hindered relative returns. Although an underweight to Apple was helpful, overweights to Adobe, Samsung Electronics and Sunny Optical Tech detracted. In semiconductor names, an underweight to chipmaker Nvidia was punished while holdings in TSMC and Micron Technology were beneficial. Elsewhere, in health care overweights to HCA Healthcare and the Cigna Group were positive while an overweight to Humana was ineffective.

Sustainable Active Equity Fund:

	Three Months	1 Year	Since Inception
Gross	8.3	-	15.3
Net	8.2	-	14.9
MSCI AC World Index Net	9.2	-	19.1
Excess returns (gross)	-0.9	-	-3.8
Excess returns (Net)	-1.0	-	-4.1

Inception Date: COB 23rd June 2023

Source: Northern Trust as of 31 March 2024

Benchmark: MSCI AC World Net Total Return Index GBP plus 1.5% per annum

Objective: The sub-fund aims to achieve a total return (the combination of income and capital growth) of the equivalent of the MSCI AC World Net Total Return Index GBP plus 1.5% per annum, net of fees, over a rolling five year period.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

High dividend yielding and minimum volatility stocks underperformed. In sectors, technology and communication services were the best performers as strong results from the big US technology companies and optimism over the potential of AI propelled shares higher. Names within financials, energy, and industrials also did well. In contrast, real estate lagged as rates remained higher for longer, while stocks within utilities also struggled.

The Fund's tilt towards small cap and away from momentum was a headwind. Within sectors, selection within communication services and consumer discretionary was ineffective. An underweight to US chipmaker Nvidia was also a key detractor. However, underweights to large cap US firms Apple and Tesla was beneficial.

EM Market Commentary

Over the quarter China was the weakest-performing country and led the index lower. The market was heavily impacted by foreign investor outflows amid negative investor sentiment over the strength of the economy, particularly the property sector. The People's Bank of China made numerous accommodative interest rate cuts during the period amid "insufficient" domestic demand and injected liquidity into the banking system through its medium-term lending facility. Economic growth matched government targets but was below analyst expectations, while deflationary pressure remained.

EM Equity Fund:

	Three Months	1 Year	Since Inception
Gross	4.1	4.7	-2.7
Net	3.7	3.9	-3.3
MSCI Emerging Market Index plus 1.5%	3.7	7.4	-1.3

Inception Date: COB 20th October 2021

Source: Northern Trust as of 31 March 2024

Benchmark: MSCI Emerging Markets Index Net plus 1.5% per annum.

Objective: To achieve capital appreciation, the equivalent of the MSCI Emerging Market Index Net plus 1.5% per annum, over any five year period, after all costs and charges have been taken.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The Fund's exposure to momentum was positive. Effective stock selection across numerous countries was a key relative performance driver. This was strongest within South Korea (information technology, financials) and more broadly within information technology. However, stock selection was negative within China in a weak quarter for specialist manager Bin Yuan. Elsewhere, an overweight to Brazil and an underweight to Taiwan was negative, but stock selection within these markets offset some of the negative allocation effects.

UK Market Commentary

The first quarter of 2024 started with UK equities underperforming due to concerns over stubborn inflation and a stagnant economy. However, the market strengthened later in the quarter, outperforming all other markets in March. Despite a sharp fall in retail sales in January, the biggest decline in nearly three years, fresh data revealed the economy grew 0.2% in January, largely driven by a rise in services sector activity. This supported the BoE's view that the recession in the second half of 2023 would be shallow. In March, sentiment was boosted further by weaker inflation and a perceived dovish pivot by the BoE as it kept rates unchanged. Inflation fell to 3.4% YoY in February, down from January's unchanged figure of 4.0%, marking the lowest in over two years and below market forecasts of 3.5%.

UK Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
Gross	4.6	10.5	5.1
Net	4.5	10.1	4.7
FTSE All Share	3.6	8.4	5.2
Excess returns (gross)	1.0	2.1	-0.1
Excess returns (Net)	0.9	1.7	-0.5

Inception Date: COB 23rd September 2019

Source: Northern Trust as of 31 March 2024

Benchmark: FTSE All Share Index

Objective: The Sub-fund aims to achieve long-term capital appreciation, net of fees.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The Fund's tilt towards momentum stocks was favourable. In sectors, stock selection within financials and communication services contributed positively. An underweight to and selection within materials was also additive. However, an underweight to BAE Systems within industrials, and an overweight to Monysupermarket.com Group within communication services, detracted.

Fixed Income Market Commentary

Government bonds sold off following the BoE's decision to leave rates unchanged at its February meeting, saying it required more evidence that inflation would continue to fall and stay at target levels before lowering rates. Later in the month BoE governor Andrew Bailey said price growth did not need to reach the 2.0% target before the bank took the decision to cut rates but added that he wanted more evidence of progress in services inflation, wage growth and the state of the labour market. Although rates were left unchanged in March there was a noticeable dovish pivot from the central bank, signalling that rate cuts may not be far off. Furthermore, there was welcome news in the latest inflation data, which showed headline inflation at 3.4% in February, down from January's 4.0%. This was the lowest in over two years and below market forecasts of 3.5%. Core inflation fell to 4.5% from 5.1%. Elsewhere, Fitch Ratings upgraded the country's sovereign credit outlook from negative to stable in March due to weaker economic policy risks. It also forecast a reduction in the general government deficit.

Global Government Bond Fund:

	Three Months	1 Year	Since Inception
Gross	-0.9	1.8	-2.2
Net	-0.9	1.5	-2.5
FTSE World Gvt Bond Index (GBP Hedged)	-0.4	2.0	-3.3
Excess returns (gross)	-0.5	-0.3	1.1
Excess returns (Net)	-0.6	-0.5	0.8

Inception Date: COB 30th July 2020

Source: Northern Trust as of 31 March 2024

Benchmark: FTSE World Government Bond Index (GBP Hedged)

Objective: The Sub-fund aims to achieve total return (the combination of income and growth), in excess of the FTSE World Government Bond Index (GBP Hedged), over any five year period, after all costs and charges have been taken.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Government bond yields broadly increased across January and February, as investors tempered their enthusiasm following the large rally at the end of 2023, before edging lower in March. Investors were faced with the prospect of fewer 2024 rate cuts than initially expected given a buoyant US economy, with robust employment data and higher-than-expected inflation. The Federal Reserve, the European Central Bank and the Bank of England all left interest rates unchanged, as expected. In contrast, the Bank of Japan raised its key short-term interest rate for the first time in 17 years, ending eight years of negative interest rates.

The Fund's short-dated US Treasury positioning detracted from relative returns this quarter. In contrast, overweights to rates within non-classic markets such as Mexico and Colombia contributed positively to relative returns. An underweight to rates within Japan was also rewarded.

Global Credit Fund:

	Three Months	1 Year	Since Inception
Gross	0.4	4.9	-2.3
Net	0.3	4.7	-2.5
Bloomberg Barclays Global Agg Credit Index (GBP Hedged)	-0.0	4.9	-2.3
Excess returns (gross)	0.4	0.0	-0.0
Excess returns (Net)	0.3	-0.2	-0.2

Inception Date: COB 27th July 2020

Source: Northern Trust as of 31 Marc 2024

Benchmark: Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)

Objective: The Sub-fund aims to achieve a total return (the combination of income and growth), in excess of the Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged), over any five-year period, after all costs and charges have been taken.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Credit spreads tightened over the quarter, aided by positive equity market performance. Global high yield was the best performer, where spreads narrowed by 41 bps to 382.

Within this environment, overweight exposure to both high yield and investment grade credit in Europe contributed positively. In US credit an overweight to high yield financials and industrials was rewarded, however an underweight to investment grade credit was ineffective. Underweights to investment grade in Canada (financials, industrials) and the UK (industrials) were also unhelpful. Exposure to hard currency emerging market debt detracted largely due to underweights to investment grade in Asia, Latin America and the Middle East. Elsewhere, an overweight to US securitized passthrough credit was beneficial.

Multi Asset Credit Fund:

	Three Months	1 Year	Since Inception
Gross	2.0	10.6	2.5
Net	1.9	10.2	2.1
3 Month GBP SONIA + 4%	2.3	9.4	6.1

Inception Date: COB 27th July 2020

Source: Northern Trust as of 31 March 2024

Objective: To achieve a total return (the combination of income and capital growth), the equivalent of the 3 Month GBP SONIA + 4%, over any five year period, after all costs and charges have been taken. We have not shown excess return as this is a target.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Government bond yields broadly increased across January and February, before edging lower in March. The Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of England (BoE), all left interest rates unchanged, as expected. In contrast, the Bank of Japan (BoJ) raised its key short-term interest rate for the first time in 17 years, ending eight years of negative interest rates.

Overweight exposure to US high yield credit (financials, industrials) was a primary driver of returns. An overweight to high yield financials in the UK was also effective. In Europe, overweights to high yield and investment grade financials were notable positive contributors. Allocations to hard currency emerging market debt were also effective with overweights across most markets contributing, particularly Latin American credit.

Absolute Return Bond Strategy Fund:

	Three Months	1 Year	Since Inception
Gross	2.4	7.1	3.5
Net	2.3	6.8	3.2
3 Month GBP SONIA + 2%	1.8	7.3	4.2

Inception Date: COB 30th September 2020

Source: Northern Trust as of 31 March 2024

Objective: To achieve a total return (the combination of income and capital growth), the equivalent of the 3 month GBP SONIA plus 2%, over any five year period, after all costs and charges have been taken. we have not shown excess return as this is a target.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Macro-driven duration strategies were positive this quarter. The Credit strategies generated positive returns, as spreads tightened in most credit sectors. Manager's underweight exposure to duration in the US, Japan, Europe and UK contributed positively. Relative value strategies were also additive. However, quantitative rates strategies and macro-driven currency strategies detracted.

It was a strong period for exposure to European asset-backed securities (ABS) as spread tightened across the board, causing primary issuance to pick up.

Sterling Credit Fund:

	Three Months	1 Year	Since Inception
Gross	0.8	7.8	-1.9
Net	0.8	7.6	-2.0
ICE Bank of America Merrill Lynch Euro-Sterling Index plus 0.65%	0.2	6.8	-2.4

Inception Date: COB 27th July 2020

Source: Northern Trust as of 31 March 2024

Benchmark: ICE Bank of America Merrill Lynch Euro-Sterling Index Plus 0.65%.

Objective: The sub-fund aims to achieve a total return (the combination of income and capital growth), the equivalent of the ICE Bank of America Merrill Lynch Euro Sterling Index plus 0.65% each year, over any three year period after all costs and charges have been taken.

Inception date is based starting NAV for the sub-fund. This inception date may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

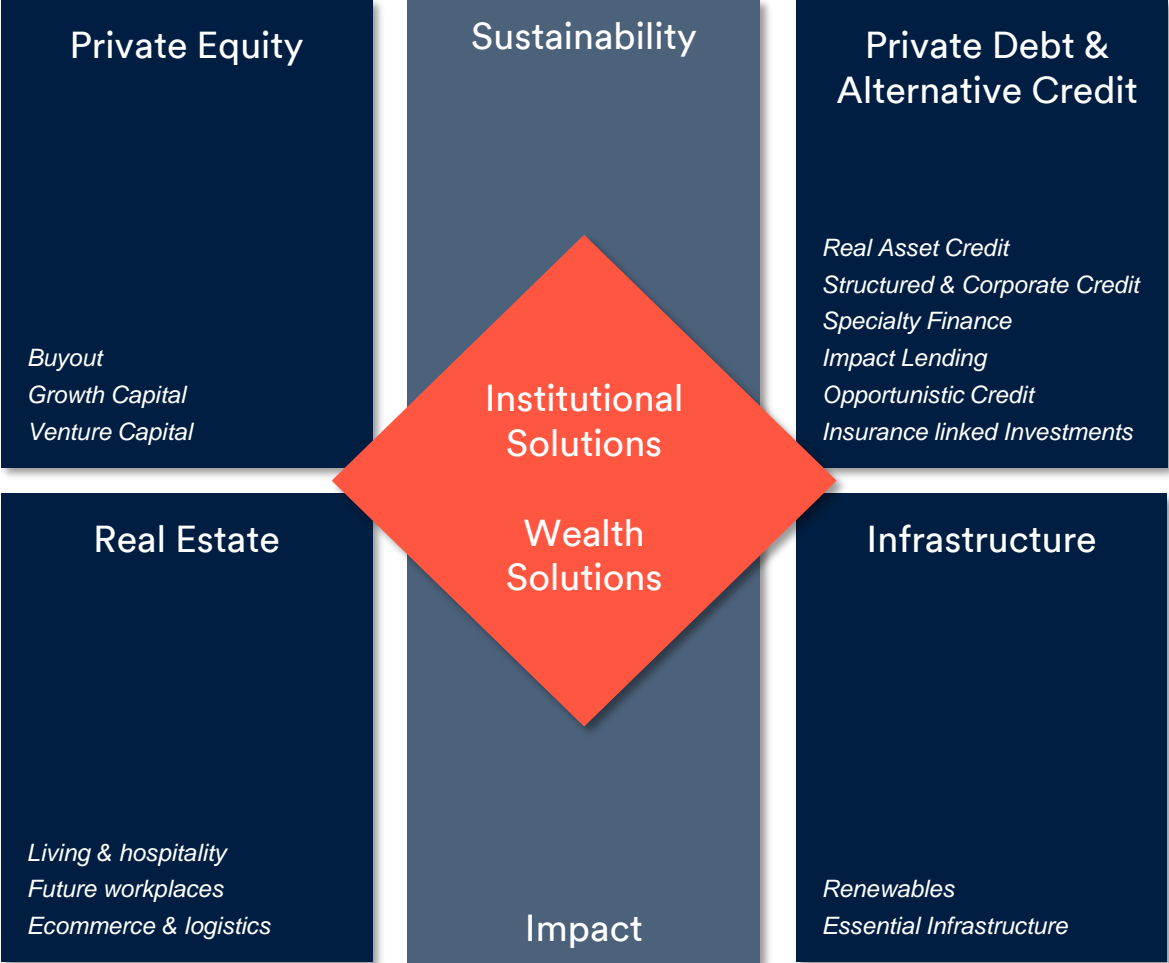
The fund advanced and outperformed the index over the quarter. Both credit positioning and interest rate strategy contributed positively to excess returns. An overweight credit beta position supported returns as credit spreads broadly tightened in light of positive global sentiment. At a sector level, the overweight stance in banks & brokers, asset backed securities (ABS) and insurance supported performance. Favourable selection in securitised bonds such as Tesco Property and Aa Bond added value. From an issuer standpoint, an overweight position in CPI Property enhanced gains as bonds recovered considerably post sell off in November. The bias against utility and tech & communications detracted from returns from a sector standpoint. A structural underweight to quasi/supra names also held back gains. On the duration front, the fund's tactical positioning in sterling duration and US dollar duration supported performance. Gilt yields fell across the curve amid easing inflation and dovish anticipated path for interest rates.



***WALES PENSION PARTNERSHIP
JOINT GOVERNANCE
COMMITTEE***

Private Equity Allocator Mandate

Schroders capital



\$94bn

assets under management¹

400+

investment professionals

\$20bn

investment volume per year

25

locations on six continents

725+

professionals dedicated to private assets

Source: Schroders Capital, 2024.
All Schroders Capital products have sustainability & impact characteristics or considerations, although sustainability & impact capabilities are available across private equity, private debt & credit alternatives, real estate, and infrastructure.

¹AUM as of Q4 2023 including dry powder.

Schroders Capital Private Equity

Our differentiation



GLOBAL

private equity with integrated solution capabilities

- Direct/co-investments, secondaries and primaries
- Closed-end funds, semi-liquid funds and mandate solutions
- ESG integration across all investments



FOCUS

on highest return private equity segments

- Focus on transformational growth in fundamentally strong companies
- >50% of annual investments into direct/co-investments and GP-leds
- 76%¹ primary commitments into access-restricted managers



TEAM

with stable leadership and a local-for-local approach globally

- >15 years tenure of key decision-makers²
- 60+ investment and risk management professionals on 3 continents
- 'One team' and grow from within culture

\$18bn+

assets under management

243

direct/co-investments

\$2.5bn

investment volume per year

60+

investment professionals

Building a long-term trusted partnership with WPP

Participating Funds

- Clwyd Pension Fund
- Gwynedd Pension Fund
- Powys Pension Fund
- City and County of Swansea Pension Fund
- Cardiff & Vale of Glamorgan Pension Fund

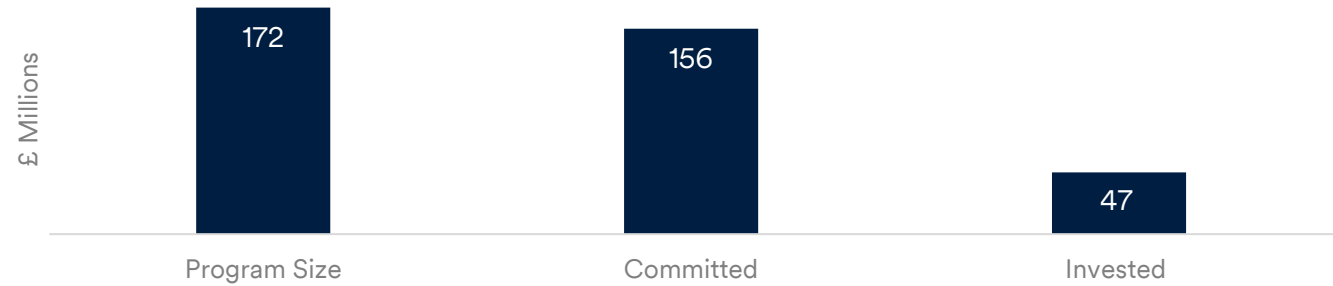
WPP I Overview

Closed-ended program focused on diversified investments across primaries, secondaries and co-investments in North America, Europe and Asia

Program Overview

Vintage: 2023	Fund Term: Closed ended	Type: Primaries, Secondaries & Co-investments
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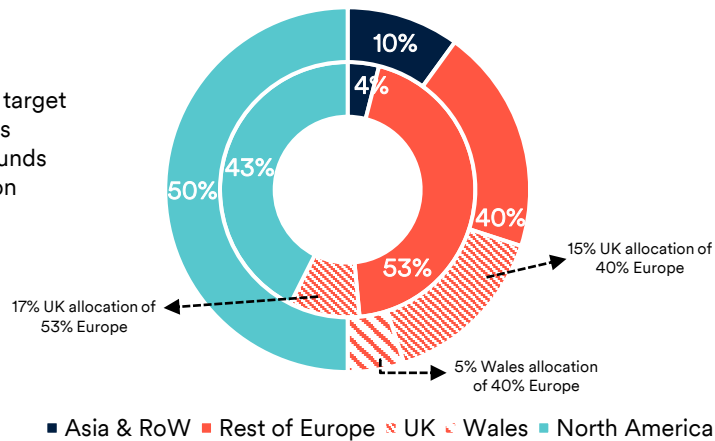
Program Summary



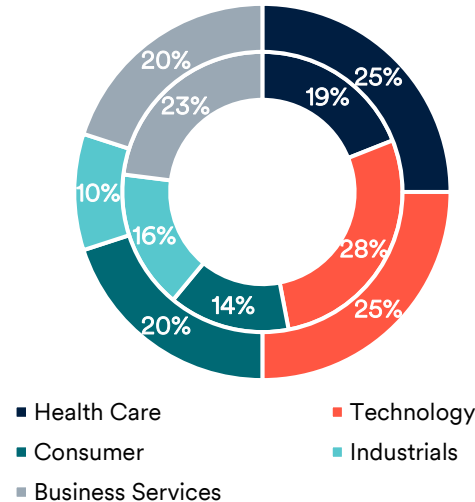
Inner ring – represents the current exposure for the fund¹

Outer ring – represents the target exposure and is based on the funds target allocation

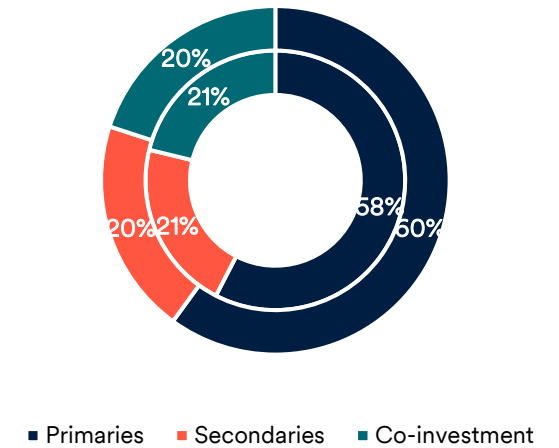
Allocation by Geography²



Allocation by Sector



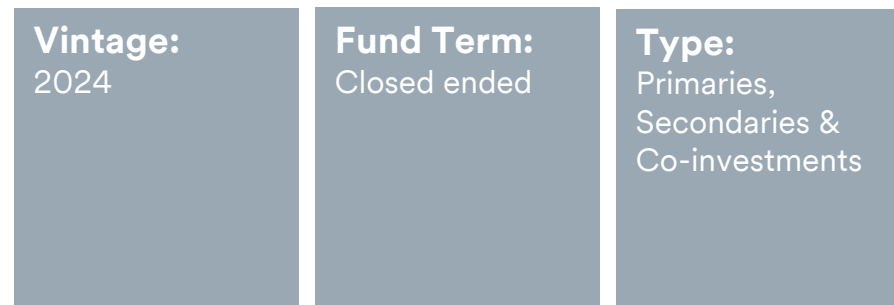
Allocation by Strategy



WPP II Overview

Closed-ended program focused on diversified investments across primaries, secondaries and co-investments in North America, Europe and Asia

Program Overview

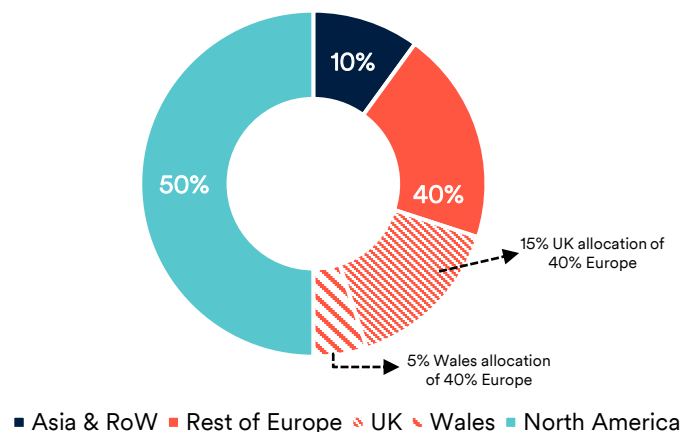


Program Summary³

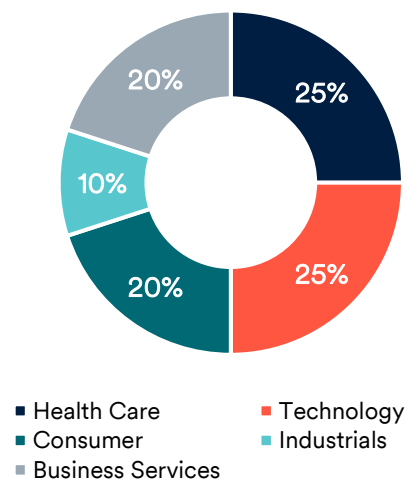


Rings represent fund target exposure¹ and is based on the funds target allocation

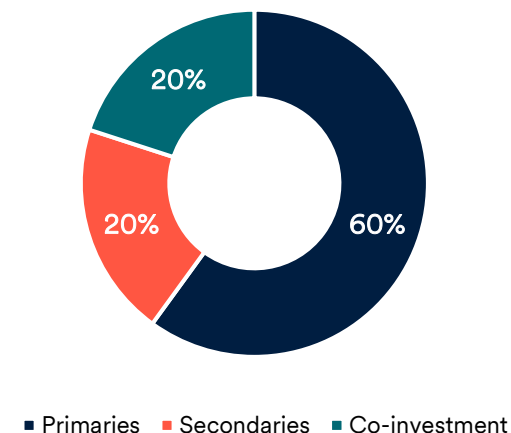
Allocation by Geography²



Allocation by Sector



Allocation by Strategy



¹The outer circle represents the funds target exposure. ¹Exposure is based on the respective investment fund's target allocation on commitments.

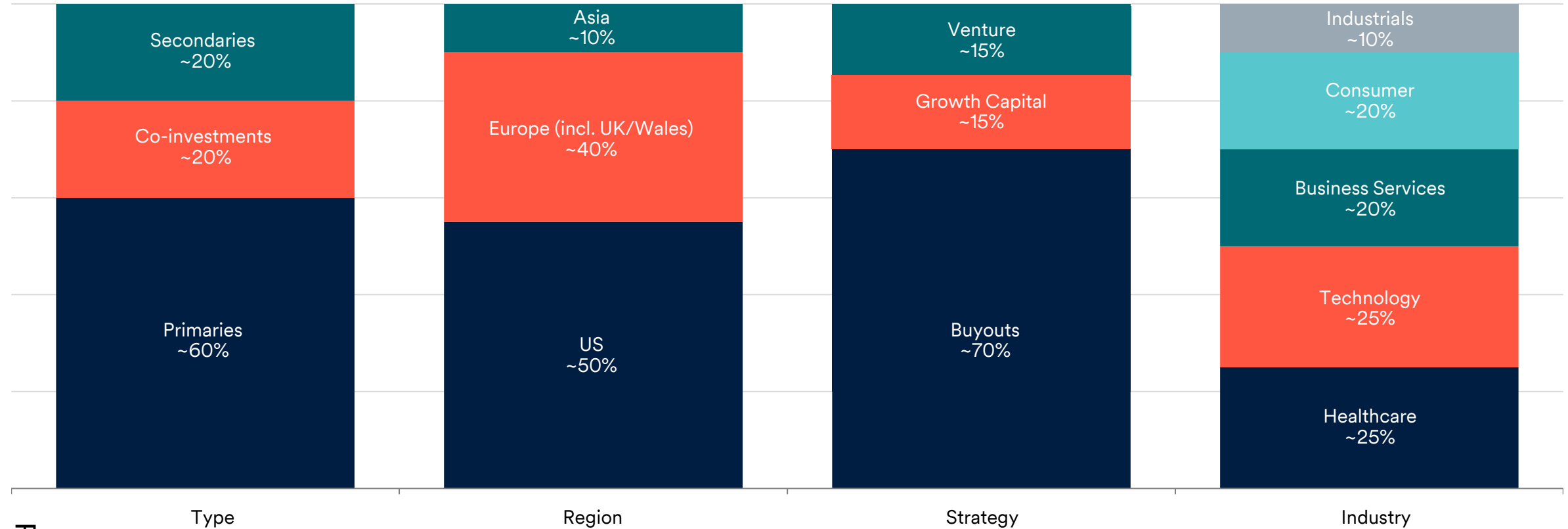
²Data shown as of Q4 2023. Investment allocations are indicative. Schroders Capital may modify its geographic, strategy, stage allocation as it deems appropriate to achieve the fund's objectives.

³Wales allocation indicative over the total life of the WPP mandate, individual years may vary. ³Invested amount for WPP II is not meaningful given recent closing, the IC approved figures are amounts that are approved by SCPE investment committee including VC Primary funds, for some of which there is no assurance at time of writing that WPP II will get allocated.

Allocation proposal: broad-based diversified investment strategy

Illustration of the target fully allocated WPP portfolio

Long term target allocation mandate





APPENDIX

Teach in on Private Equity

Understanding the investment strategy

Investment strategy by company lifecycle stage

Increasing power exercised by the investor

Venture capital

- Investing into a startup to back entrepreneurs developing their business idea
- The investor usually only takes a minority position within the company

facebook

Google

Growth

- Investing into a company to back its growth, mainly in terms of internationalisation, product innovation and M&A activities
- The investor usually only takes a minority position within the company

JUST EAT

Spotify

Buyout

- Acquiring a stake in a company with the intention to influence the business
- Usually big changes are made by the investor, e.g. change in management, business digitalization, M&A activities

VISMA

Mintec

Turnaround

- Acquiring a stake in a distressed company with the intention to restructure the business
- Usually big changes are made by the investor to bring the company back on a healthy track

HOVIS
- BAKERY -

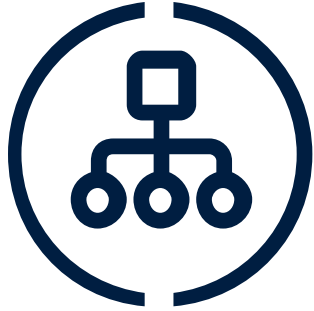
americangolf

An investor owning a **minority position** in a company means that his/her equity stake size is smaller in comparison to other investors/founders/management team. Being in a **minority position** implies a limited decision power on the company's management as well. Private Equity **minority positions** are usually held in companies at venture and growth stage, where the goal is to provide founders/management with the capital to develop their business.

An investor owning a **majority position** in a company means that his/her equity stake size is the largest in comparison to other investors/founders/management team. Being in a **majority position** implies a strong decision power on the company management. Private Equity **majority positions** are usually held in companies at buyout and turnaround stage, where the investor buys a company with the intention to influence the business by making changes in management, leverage and other, to exploit at best the company's potential.

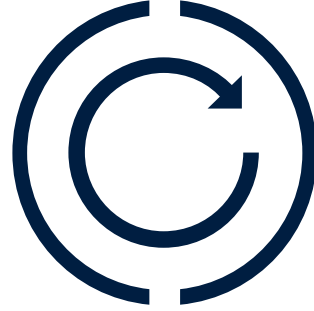
Private Equity investment types

Three main types of private equity investing



Primaries

- Limited partnership funds
- Full blind pool
- Portfolio builds up over 3–5 years
- J-Curve¹
- Management and performance fee



Secondaries

- Buying a pre-existing investor stake
- Immediate exposure to existing portfolio
- Faster build up
- Normally no J-Curve
- Often reduced fees



Co-investments

- Investing directly into a company alongside the fund manager
- Faster build up
- Limited J-Curve
- Often without fees

Risk considerations

Capital loss risk	The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested
Market risk	Market risk is the risk of investment losses due to negative effects of the capital markets on the overall performance of the fund
Credit risk	The fund will have an investor commitment/draw-down funding model which exposes the investment vehicle to the credit risk of its investors. If an investor fails to comply with a drawdown notice, the investment vehicle may be unable to pay its obligations when due
Liquidity risk	Given the illiquid nature of private equity investments, investing in private equity are subject to asset liquidity risk. This liquidity risk is a result of the likelihood that a loss from current net asset value would be realised if an asset in the fund needed to be sold quickly in the secondary market to meet the obligations of the fund
Currency risk	Investments in companies or instruments which are denominated in currencies other than the fund's respective currency expose the fund to the risk of losses in case foreign currencies depreciate
Counterparty risk	The target investments may utilise derivative instruments for currency hedging purposes, which expose the fund to the risk of a counterparty defaulting
Operational risk	Operational risks are risks of loss resulting from inadequate or failed internal processes, people and systems, or from external events conducted by Schroders Capital and the managers the fund will invest alongside

Important Information



This information is not an offer, solicitation or recommendation to buy or sell any financial instrument or to adopt any investment strategy. Any reference to regions/countries/sectors/stocks/securities is for illustrative purposes. Past performance is not a guide to future performance and may not be repeated.

The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

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MEETING:	PENSIONS COMMITTEE
DATE:	16 SEPTEMBER 2024
TITLE:	TREASURY MANAGEMENT 2023/24
PURPOSE:	CIPFA's Code of Practice requires that a report on the results of the Council's actual treasury management is produced.
RECOMMENDATION:	RECEIVE THE REPORT FOR INFORMATION
AUTHOR:	DELYTH JONES-THOMAS, INVESTMENT MANAGER

Executive Summary

During the 2023/24 financial year the Council's treasury management activity remained within the limits originally set and total interest received on deposits was £3.5m which was above the budgeted level of £3.2m. There were no defaults by institutions in which the Council had deposited money.

1. Introduction

The Council's Treasury Management Strategy for 2023/24 was approved at Full Council on 2nd March 2023.

It was decided at the Pensions Committee, 27 March 2023 to allow pension fund surplus funds to be combined and co-invested with the Council's overall cash flow for the 2023/24 financial year.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.

This report compares the actual performance against the strategy for the financial year 2023/24 and fulfils the Council's legal obligation under the Local Government Act 2003 to have regard for both the CIPFA Code and the Welsh Government's Investment Guidance.

2. Treasury Investment Activity

The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances have ranged between £139.5 million and £270.2

million.

Treasury Investment Position

	31.3.23 Balance £m	2023/24 Movement £m	31.3.24 Balance £m	31.3.24 Rate %	31.3.24 WAM* days
Banks & building societies (unsecured)	29.1	(23.2)	5.9	5.27	29.8
Local Authorities	20.1	60.9	81.0	5.84	134.2
Money Market Funds	60.8	(17.8)	43.0	5.27	1.0
Debt Management Office	34.0	(34.0)	0.0	0.0	0.0
Pooled Funds	8.7	2.9	11.6	5.78	365+
Total investments	152.7	(11.2)	141.5		

*Weighted average maturity

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The Bank Rate increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by the end March 2024. Short- term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period. Money Market Rates also rose and were between 5.2% and 5.3% by the end of March 2024.

£11.6m of the Council's investments are held in externally managed strategic pooled equity, bond and property funds where short-term liquidity is a lesser consideration, and the objectives instead are regular revenue income and long- term price stability. These funds generated an income return of 5.8% which is used to support services in year, and an unrealised capital loss of £0.07m in this financial year. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued stability in meeting the Council's medium to long term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years but with the confidence that over a three-to five year period total returns will exceed cash interest.

Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Income Rate of Return
31.03.2023	4.63	A+	62%	33	4.04%
31.03.2024	5.30	A+	38%	36	5.59%
Similar LAs	4.06	AA-	21%	174	5.29%
All LAs	4.82	A+	61%	9	5.03%

*Weighted average maturity

3. Compliance Report

The section 151 officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in the following tables:

Investment Limits

	2023/24 Maximum	31.3.24 Actual	2023/24 Limit	Complied
The UK Government	£102m	£0m	Unlimited	✓
Local authorities & other government entities	£5m	£5m	£10m	✓
Secured investments	£0m	£0m	£10m	✓
Banks (unsecured)	£5m	£5m	£5m	✓
Building societies (unsecured)	£5m	£5m	£5m	✓
Registered providers (unsecured)	£5m	£0m	£5m	✓
Money Market Funds	£10m	£10m	£10m	✓
Strategic pooled funds	£5m	£5m	£10m	✓
Real estate investment trusts	£0m	£0m	£10m	✓
Other investments	£0m	£0m	£5m	✓

4. Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators:

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the time-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment and taking the arithmetic average, weighted by the length of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.24 Actual	2023/24 Target	Complied
Portfolio average credit score	5.3	A score of 6 or lower	✓

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	31.3.24 Actual	2023/24 Target	Complied
Total cash available within 3 months	£115.9m	£10m	✓

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates was:

	31.3.24 Actual	2023/24 Limit	Complied
Upper limit on one year revenue impact of a 1% rise in interest rates	£1,122,112	£1,039,420	x
Upper limit on one year revenue impact of a 1% fall in interest rates	£1,122,122	£1,039,420	x

This indicator has not been complied with because the indicator was set when interest rates were low, but interest levels have risen significantly in the year without warning and therefore it is reasonable that the amounts are above the limit.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2023/24	2024/25	2025/26
Actual principal invested beyond year end	£13m	£0	£0
Limit on principal invested beyond year end	£20m	£20m	£20m
Complied	✓	✓	✓

5. RECOMMENDATION

To receive the report.

MEETING	PENSIONS COMMITTEE
DATE	16 SEPTEMBER 2024
TITLE	HYMANS ROBERTSON NATIONAL KNOWLEDGE ASSESSMENT
PURPOSE	Providing information about the National Knowledge Assessment
RECOMMENDATION	Note the contents of the report and participate in the assessment
AUTHOR	Meirion Jones, Pensions Manager

1. Introduction

The Local Government Pension Scheme (LGPS) is a vital component of the public sector, providing retirement benefits to millions of employees across the UK. As the landscape of pension management evolves, it is essential for stakeholders to stay informed and equipped with the necessary knowledge to navigate the complexities of pension schemes. Hymans Robertson's LGPS National Knowledge Assessment (NKA) serves as a valuable tool in this regard. This paper outlines the benefits of the NKA and its significance for LGPS stakeholders.

2. Enhanced Knowledge and Understanding

The LGPS National Knowledge Assessment is designed to improve the understanding of key pension topics among LGPS stakeholders, including Pension Committee and Pension Board members. By participating in the assessment, individuals can identify knowledge gaps and areas for improvement, leading to a more informed decision-making process.

3. Standardisation of Knowledge

One of the primary benefits of the NKA is the establishment of a standardised knowledge framework across the LGPS. This ensures that all stakeholders have a consistent understanding of essential topics, such as investment strategies, regulatory requirements, and risk management. Standardisation fosters better communication and collaboration among stakeholders, ultimately leading to more effective governance of pension funds.

4. Identification of Training Needs

The assessment provides valuable insights into the collective knowledge of LGPS stakeholders. By analysing the results, organisations can identify specific training needs and tailor educational programs accordingly. This targeted approach to training ensures that resources are allocated efficiently and that stakeholders receive the support they need to enhance their expertise.

5. Improved Governance and Compliance

A well-informed governance structure is crucial for the effective management of pension funds. The NKA equips trustees and decision-makers with the knowledge required to fulfil their fiduciary duties and comply with regulatory standards. By enhancing governance practices, the assessment contributes to the long-term sustainability and integrity of the LGPS.

6. Benchmarking and Best Practices

The NKA allows organisations to benchmark their knowledge levels against industry standards and best practices. This comparative analysis encourages continuous improvement and motivates stakeholders to strive for excellence in their roles. By learning from peers and adopting best practices, LGPS funds can enhance their overall performance and service delivery.

7. Support for Strategic Decision-Making

In an increasingly complex financial environment, strategic decision-making is paramount for the success of pension funds. The insights gained from the NKA empower stakeholders to make informed choices regarding investment strategies, risk management, and fund administration. This informed approach ultimately leads to better outcomes for scheme members and beneficiaries.

8. Conclusion

Hymans Robertson's LGPS National Knowledge Assessment is a vital resource for enhancing the knowledge and understanding of LGPS stakeholders. The next round of the assessment will begin later this month, and we aim to take part.

The assessment will give the fund an insight into our Committee and Board's collective knowledge levels, as well as benchmarking scores against other participating Funds. There are eight key areas assessed which are critical for meeting the good governance standards expected of the scheme. Each member also receives their own individual scores. Some of the areas covered include: The Role of the Committee and Pension Legislation, Investment performance and Risk Management and Pensions Governance.

The assessment will be an online multiple-choice questionnaire and will take around 15 - 20 minutes to complete.

This information can be used to create targeted training plans for members, based on the knowledge gaps identified. The assessment also provides detail of the engagement levels of the Committee and Board, as well as the spread of knowledge in each of these eight areas.

Once the assessment has concluded Hymans will produce a national report that includes analysis on the current UK-wide LGPS Committee and Board landscape compared to previous NKA results. Further information will be sent to members before the end of the month.

MEETING: **Pensions Committee**

DATE: **16 September 2024**

TITLE: **Pensions Conferences**

PURPOSE: **To approve 2025 list of conferences**

AUTHOR: **Delyth Jones-Thomas, Investment Manager**

1. Introduction

Members of the Pensions Committee, Board and officers have the opportunity to attend a number of conferences on a rotational basis during the year in order to enhance knowledge and discuss current issues.

2. Conferences Calendar 2025

There are several pensions-related conferences which are arranged during the year. However, these are of varying relevance to the Gwynedd Pension Fund and members of the Committee, Board and officers. In order to maintain relevance, the Committee is asked to approve a list every year of relevant conferences which members and / or officers may attend. The list is based on the historic relevance of the contents of these events.

It is proposed that the 2025 conferences that members can attend are as follows:

- i) **LGPS Governance Conference, Bournemouth**
Thursday, 30th January to Friday, 31st January 2025
- ii) **LGC Investment Seminar, Carden Park**
Thursday, 20th March to Friday, 21st March 2025
- iii) **LGPS Pooling Symposium, Belfry**
Tuesday, 6th May to Wednesday 7th May 2025
- iv) **LAPF Strategic Investment Forum, The Grove**
Monday, 30th June to Tuesday, 1st July 2025
- v) **LGC Investment Summit**
September 2025 (exact dates and location to be confirmed)
- vi) **LAPFF Conference**
December 2025 (exact dates and location to be confirmed)

Up to two members may be allowed per event. If officers or members become aware of useful conferences that do not appear on the approved list, an assessment will be

undertaken and consideration will be given to adding that event to the list in future years if appropriate.

3. Recommendation

Members are asked to approve the 2025 list of conferences.