Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSIONS COMMITTEE

Date and Time

3.30 pm, MONDAY, 27TH JANUARY, 2025

Location

Virtual Meeting

NOTE

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

Contact Point

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(DISTRIBUTED 17/01/25)

PENSIONS COMMITTEE

MEMBERSHIP (9)

Plaid Cymru (4)

Councillors

Iwan Huws	R Medwyn Hughes	Elin Hywel
Ioan Thomas		

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

A G E N D A

1. ELECT CHAIR

To elect Chair for 2024 /25

2. ELECT VICE CHAIR

To elect Vice Chair for 2024/25

3. APOLOGIES

To receive any apologies for absence

4. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

5. URGENT ITEMS

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

6. MINUTES 5 - 8

The Chairman shall propose that the minutes of the meeting of this committee held on 25th November 2024 to be signed as a true record

7. WALES PENSION PARTNERSHIP UPDATE 9 - 56

To receive and note a quarterly update from Wales Pension Partnership

8. BUDGET APPROVAL FOR 2025/26 57 - 58

To approve the 2025/26 financial year budget for the Pensions Administration and Investment sections.

9. REVIEW OF STRATEGIC OBJECTIVES FOR THE FUND'S INVESTMENT CONSULTANTS 59 - 64

To note progress and future objectives

10. TREASURY MANAGEMENT 2024 - 25 MID YEAR REVIEW 65 - 71

To consider and receive the report for information

11. 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.

12. ROBECO ENGAGEMENT SERVICE- ENGAGEMENT REPORT 01.07.2024 - 30.09.2024

To consider the report

(copy for Members only).

PENSIONS COMMITTEE 25-11-2024

Attendance:

Councillors:

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

Officers:

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

Others invited:

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

1. APOLOGIES

Apologies were received from John Pughe Roberts and John Brynmor Hughes

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

None to note

4. MINUTES

The Chair accepted the minutes of the meeting held on 16 September 2024 as a true record.

5. WALES PENSION PARTNERSHIP (WPP) UPDATE

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

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

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

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

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

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

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

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

The members thanked the officer for the report

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

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

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

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

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

RESOLVED

To accept and note the information

6. DEFINED BENEFITS STRATEGIC INVESTMENT FORUM

Feedback and information was presented by Cllr Goronwy Edwards

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

The members gave thanks for the feedback.

DECISION

To accept and note the information

7. EXCLUSION OF PRESS AND PUBLIC

RESOLVED to exclude the press and public from the meeting during the discussion on the following items due to the likely disclosure of exempt information as defined in paragraph 14, Schedule 12A of the Local Government Act 1972 – Information about the financial or business transactions of any specific person (including the authority that retains that information). There was an acknowledged public interest in being open about the use of public resources and related financial issues. However, it was also acknowledged that there were occasions, in order to protect public financial interests, where commercial information must be discussed without being publicised. The reports related specifically to a proposed procurement process. Publicising such commercially sensitive information could be detrimental to the interests of the Council and its

partners by undermining competition. This would be contrary to the wider public interest of securing the best overall outcome. For these reasons, the matter was closed in the public interest.

8. ROBECO ENGAGEMENT SERVICE – ENGAGEMENT REPORT 01.04.2024 - 31.06.2024

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

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

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

Further observations arising from the ensuing discussion:

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

RESOLVED to accept and note the information

The meeting commenced at 10.00 and concluded at 10.45

CHAIR

MEETING	**PENSIONS COMMITTEE**
DATE	**27 JANUARY 2025**
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 10th December 2024. The host authority has provided a summary of the items discussed at that meeting which is attached as Appendix 1 to this report. The 2024/25 Business Plan was reviewed and this can be seen in Appendix 2.

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 30th September 2024.

Gwynedd Pension Fund currently has exposure to eight of the eleven sub-funds and as of 30th September 2024, these were as follows:

- **Global Opportunities - £446.6m**
- **Global Growth- £419.0m**
- **Emerging Markets - £62.9m**
- **Global Passive - £451.7m**
- **Multi Asset Credit - £240.3m**
- **Absolute Return Bond- £412.3m**
- **Global Credit Fund - £233.3m**
- **Sustainable Equity Fund- £324.6m**

4. PERFORMANCE REPORTS AS AT 30th SEPTEMBER 2024

The performance reports can be seen in Appendix 4.

Global equities and fixed income markets rose in the third quarter. After a shaky start due to recession fears, shares rebounded on more encouraging US economic data and signals from Federal Reserve (Fed) Chair Jerome Powell that interest rates would be lowered imminently. The central bank followed through with a bumper 50-basis point (bps) rate cut in September. Equities were further boosted by new measures in China aimed at reviving the ailing economy. Aside from the Fed's action, the Bank of England (BoE) cut its key interest rate by 25 bps in August. The European Central Bank lowered rates in September while the Bank of Canada cut its key interest rate by 25 bps twice over the quarter. In contrast, the Bank of Japan raised its benchmark interest rate to 0.25%, its highest in 15 years. Yields fell across major economies as resilient growth in the US and encouraging inflation data buoyed sentiment. The US dollar weakened against most currencies, impacted by the Fed's move on interest rates. Despite geopolitical tensions, oil prices fell amid concerns over weak demand, an end to voluntary production cuts and moves by Saudia Arabia to abandon its crude price target.

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. Russell Investments also continuously assess the managers within their portfolio and will reduce, increase or eliminate their holdings to try and enhance the sub- fund's long- term performance.

5. PRIVATE MARKETS UPDATE

Most of the major private market investment programmes have now launched – Infrastructure, Private Credit and Private Equity. Real Estate managers have been appointed, and they are currently looking at establishing the Real Estate investment programmes.

6. PROCUREMENT

There have been 2 recent procurement exercises contracts, with the recommendation reports approved by the December 2024 JGC. The standstill period has now been completed, and the following appointments for the Wales Pension Partnership can be confirmed:

- Oversight Advisor –Hymans Robertson re- appointed.
- Voting & Engagement Service provider –Robeco re- appointed.

7. LGPS CONSULTATION: FIT FOR THE FUTURE

In November 2024, the Chancellor presented her 'Mansion House' speech, which set out plans to boost the growth of the UK economy. Alongside these announcements, the Government published various documents including a consultation called 'Fit for the Future' on reforming the Local Government Pension Scheme (LGPS).

Reforming LGPS asset pooling is one of the main themes of the consultation with:

- The Fund will be required to transfer all assets including illiquid and legacy assets to the management of the Pool by 31 March 2026.
- The Fund will be required to fully delegate the implementation of the investment strategy to the pool.
- The Fund will retain the decision on the high-level investment objectives, and can decide on the Strategic Asset allocation to 9 high-level asset classes if it wishes or delegate that decision to the pool.
- The Fund will be required to take its principal investment advice on their investment strategy from the Pool.
- The fund will continue to set the Responsible Investment Policy.
- LGPS pools will need to be investment management companies registered and regulated by the FCA. The Wales Pension Pension Partnership is not an FCA registered entity and therefore a pool investment company needs to be set up.
- Pools are required to work with partner funds and provide a report to the government by 1st March 2025 detailing how they plan to deliver the proposed pooling model and complete the transfer of assets to the pool.

A steering working group which includes a senior representation from each constituent authority supported by Hymans Robertson has been established in order to consider the implications of this consultation. Workstreams have also been created to manage and research the various subject areas.

The Wales Pension Partnership and Gwynedd Pension Fund have provided a response to the consultation by the required deadline of 16th January 2025. The Gwynedd Pension Fund response can be seen in Appendix 5.

8. RECOMMENDATION

To receive and note the information.

Wales Pension Partnership (WPP) - JGC Update

JGC meeting date: Tuesday 10 December 2024

Location: Virtual, via Zoom

Chair: Cllr Elwyn Williams, Dyfed

Agenda item	Detail
Apologies	Apologies received from Cllr Medwyn Hughes, Gwynedd, substitute member Cllr Elin Hywel attended in Cllr Hughes's absence
Host Authority update	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. Anthony mentioned that the LGPS: Fit for the future consultation has been received, officers have met with MHCLG and Treasury and work is ongoing between officers and Hymans in relation to a draft response. Also mentioned was that WPP has been successful in winning the ESG Innovation award at the 2024 LGC Investment Awards ceremony. This nomination was in relation to the Sustainable Active Equity sub-fund. Forthcoming JGC dates: • 12 March 2025 – Hybrid, hosted by Swansea • 16 July 2025 – virtual via Zoom • 17 September 2025 – Hybrid, hosted by Torfaen • 8 December 2025 – virtual via Zoom • 10 March 2026 – Hybrid, hosted by Cardiff Anthony presented the 2024/25 Business Plan update as at 30 September 2024 (attached).
Risk Register Q4 2024 Review	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.

	During Q4 2024, a review has taken place of the Investment Risks. The sub-group also reviewed risk G.15 - The WPP is not prepared for the outcomes of any consultation or regulatory change. Hymans presented the updated section of the Risk Register which was approved by the JGC. The Risk Register has been uploaded on the WPP website. The next review will take place in Q1 2025 and will focus on risks G.1 to G.7 of the Governance & Regulation Risks section.
Policy reviews – Rebalancing and Alteration policy	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 Rebalancing & Alteration Policy. The Rebalancing and Alteration policy sets out WPP's approach to rebalancing the assets held within the pools' sub-funds. The policy outlines the framework that has put in place to ensure that manager allocations within sub-funds are monitored and rebalanced where appropriate. During this review, the policy has been updated to take account of: • The Global Growth sub fund now being managed by Russell Investments (reference to Waystone as a Portfolio Manager of multiple managers has been removed – previously point no 11). • The launch of the Real Estate mandates (point 13). The updated policy was approved and has been updated on the website.
Operator Update	Waystone presented their quarterly update report as at 30 September 2024 (attached). This provides an update on WPP's sub funds and corporate and engagement activity.
Performance Reports as at 30 September 2024	Russell Investments presented a Q3 2024 performance summary paper (attached) summarising the performance of each individual ACS sub fund for the quarter ending 30 September 2024.
Exempt Items – the following items were discussed during the non-public part of the meeting.	
Securities Lending Report - 30 September 2024	Stock Lending commenced in March 2020 and Northern Trust presented the Securities Lending Report for Q3 2024 (quarter ending 30 September 2024).

Robeco Engagement Report – Q3 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 Q3 2024. The engagement theme chosen for this quarter was Labour Practices in a Post Covid-19 World.
Responsible Investment and Climate Risk reports	Each quarter, Hymans Robertson produce quarterly Responsible Investment & Climate Risk Reports for the WPP's sub funds. For Q3 2024 (quarter ending 30 September 2024), the UK Opportunities and Emerging Markets reports were produced. Hymans presented the reports to the JGC members.
Voting and Engagement procurement recommendation report	The current Voting and Engagement Service provider contract with Robeco comes to an end on 31 March 2025. A detailed evaluation process has taken place, and a recommendation report was presented to the JGC on the preferred bidder. The JGC approved the recommendation report subject to the completion of the standstill period and the finalisation of the Voting and Engagement Service Provider Contract.
Oversight Advisor procurement recommendation report	The current Oversight Advisor contract with Hymans Robertson comes to an end on 31 December 2024. A detailed evaluation process has taken place, and a recommendation report was presented to the JGC on the preferred bidder. The JGC approved the recommendation report subject to the completion of the standstill period and the finalisation of the Oversight Advisor Contract.

Webcast link for the 10 December 2024 JGC meeting below:

Agenda for Wales Pension Partnership Joint Governance Committee on Tuesday, 10th December, 2024, 10.00 am

WPP's website address - Wales Pension Fund | Home (walespensionpartnership.org)

Next meeting:

- Tuesday 12 March 2025 – Hybrid meeting, hosted by Swansea

Wales Pension Partnership

Business Plan

2024-2025

Q2 Review

(April to September 2024)

Governance

Work to be completed	Completed	Comments
• Oversight Advisor procurement process	In progress	To be completed by end December 2024
• Voting & Engagement Service provider procurement process	In progress	To be completed by end December 2024
• Annual review of WPP's policies and plans	Ongoing	
• Quarterly reviews of the Risk Register	Ongoing	
• Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes	Ongoing	

Ongoing Sub-Fund development

Work to be completed	Completed	Comments
• Launch the real estate investment programmes	In progress	
• Launch additional Private Market vintages	Ongoing	
• Consideration of WPP's Levelling up / impact requirements	Ongoing	
• Consultation with CAs on need for further sub-funds, review and develop, as required	Ongoing	
• Consideration of Local Investment opportunities	Ongoing	

Operator Services

Work to be completed	Completed	Comments
• Complete Operator contract procurement process and implement new operator contract	In progress	New contract to commence in December 2024
• Operator and Sub-Fund governance Oversight	Ongoing	

Investments and Reporting

Work to be completed	Completed	Comments
• Develop & Implement Private Markets reporting	In progress	Private Markets reporting options being considered
• Climate-related / Task Force on Climate-related Financial Disclosures (TCFD) reporting	In progress	2023/24 Climate-related report in the process of being developed
• Stewardship Code reporting	**Yes**	**2023/24 report submitted 31 October 2024**
• Consider additional reporting that demonstrates WPP's commitment to Responsible Investment	Ongoing	
• On-going Sub-Fund responsible investment and climate risk performance reporting, scrutiny and challenge	Ongoing	
• Annual performance review of WPP Sub-Funds		To be reviewed in Q1 (January to March) 2025
• Review of Russell Investment's service delivery in delivering WPP's objectives across Sub-Funds	**Yes**	**Report to be shared with OWG and JGC members**

• On-going engagement with Constituent Authorities regarding ESG / RI standards and their climate ambitions	Ongoing	

Communication and Training

Work to be completed	Completed	Comments
• Formulation of the WPP's Annual Responsible Investment Progress Report	Yes	Report presented at the July 2024 JGC and published on website
• Formulation of the WPP's annual training plan		To be formulated in Q1 (January to March) 2025
• Formulation of the WPP's Annual Update	Yes	2023/24 Annual Update published in August 2024
• Formulation of the WPP's Annual Report	In progress	2023/24 Annual Report to be published by end of year

Resources, budget and fees

Work to be completed	Completed	Comments
• Annual review of resources and capacity		To be reviewed in Q1 (January to March) 2025
• Formulation of Annual WPP Budget		To be formulated in Q1 (January to March) 2025
• Review and Monitoring of Operator / external provider fees	Ongoing	

Training Plan

Training topics to be completed during 2024–2025 as per approved 2024-2025 Training Plan and progress to date:

	Completed	Comments
• WPP Pooled Investments	Yes	18 June 2024
• Overview of cyber security and consideration for WPP	Yes	18 June 2024
• Policies – Responsible Investment Policy	Yes	18 October 2024
• Policies – Climate Policy	Yes	18 October 2024
• Policies – Stewardship Policy	Yes	18 October 2024
• RI – Net Zero journey planning	Yes	28 November 2024
• RI – Climate Metrics	Yes	28 November 2024
• Progress of other LGPS pools & Collaboration Opportunities		
• Any new regulatory / guidance developments		

Budget

2024-2025 Budget Monitoring Report:

	Budget 2024 – 2025 £000	Forecast 2024 – 2025 £000	Variances 2024 – 2025 £000
Host Authority *	231	200	31
External Advisors *	1,411	1,411	0
TOTAL to be recharged	**1,642**	**1,611**	**31**
Operator Services **	40,734	40,734	0
Allocator Services **	7,006	7,006	0
TOTAL to be deducted from the NAV	**47,740**	**47,740**	**0**

**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 / Allocator Services costs are based on each Constituent Authority's percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets.*

Investments

Equity Sub-Funds

Global Growth Fund

Managed by: Russell Investments

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: Waystone Management (UK) Ltd

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/

waystone

Wales Pension Partnership
Joint Governance Committee
Q3 2024 review – 10 December 2024

Corporate Updates

As discussed, following the last Joint Governance Meeting on 18 September 2024;

WMUK marks the one year anniversary since the completion of the acquisition of the Link Fund Solutions (LFS) businesses when we welcomed over 600 new colleagues to Waystone. Today also marks the successful exit from the Transitional Service Agreement (TSA) with Link Group and have completed the final transition phase, and we reflect on the journey that brought us here.

One year ago, Waystone embarked on its largest and most complex acquisition to date. The integration of LFS was a significant undertaking for the Group - one that demanded collaboration across teams and an unwavering commitment to success.

Over the past year, we migrated 636 users into the Waystone technology environment, transitioned 168 applications, and exited 100% of the TSA services. The TSA was instrumental in ensuring business continuity during this period, and we are proud to say we exit on time and within budget.

Our presence in the UK has solidified, our offering in Ireland extended and an expanded footprint globally with the establishment of our new office in India. This office is not just a new location, it is a symbol of our future growth, our global reach, and our enhanced capabilities.

Our dedication has positioned Waystone for the next phase of its growth and opportunity. As we look ahead, we are confident that this acquisition, along with the successful completion of the TSA exit, will signal as a milestone in Waystone's continued evolution.

FCA Updates

FCA business plan is looking at key items. 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

Title	Timing	WMUK Impact	WPP Impact
FCA sets out temporary measures for firms on ‘naming and marketing’ sustainability rules	Immediate	Medium	Medium
SDR: FCA response to IA questions on temporary flexibility	Immediate	To note	To note
FCA: Sustainability disclosure and labelling regime – downloadable labels	Immediate	Medium	Medium
IA SDR Briefing Note 4 - Unlabelled funds	Immediate	To note	To note

Oversight of Third Parties Q3-24

Activity	Status	Commentary
Transfer Agency – Northern Trust	✓	Transfer Agency inc. Consumer Duty review to commence in Q4 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. Final Report contained 2 High, 8 Medium and 1 Low rated findings. No findings specific to WPP. Note: WMUK do not share the detail of the findings outside of WMUK.
Due Diligence Visits - Northern Trust	✓	No planned scheduled visits in this Quarter. Final Report Issued in Q2-24, with two Medium rated findings that are not specific WPP. Findings to be issued with quarterly management information.
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

waystone

WPP SUB FUND VALUES AS AT 30 SEPTEMBER 2024

Equities	
Fund	**AUM**
Global Growth	£3,574,932,571
Global Opportunities	£3,371,982,493
UK Opportunities	£756,679,466
Emerging Markets	£272,530,311
Sustainable Active Equity Fund	£1,629,982,561
Sub-Total	£9,606,107,402

Fixed Income	
Fund	**AUM**
Multi Asset Credit	£849,991,039
Global Credit	£1,055,250,188
Global Government Bond	£508,977,752
Absolute Return Bond	£552,082,493
Sterling Credit	£724,312,494
Sub-Total	£3,690,613,966

Total Active Investments	**£13,296,721,368 as at 30 September 2024**

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WPP SUB FUND VALUES & PERCENTAGE OWNERSHIP AS AT 30 SEPTEMBER 2024

Fund name	Gwynedd	Powys	Clwyd	Swansea	Cardiff	Torfaen	RCT	Dyfed	Sub Fund Total
WS WPP Global Growth Fund	£419,035,900	£74,976,989			£175,130,370		£1,762,616,858	£1,143,172,454	£3,574,932,571
WS WPP Global Opportunities Equities Fund	£446,579,764			£1,215,648,110	£550,012,494	£664,369,403	£495,372,722		£3,371,982,493
WS Wales PP UK Opportunities Fund					£156,356,893	£600,322,573			£756,679,466
WS Wales PP Emerging Markets Equity Fund	£62,912,625	£16,040,374			£120,985,820	£72,591,492			£272,530,311
WS Wales PP Sustainable Active Equity Fund	£324,603,056	£75,646,350	£374,655,501	£232,750,703	£145,470,581	£174,583,553	£116,384,292	£185,888,525	£1,629,982,561
WS Wales PP Multi Asset Credit Fund	£240,283,695	£35,135,782	£338,768,077	£70,757,393	£165,046,092				£849,991,039
WS Wales PP Global Credit Fund	£233,326,728	£28,267,124			£190,627,886	£266,165,818		£336,862,632	£1,055,250,188
WS Wales PP Global Government Bond Fund					£244,017,397	£264,960,355			£508,977,752
WS Wales PP Absolute Return Bond Fund	£412,246,010	£67,312,973		£72,523,510					£552,082,493
WS Wales PP Sterling Credit Fund							£724,312,494		£724,312,494
Constituent Authority Total	£2,138,987,778	£297,379,592	£713,423,578	£1,591,679,716	£1,747,647,533	£2,042,993,194	£3,098,686,366	£1,665,923,611	£13,296,721,368

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					21%	79%		
WS Wales PP Multi Asset Credit Fund	28%	4%	40%	8%	20%			
WS Wales PP Emerging Markets Equity Fund	23%	6%			44%	27%		
WS Wales PP Global Credit Fund	22%	3%			18%	25%		32%
WS Wales PP Global Government Bond Fund					48%	52%		
WS Wales PP Absolute Return Bond Fund	75%	12%		13%				
WS Wales PP Sterling Credit Fund							100%	
WS Wales PP Sustainable Active Equity Fund	20%	5%	23%	14%	9%	11%	7%	11%

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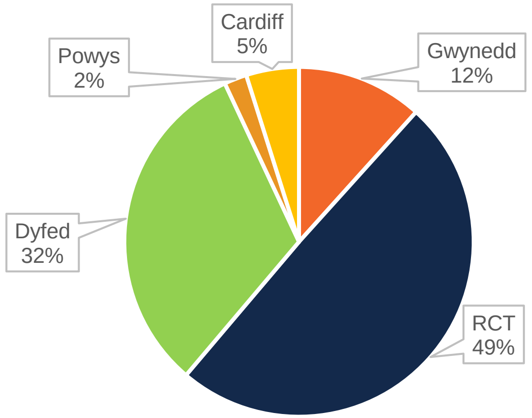
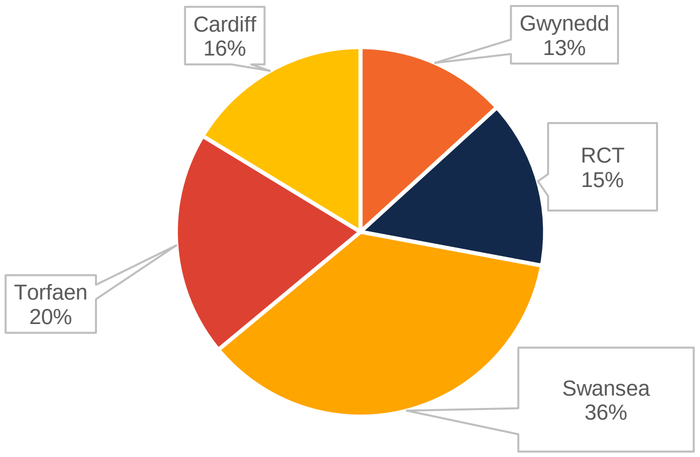
September 2024 Fund Snapshot - Equities

Key:
- Dyfed
- Powys
- Gwynedd
- RCT
- Torfaen
- Clwyd
- Swansea
- Cardiff

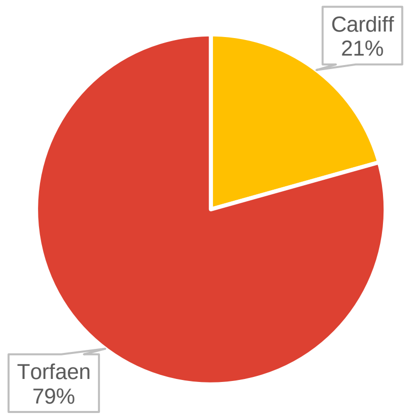
Global Growth



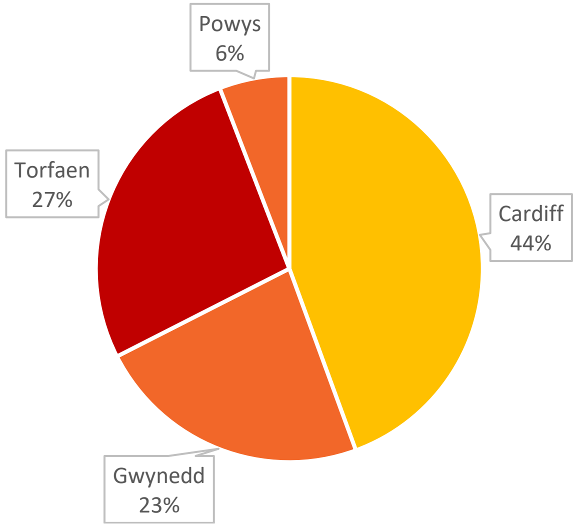
Global Opportunities



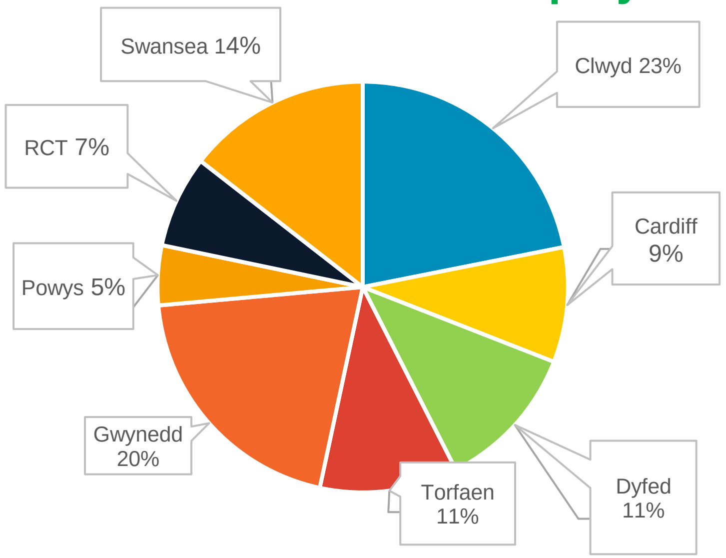
UK Opportunities



Emerging Markets

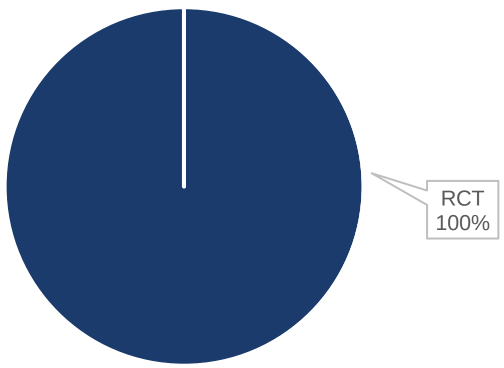


Sustainable Active Equity

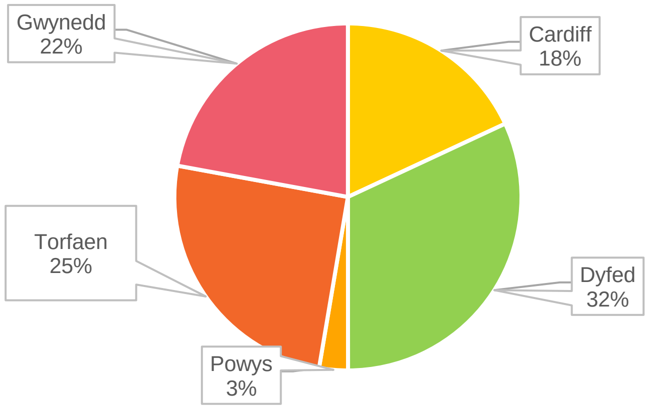


September 2024 Fund Snapshot - Fixed Income

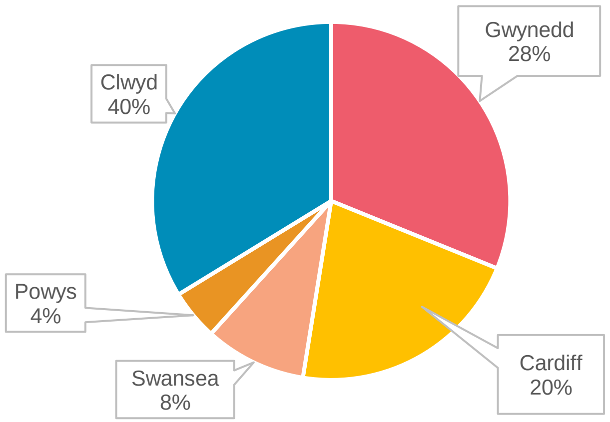
Sterling Credit



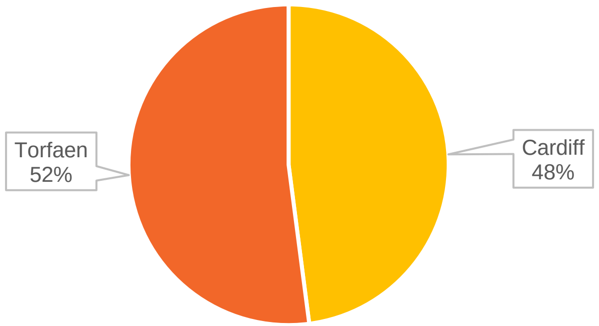
Global Credit



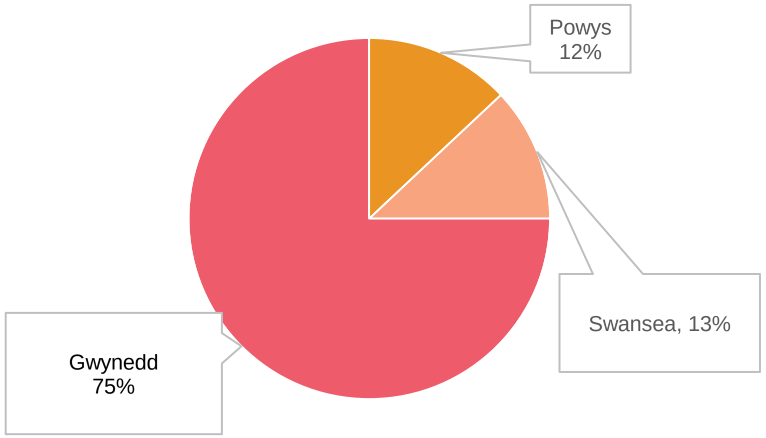
Multi Asset Credit



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
	Change of Investment Manager for the Global Growth Fund, from Waystone to Russell Investment	✓	Investment Manager change from Waystone to Russell Investment on the Global Growth fund, approved by the WPP Pool at the last OWG in July 2024. WMUK Governance and Depositary work commenced immediately after the July meeting with group meetings with WMUK, RI and NT set up. Full timeline provided to Host with Nov 4th live date. Currently on target with FCA approval granted.
	Removal of Artemis from Sustainable Active Equity Fund	✓	Artemis has announced the departure of the current portfolio management team. This strategy accounted for £118m (or 8.8%) of the WS Wales PP Sustainable Active Equity Fund, as at 29 Dec 2023. RI to wind down exposure across the mandate as soon as possible. RI plan to re-allocate proceeds equally to two other growth-oriented strategies, Mirova and Neuberger Berman. This has gone through WMUK Governance and Depositary, with the change approved. The removal to take effect from 11 July 2024. Investor notice issued on 4 July 2024 to all Constituent Authorities.

Status key:

- Completed or already in place
- On target;
- Delay Expected;
- Not Applicable

Sub-Funds Update continued……

Fund Launches & Changes

	Activity	Status	Commentary
Completed Fund Launches & Changes	N/a		N/a
	WS Wales PP Global Credit Fund - Change of Sub Manager, removing Western for Coolabah	✓	Western's weight reduced to about 1% of the sub-fund and proceeds moving to the other managers in the sub-fund, Fidelity, MetLife and Robeco, as well as lesser allocations to the sub-fund's liquidity reserve. This event is the culmination of RIs continuous manager review process in which they were already working towards replacement options for Western. The recent events with SEC has sped up this process. Change is to go through WMUK Governance and Constituent Authorities and Host for approval in October. Once approved, to move forward with depository and then FCA filing for approval. Looking at December for implementation.
	WS Wales PP Absolute Return Bond Fund - Change of Sub Manager, removing Insight for Oaktree and DNCA.	✓	RI decision to replace Insight in the Absolute Return Bond fund follows an extensive review of Insight's strategy and the broader manager universe. With Oaktree and DNCA identified due their higher conviction, more specialised focus in credit and rates/fx markets respectively. Introducing Oaktree at a 15% weight and DNCA at a 24% weight into the fund. This would also reduce the weight to the incumbent managers, Aegon and Wellington, whom the sub-fund became more concentrated towards following Putnam's removal in 2023.

Status key:

- Completed or already in place
- On target;
- Delay Expected;
- Not Applicable

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	✓	Currently 4 securities held in Israeli companies across two sub funds; Global Opportunities Fund - 3 companies with 0.27% exposure. Global Growth Fund – 1 company with 0.08%. Total value of approx. £12.4m. (0.09% total exposure) Situation currently being monitored as part of the BAU oversight process. Figures from end of September 2024.

Status key:

- Completed or already in place
- On target;
- Delay Expected;
- Not Applicable

WMUK Corporate Update & Engagement

Key Q3 and future WPP Engagement

Waystone attendance at OWG/JGC meetings <u>in period</u>:

- OWG 22 July 2024WPP
- JGC 17 July 2024
- JGC 18 September 2024

Waystone attendance at OWG/JGC meetings <u>in next quarter</u>:

- OWG 5 November 2024
- JGC 10 December 2024

Waystone attendance at Strategic <u>Relationship Review:</u>

- 29 November 2024

Waystone - Pension Committee attendance <u>in period</u>:

- None attended

Waystone - Pension Committee attendance <u>in next quarter</u> :

- None at Present

WPP Pension Board Chairs Engagement meeting

- None attended

Other meetings in period

- Host Authority update – occurs bi-weekly
- LGPS – Levelling Up round table – 18 Sept 2024

Other meetings in next quarter

- Host Authority update – occurs bi-weekly
- WPP briefing / training session – (Policies) 18 October 2024
- WPP Manager Day – 15/16 October 2024

WMUK Engagement Protocol – Business as Usual

Strategic Relationship Review	Frequency	Objective
	Bi-annual	Ensure strategic alignment between Host Authority and WMUK

WPP Attendees
- Chris Moore
- Anthony Parnell
- Two Section 151 / Deputy Section 151 officers

Waystone Attendees
- Karl Midl, Country Head, UK and CEO
- Rachel Wheeler, Product Head – Regulated Fund Solutions
- Richard Thornton, Head of Relationship Management, Asset Owners

JGC Engagement	Frequency	Objective
	Quarterly	Engage with JGC on pertinent matters and strategic deliverables

WPP Attendees
- Joint Governance Committee (JGC)

Waystone Attendees
- Karl Midl, Country Head, UK and CEO / Peter Ritchie, Head of Investment Management required
- Richard Thornton, Head of Relationship Management, Asset Owners
- James Zealander, Senior Relationship Manager
- Russell Investments

OWG Engagement	Frequency	Objective
	Quarterly	Identify and deliver on opportunities to improve and expand the relationship Provide update on open projects or issues Monthly KPI Review (Data supplied quarterly)

WPP Attendees
- Officers Working Group (OWG)

Waystone Attendees
- James Zealander, Senior Relationship Manager
- Richard Thornton, Head of Relationship Management, Asset Owners
- Peter Ritchie, Head of Investment Management Oversight
- Heidi Robinson, Relationship Manager (as required)
- Ad-hoc Link attendance from functional departments: Tax, Compliance, Product, etc.
- Russell Investments

Note: Meetings may be conducted remotely and/or amalgamated where required.

WMUK Engagement Protocol continued…

Host Authority Update	Frequency	Objective
	▪ Bi-Weekly	▪ Regular Host Authority – WMUK to discuss deliverables and business updates
WPP Attendees ▪ Anthony Parnell ▪ Tracey Williams		▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ James Zealander, Senior Relationship Manager ▪ Heidi Robinson, Relationship Manager ▪ Clair Baguley, Client Service Manager (as required)
Pension Fund Committees	**Frequency**	**Objective**
	▪ Annual	▪ General update on the ACS and planned initiatives
▪ Individual Pension Fund Committee meetings		▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ James Zealander, Senior Relationship Manager ▪ Heidi Robinson, Relationship Manager (as required) ▪ Russell Investments
Manager Engagement Days		**Objective**
	▪ Annual	▪ Open day for presentations on strategy and performance (with IM)
▪ Open to all involved parties		▪ Waystone Client Team ▪ Northern Trust ▪ Russell Investments and other Investment Managers ▪ Other consultants as required (e.g. bFinance)
Pension Board Engagement	**Frequency**	**Objective**
	▪ Bi-Annual	▪ General update on the ACS and planned initiatives
WPP Attendees ▪ Chairpersons of the Individual Pension Boards ▪ Host Authority		▪ Waystone Client Team ▪ Russell Investments

Thank you

Relationship Managers

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Heidi Robinson
Relationship Manager
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Head of Client Relations

Name: Richard Thornton
Role: Head of Relationship Management – Asset Owners
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Executive Contact

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Role: Country Head, UK and CEO
Number: +44 (0)7951 266225
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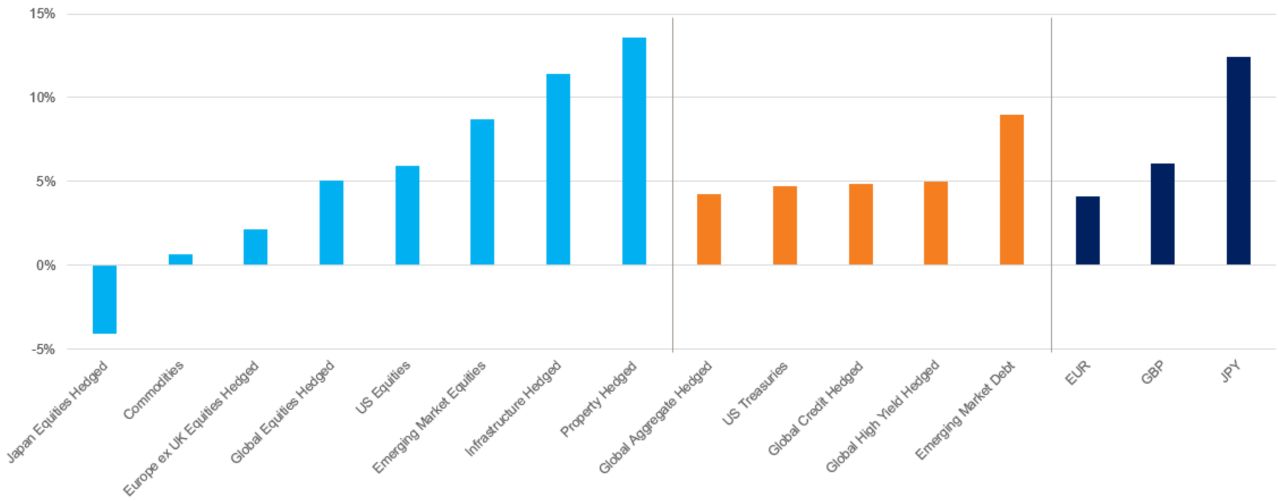
JGC - WPP Performance Summary Q3 2024

Global Market Commentary

Global equities and fixed income markets rose in the third quarter. After a shaky start due to recession fears, shares rebounded on more encouraging US economic data and signals from Federal Reserve (Fed) Chair Jerome Powell that interest rates would be lowered imminently. The central bank followed through with a bumper 50-basis point (bps) rate cut in September. Equities were further boosted by new measures in China aimed at reviving the ailing economy. Aside from the Fed's action, the Bank of England (BoE) cut its key interest rate by 25 bps in August. The European Central Bank lowered rates in September while the Bank of Canada cut its key interest rate by 25 bps twice over the quarter. In contrast, the Bank of Japan raised its benchmark interest rate to 0.25%, its highest in 15 years. Yields fell across major economies as resilient growth in the US and encouraging inflation data buoyed sentiment. The US dollar weakened against most currencies, impacted by the Fed's move on interest rates. Despite geopolitical tensions, oil prices fell amid concerns over weak demand, an end to voluntary production cuts and moves by Saudia Arabia to abandon its crude price target.

Asset class performance – Quarter to Date (September) 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	3 Year	5 Year	Since Inception
Gross	1.6	16.0	4.1	9.1	10.3
Net	1.5	15.5	3.8	8.7	9.9
MSCI AC World Index Net	0.5	19.9	8.3	10.3	11.8
Excess returns (gross)	1.1	-3.9	-4.2	-1.2	-1.5
Excess returns (Net)	1.0	-4.4	-4.5	-1.6	-1.9

Inception Date: 31st January 2019
Source: Northern Trust as of 30 September 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 (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary
During the quarter, the US was the laggard index and EM names rallied as China introduced a stimulus package which helped the MSCI ACWI value index to outperform the broader MSCI ACWI. From a sector perspective, there was also a change in leadership during the quarter as the first FED cut since 2020 led to strength in interest sensitive sectors such as Real Estate, Utilities and Financials. Veritas (+2.6% relative) was the best performer, as it recouped some of the Q2s underperformance. Strong stock selection in Financials and Healthcare were the key contributors. Baillie Gifford marginally outperformed by (0.1%). Pzena, outperformed the ACWI by 1.1%, but lagged the rebound in value as stock specific factors due to poor performance form Dollar General, Humana and NOV.

Global Opportunities Equity Fund:

	Three Months	1 Year	3 Year	5 Year	Since Inception
Gross	1.3	18.4	8.9	11.2	12.6
Net	1.3	18.1	8.7	10.9	12.3
MSCI AC World Index Net	0.5	19.9	8.3	10.3	11.8
Excess returns (gross)	0.9	-1.5	0.6	0.9	0.8
Excess returns (Net)	0.8	-1.8	0.4	0.6	0.5

Inception Date: COB 31st January 2019
Source: Northern Trust as of 30 September 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 (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Throughout the quarter the Fund's tilt to small caps was helpful. In sectors, stock selection within industrials contributed positively (overweight Toto, IHI). Stock selection in financials (overweight Commerzbank, underweight Mitsubishi UFJ Financial) and consumer discretionary (underweight Amazon, Toyota Motors) was also effective. In health care, underweight exposure to Novo Nordisk and an overweight to HCA Healthcare were rewarded. An underweight to Alphabet in communication services was also beneficial. In information technology, although underweight exposure to the sector was helpful stock selection detracted (overweight CrowdStrike, Samsung Electronics).

However, this was partly offset by underweights to Nvidia and ASML Holding, which were beneficial. Stock selection within energy, the worst performing sector, detracted including an overweight to BP and an off-benchmark position in Noble Corp. Furthermore, as one of the best-performing sectors, underweight exposure to real estate was also unhelpful.

Sustainable Active Equity Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	1.7	18.4	-	14.0
Net	1.6	17.9	-	13.6
MSCI AC World Index Net	0.5	19.9	-	17.6
Excess returns (gross)	1.2	-1.5	-	-3.6
Excess returns (Net)	1.1	-2.0	-	-4.0

Inception Date: COB 23rd June 2023
Source: Northern Trust as of 30 September 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 (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Low volatility was the best-performing style over the quarter. Value and small caps also outperformed in developed markets. Momentum underperformed in both developed and emerging markets given the drawdown in late July and sharp recovery in late September, respectively. In sectors, utilities was the best performer followed by real estate, which benefitted from the cuts to interest rates over the period. Energy was the only sector to record losses with oil companies impacted by a fall in oil prices amid concerns over weak demand in China, moves by Saudi Arabia to abandon its $100 per barrel crude price target and indications that OPEC+ will cease production cuts in December.

Within this market environment, stock selection within financials (overweight AIA Group) was rewarded, as was an underweight to energy stocks. Stock selection within consumer discretionary (overweight eBay) was also effective for the Fund. However, an overweight to ASML Holding within technology and Edwards Lifesciences within health care detracted from the Fund's performance.

EM Market Commentary

Emerging Markets recorded a fourth-successive quarterly increase and outperformed developed market equities as strong performance from China late in the period pushed the index higher. Investors reacted positively to new accommodative central bank and government efforts to support the economy, easing concerns of China's economic resilience which persisted over most of the quarter. Most EM markets benefitted from a weaker US dollar and the US Federal Reserve's decision to lower interest rates.

China was the leading constituent. Large cap names, particularly in the consumer discretionary sector, were the key drivers of the rally as investors hoped for improved short-term consumer confidence ahead of the Golden Week national holiday. Smaller Asian markets such as Thailand, Malaysia and Indonesia also outperformed. Meanwhile, South Africa benefitted from healthy performance across most sectors. Elsewhere, India slightly underperformed. Brazil lagged despite benefitting from a strengthening real. Mexico and South Korea recorded negative absolute returns, the latter impacted by weak performance from the technology (AI related names – SK Hynix, in particular) and consumer discretionary (car manufacturers) sectors.

EM Equity Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	1.6	12.1	-	-0.7
Net	1.5	11.7	-	-1.1
MSCI Emerging Market Index plus 1.5%	2.8	16.4	-	1.6

Inception Date: COB 20th October 2021
Source: Northern Trust as of 30 September 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 (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Within the Emerging Market environment, stock selection within information technology (overweight SK Hynix, MediaTek, and off-benchmark exposure to other AI-related names in developed markets) was the key challenge to performance of the fund as the sentiments around AI cooled over the quarter. The Fund's tilt away from low-volatility was unhelpful while its exposure to small caps was beneficial. An overweight to and selection within South Korea in a period where it was among the weakest-performing countries weighed on returns.

However, effective stock selection within China was a positive contributor to performance, particularly among financials (overweights Ping An Insurance, China International Capital Corp) and real estate names. In Taiwan, an off-benchmark position in Bizlink Holding and an underweight to TSMC was effective. Stock selection within Brazil contributed positively. This included overweights to MercadoLibre and Lojas Renner in consumer discretionary and an overweight to industrial name Embraer. An underweight to India (underweight Reliance Industries) were also beneficial.

UK Market Commentary

UK equities outperformed most other markets (except Asia and emerging markets). Consumer staples and utilities were the top performers. Mining stocks recovered towards quarter end (Anglo-American, Antofagasta, Glencore), boosted by expectations of increased demand from China. Earlier, investors were encouraged by Labour's solid majority in the general election after years of instability. The outcome prompted notable gains in housebuilding stocks, in anticipation of government efforts to spur construction activity. Sentiment was boosted further in August by the 25-bps interest rate cut to 5.0% from 5.25%, the first decrease since 2020. Encouraging economic data also helped. Inflation edged up slightly less than forecast in July. Services inflation softened to its lowest in over two years, while core inflation cooled to 3.3% YoY from 3.5% YoY.

Unemployment dropped in July and increases in average weekly earnings (excluding bonuses) softened to 5.1% from 5.4%, in line with expectations. Headline CPI was unchanged in August at 2.2% YoY, while core inflation was 3.6%, both as expected. Retail sales rose 2.5% YoY in August, more than the 1.3% increase forecast and July's upwardly revised 1.5% rise. Elsewhere, there were signs of improvement in the housing market with new buyer enquiries rising and the fastest pace of house price growth since January. However, later in the quarter, signs of deteriorating consumer confidence led to accusations the new Labour government had been overly pessimistic in its messaging, leading to fears over the contents of the October Budget.

UK Opportunities Equity Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	2.9	14.1	5.3	5.7
Net	2.8	13.8	5.0	5.3
FTSE All Share	2.3	13.4	7.4	5.9
Excess returns (gross)	0.6	0.7	-2.1	-0.2
Excess returns (Net)	0.5	0.4	-2.4	-0.6

Inception Date: COB 23rd September 2019
Source: Northern Trust as of 30 September 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 (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The Fund outperformed its benchmark. The Fund's tilt towards small cap stocks was favourable during the period. In terms of sectors, underweight to and selection within health care (overweight Astra Zeneca) was additive, as was the selection of names within industrials (underweight BAE Systems).

Other contributors to excess returns also included an underweight to energy company Shell, and overweights to AJ Bell within financials and TI Fluid Systems within consumer discretionary. However, selection within consumer staples (underweight Unilever, Haleon) weighed on excess returns. Overweights to 4imprint Group and John Wood Group within communication services and energy, respectively, also detracted.

Fixed Income Market Commentary

Government bond yields fell across major economies as resilient growth in the US and encouraging inflation data buoyed sentiment. Expectations of a 50 basis point rate cut strengthened, which the Federal Reserve delivered on in September. Numerous other major central banks cut rates during the quarter. In Europe, markets were impacted by political uncertainty in France following the outcome of a hung parliament in the country's elections, before the European Central Bank lowered rates by 25 bps in September. The central banks of Canada (two -25 bps cuts), New Zealand (-25 bps), Sweden (two -25 bps cuts) and Switzerland (-25 bps) also made accommodative policy moves. In contrast, the Bank of Japan (BoJ) raised its benchmark interest rate to 0.25%, signalling a notable divergence in developed market central bank policy.

In the UK, bond prices ticked up with yields falling below 4.0% on expectations of interest rate cuts and following Labour's landslide win in the general election. Some market observers believe the solid majority could enhance the perception of the UK as a safe haven after years of uncertainty and instability. In August, sentiment was boosted by the BoE's first interest rate cut since 2020, which sent 10-year gilt yields lower. However, comments by BoE Governor Andrew Bailey warned against expectations of a series of rapid reductions. Investors noted encouraging economic data. Inflation edged up slightly less than forecast in July. Services inflation softened to its lowest in over two years, while core inflation cooled to 3.3% YoY from 3.5% YoY. Unemployment dropped in July and increases in average weekly earnings (excluding bonuses) softened to 5.1% from 5.4%, in line with expectations. Headline CPI was unchanged in August at 2.2% YoY, while core inflation was 3.6%, both as expected. Elsewhere, retail sales were stronger than expected in August and there were signs of improvement in the housing market. Over the quarter the 10-year UK gilt yield fell 17 bps to 4.00%.

Global Government Bond Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	5.1	10.1	-1.1	-1.0
Net	5.0	9.9	-1.4	-1.2
FTSE World Gvt Bond Index (GBP Hedged)	4.0	9.0	-2.0	-2.1
Excess returns (gross)	1.1	1.1	0.9	1.1
Excess returns (Net)	1.0	0.9	0.7	0.9

Inception Date: COB 30th July 2020
Source: Northern Trust as of 30 September 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 (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary
The Fund outperformed the positive benchmark return this quarter. The Fund's positioning within non-classic markets suited the market environment this quarter. An overweight to weights in Mexico, Colombia and Indonesia contributed positively. Positive positioning in traditional markets included overweights to New Zealand and Norway. However, underweights to longer-dated US Treasuries, Japanese rates and core European bonds weighed on additional performance

Global Credit Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	4.6	12.5	-2.0	-1.0
Net	4.6	12.3	-2.1	-1.1
Bloomberg Barclays Global Agg Credit Index (GBP Hedged)	4.7	12.1	-1.5	-0.9
Excess returns (gross)	-0.1	0.4	-0.4	0.0
Excess returns (Net)	-0.1	0.2	-0.6	-0.2

Inception Date: COB 27th July 2020
Source: Northern Trust as of 30 September 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 (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

High yield (HY) credit outperformed investment grade (IG) credit over the quarter when HY spreads narrowed by double digits. Global HY spreads tightened the most, by 22 bps to 364. Both European and US HY spreads narrowed by 14 bps, to 345 and 295, respectively. In IG, US spreads narrowed by 4 bps to 84. Global and European IG spreads tightened by 2 bps to 92 and 102, respectively. UK IG spreads barely moved. Local currency emerging market debt (EMD) benefitted from the Fed's monetary easing, outperforming hard currency EMD, as the JP Morgan GBI-EM Global Diversified Index climbed 9.0% while the JPM EMBI Global Index increased by 6.1%.

Within the global credit environment, the Fund's overweight to high yield industrials was a positive contributor to relative returns. However, in US credit an overweight to high yield and an underweight to investment grade industrials detracted. In hard currency EMD underweight exposure to Asia, Latin America and the Middle East was beneficial. However, an underweight to Europe was ineffective. Elsewhere, underweight exposure to sovereign debt in Spain detracted, weighing on gains.

Multi Asset Credit Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	5.1	15.0	2.1	3.7
Net	5.0	14.7	1.8	3.4
3 Month GBP SONIA + 4%	2.3	9.6	7.5	6.5

Inception Date: COB 27th July 2020
Source: Northern Trust as of 30 September 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 (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Credit markets moved higher with continuing strong demand for corporate credit able to absorb elevated issuance. In a period of interest rate cuts, receding refinancing costs have become more easily absorbed by earnings growth. In general, economic data was supportive of consumer credit behavior with tight labour markets and solid wage growth. This environment was supportive of securitised credit specialist Voya.

With European credit spreads wider than in the US credit market, the former was a preferred destination for global credit managers. Both hard currency and local currency emerging market debt (EMD) posted strong gains, benefitting those managers with overweight exposure (RBC UK (BlueBay)), but negatively impacting those managers with underweight positions (Barings).

Absolute Return Bond Strategy Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	1.3	6.9	4.4	3.9
Net	1.3	6.9	4.3	3.7
3 Month GBP SONIA + 2%	1.8	7.5	5.5	4.6

Inception Date: COB 30th September 2020
Source: Northern Trust as of 30 September 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 (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The Fund's yield curve and currency positioning was positive. Within yield curve strategies, Wellington and Insight's US curve steepeners were beneficial. Inflation strategies positively impacted performance, with Insight's overweight in 30-year USD inflation swaps relative to 30-year EUR inflation swaps and their short position in 10-year GBP inflation swaps both contributing positively during the quarter. Positive country selection within Europe was an additional contributor, particularly Italy and Spain, although positions in Korea, Canada, and Australia were unhelpful. The Fund's large weight to global macro specialist Wellington was additive in a positive period for the manager. Core generalist Insight was the best-performing manager, while securitised specialist Aegon recorded a negative return.

Sterling Credit Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	2.4	11.1	-1.6	-1.1
Net	2.4	11.0	-1.7	-1.2
ICE Bank of America Merrill Lynch Euro-Sterling Index plus 0.65%	2.4	10.4	-2.2	-1.6

Inception Date: COB 27th July 2020
Source: Northern Trust as of 30 September 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 (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The portfolio posted positive returns and performed in line with the index over the quarter. Term structure positioning contributed to performance while credit positioning weighed on returns.

On the duration front, the fund's overweight position in US dollar duration enhanced gains as US Federal Reserve (Fed) kickstarted its interest rate cutting cycle with a 50 bps in September. Meanwhile, adverse positioning on UK Gilt curve held back gains.

On the credit side, the overweight in Thames Water was the largest detractor from the issuer perspective as bonds fell sharply after its debt rating was cut to "junk" status, raising the prospect of a government bailout. The overweight in Southern Water Services was also a notable detractor as the company proposed to pay out dividends despite rising debt pressures. In contrast, the overweight in banks & brokers names such as Morgan Stanley and Bank of America enhanced returns.

Local Government Pension Scheme (England and Wales): Fit for the future

Consultation response by Gwynedd Pension Fund

Question 1

Do you agree that all pools should be required to meet the minimum standards of pooling set out above?

The context to the changes appears to suggest that the LGPS is not operating effectively. At Gwynedd Pension Fund we believe that the fund and Wales Pension Partnership has been operating effectively with a very-strong funding level, an extremely engaged committee and excellent relationship between the fund and pool.

The minimum standards set out for the pool is a significant development from its current role for the Wales Pension Partnership, and yet are expected to provide these services in just over a year's time. We see this as a significant risk to the investment outcomes of the LGPS and therefore the public finances of local government and taxpayer.

We believe the purpose and driver of the proposals should be readdressed, a significantly longer timeframe given to pools to develop any new services, with a prioritisation timetable developed based on developments which create most value and improve outcomes.

Question 2

Do you agree that the investment strategy set by the administering authority should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?

Yes.

The administering authority must retain the ability to set high level investment objectives and high level asset allocation in order for the risk and return trade-off to be aligned with each administering authority's management of liabilities. If the pool company is to take more responsibility for implementing investment strategy (for example, allocation within equities) then there needs to be closer working between the pool company and the administering authority. In addition the administering authority must be able to ensure that it is able to set its ESG/climate objectives and risk management objectives (as this is linked to the funding strategy which is bespoke to an LGPS fund).

Question 3

Do you agree that an investment strategy on this basis would be sufficient to meet the administering authority's fiduciary duty?

No, there are additional considerations for administering authority in meeting their fiduciary duty.

To meet its fiduciary duty the administering authority needs to be assured that the investment strategy targets an appropriate level of risk and return to meet its funding objectives. Therefore the administering authority needs to retain sufficient influence over the investment strategy to ensure this is the case. In practice this will require a different relationship with the pool company, working more in partnership to ensure the objectives of the client fund are met.

Question 4

What are your views on the proposed template for strategic asset allocation in the investment strategy statement?

As drafted it is too simplistic. Most LGPS funds have the largest allocation to equities. At a minimum, the preference between active and passive should be included in the template, as this has a significant impact on the management costs.

Question 5

Do you agree that the pool should provide principal investment advice on the investment strategies of its partner AAs? Do you see that further advice or input would be necessary to be able to consider advice provided by the pool – if so, what form do you envisage this taking?

No- we have concerns on the proposal for AAs to take investments advice from pool companies.

Conflicts of interest may arise if pool companies both provide strategic advice and implement the strategy. Therefore LGPS funds should not be required to take strategic advice from the pool company. Whilst administering authorities may wish to obtain strategic advice from the pool company, they must be able to access independent high-level strategic advice and ultimately it is their decision which advice to accept, and if necessary explore other options with the pool company. Considering both pool advice and independent advice would invariably increase costs for the LGPS fund.

We envisage the administering authority would still need to receive advice from an investment consultant to receive assurance, to challenge the pool and ensure consistency with their funding strategy, with the scope of the advice limited to high level strategic objectives.

The Investment Strategy Statement will need to clarify where the strategic responsibility lies between the pool company and the administering authority to ensure the administering authority discharges it fiduciary duty.

Question 6

Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?

Wales Pension Partnership is committed to putting in place an FCA regulated investment management company if required to do so, however we do not believe this is a necessary requirement to meet the stated objectives of pooling.

We understand the reasons for wanting the standards of professionalism required to become authorised by the FCA however the Wales Pension Partnership has developed an approach to benefit from the FCA authorisation of outsourced investment managers. This means any additional benefits of becoming FCA authorised themselves will be limited. Instead, it will incur greater costs of both the adaptation to the new model, and then the operating costs of the additional internal staff that will need to be recruited. It may be particularly difficult and costly to recruit the required staff in such a short time span.

Question 7

Do you agree that AAs should be required to transfer all listed assets into pooled vehicles managed by their pool company?

Not necessarily. We believe that all assets should be pooled where it is in the best interest of funds. Wales Pension Partnership have passive listed investments in pooled vehicles not managed by pool companies. This current arrangement is highly cost effective. If transfer of passive investments to a pool company managed vehicle is mandated, AAs will incur additional costs without compensating benefits.

Question 8

Do you agree that administering authorities should be required to transfer legacy illiquid investments to the management of the pool?

Not necessarily. Again, we believe that funds should pool their assets as far as possible, where it is in the fund's best interest.

We would support a requirement that no new illiquid investments should be made outside the pool.

Question 9

What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds?

Significant additional resource will be needed as legacy assets are quite diverse.

Question 10

Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?

Even for the pools with a head start, it is likely to be a challenge to meet all government requirements. A number of pools, including the Wales Pension Partnership will be required to undertake a significant amount of work to meet the requirements for FCA regulation, which may have excessive costs and the unintended consequence of delaying further pooling and UK investment as they work through these challenges.

For all or most pools, changes requiring AA approval (by full Council and/or S101 committees) are likely. WPP is governed by a legally binding Inter Authority Agreement (IAA) which contains certain reserved matters that require local agreement. This will need to be unwound and replaced.

It may be difficult or impossible for AAs to approve implementation steps with material costs (such as hiring personnel for pool companies) in the absence of regulations (in draft form at least). It is critical that any changes in regulation that government makes based on this consultation are published as soon as practical to prevent local authority approval delays which could make it impossible to meet the government's demanding timeline. It may also be difficult for the FCA to facilitate the work within this deadline.

Question 11

What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?

If collaboration between pools benefits the client funds in terms of lower costs or access to greater range of specialist portfolios, then increasing collaboration would be beneficial. It could be potentially a decision for the pool company to drive collaboration and demonstrate it is in the interest of its clients. Furthermore, the pool company should be able to decide whether to invest via another pool if that is also in the clients' best interests.

Question 12

What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?

We are not supportive of mandated collaboration on issues such as administration. In contrast to investments, the potential to generate significant economies are lower but risk of transferring data etc. far higher. Much time and resource is spent on working with employers to ensure clean and accurate data, so developing relationships is crucial. No evidence has been provided to demonstrate that increasing scale will make this more efficient.

WPP already has an annual training plan for AAs.

Question 13

What are your views on the appropriate definition of 'local investment' for reporting purposes?

WPP recognises the government expectation that "local" should be considered UK wide, using LGPS assets to support UK growth. At the same time, given its unique position and motivation to support investment in Wales, which is where WPP will prioritise its local investment efforts, building on work done to date.

However, Gwynedd Pension Fund is of the view that the definition of "local" should also address the region served be the administering authority. As a result, we suggest that reporting address local investment at three levels: fund area, pool area and country. This would facilitate more informed reporting, allowing administering authorities and pools to demonstrate impact in different ways.

Question 14

Do you agree that administering authorities should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?

Yes.

There are clearly opportunities to work with other parties to identify potential local investment opportunities, but clarity is needed on the expected route to implementation.

Currently, the Government is expecting each fund to identify potential opportunities that will be proposed to the pool for consideration, including due diligence and underwriting. This creates a need for internal resource with appropriate skill sets at both the Fund level and the pool level, and the division of responsibility between pool and funds to be clarified, in particular:

- Funds need to be able to identify what may or may not be appropriate forms of local investment and will, in turn, need appropriate investment guidelines covering what is acceptable to be clearly established.
- The pool acts as an aggregate of capital across all funds and thus is required to evaluate the relative merits of different opportunities from the member funds.

For example, will funds be required to pass through all opportunities to the pool, or undertake some form of assessment themselves on what should be passed through? The former will place a large workload on the pools but they should be better placed to provide this assessment than the funds.

Question 15

Do you agree that administering authorities should set out their objectives on local investment, including a target range in their investment strategy statement?

Yes.

The consultation suggests that funds should set out their objectives on local investments, including a target allocation range and we would be supportive of this. Strategic asset allocation should remain a local investment decision, given that funding objectives and investment policy decisions with otherwise remain with the administering authorities. Clarification is required of how local investment overlaps with the proposed framing of strategic asset allocation. e.g would local investment be an asset class in its own right?

Question 16

Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?

Yes.

It is appropriate that there is a clear mechanism through which due diligence on local investment opportunities can be undertaken, and investments made and subsequently managed on an ongoing basis. However, we also recognises that this requires access to considerable expertise and different skillset. Before progressing this requirement, it should be made clear on how it expects local investments to be implemented. e.g. different skillsets will be required if the investments are made directly or if they are made through a pooled vehicle.

Question 17

Do you agree that administering authorities should report on their local investments and their impact in their annual reports? What should be included in this reporting?

Yes.

However, the consultation document suggests that reporting serves to make the funds accountable, yet the proposals for local investment to be made via the pool, and therefore some clarity is required.

Reporting is certainly helpful, however there should be clear principles for reporting on local investments to ensure clear and fair description of the funds' assets.

The reporting should serve a clear purpose for administering authorities and be undertaken to meet the needs of stakeholders. While the Annual Report may be an appropriate forum for reporting, it might not be appropriate as a communication vehicle for members. The reporting should not duplicate reporting undertaken elsewhere. For example, if reporting on local investments is being provided by pools (as they are responsible for implementation), then it would be more appropriate for such reporting to be provided at pool level. Funds could then reference pool reporting as necessary.

The reporting should not create unnecessary cost and/ or governance burdens on funds. Impact report is generally less well developed than other forms of stewardship reporting, and the mechanism for calculating impact are likely to be more subjective than performance reporting.

Question 18

Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?

Yes.

We are supportive of the Government taking steps to implement the SAB's Good Governance so there is greater consistency across the scheme. In particular, we're supportive of the proposal that the Government works with the SAB on developing and issuing new statutory guidance on governance. Guidance will help to achieve consistency across the LGPS and will give greater clarity on the Government's expectations for how the new requirements should be implemented.

Question 19

Do you agree that administering authorities should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?

Yes.

We agree that funds should publish a governance strategy, a training strategy and a conflict of interest policy although these should not all form part of the same document. These should be standalone documents for practicality, ease of reference and flexibility, although there is no reason why they can't reference or link to each other where relevant. The current governance compliance statement guidance dates back to December 2008 and predates investment pools and local pension boards and therefore new guidance would be useful for funds in this area.

Question 20

Do you agree with the proposals regarding the appointment of a senior LGPS officer?

Yes.

The requirement to have a senior LGPS officer in each LGPS fund would be a welcome development, and would potentially have several benefits:

• Sufficient recognition of the LGPS function – whilst the pensions provision within a council is not a frontline service, it is an important part of the local government system, and there are potentially significant financial and reputational risks of weak governance at the local level. A senior LGPS officer should help to ensure that LGPS issues are given appropriate consideration and prominence within the local authority, and that LGPS issues are duly represented.

• Sufficient senior resource – the LGPS has become increasingly complex in recent years and the creation of a senior LGPS officer position should help ensure that there is sufficient senior resource supporting the wider pensions team.

• Consistency across the scheme – local authorities can differ from each other significantly in size, culture, functions and resource, and these differences can lead to differences in how the LGPS function is delivered. Having a requirement for there to be a senior LGPS officer in each fund will ensure that, in spite of the differences in the local landscape, there is a designated officer in each administering authority who has responsibility for the LGPS.

Question 21

Do you agree that administering authorities should be required to prepare and publish an administration strategy?

Yes.

Gwynedd Pension Fund currently do prepare and publish an administration strategy and therefore agree with this requirements to ensure consistency across all funds.

Question 22

Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?

Yes.

Whilst it's important that all stakeholders in the LGPS can easily access a fund's policy documents, we agree that it's not helpful for the full texts of these often-lengthy documents to be included in the annual report. We support the suggestion that the Government work with the SAB to consider this further and update guidance.

Question 23

Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?

Yes.

We support the principle of an independent governance review, since this provides an objective assessment of how well funds are meeting the required standards of governance. It's important that the process is designed in such a way as to focus on enhancing governance, sharing best practice and supporting funds. A biennial approach could be hard to support nationally, a possible option would be a review on a triennial basis.

Question 24

Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?

Yes.

Pensions committees have overall responsibility for decisions in the LGPS and it's vital for the effective governance of the scheme that they have an appropriate level of knowledge and understanding of the scheme's rules. Gwynedd Pension Fund does place high value on the training of their committee members to ensure that committees are capable of providing valuable scrutiny and oversight of the running of the fund. However, formalising this through a statutory requirement will ensure that the Government's expectations are clear and help to support greater consistency across the scheme.

As the consultation notes, local pension board members have had a requirement to have knowledge and understanding of the scheme since the establishment of local pension boards in April 2015 and we believe it is important to address the anomaly that the same requirement does not yet apply to pensions committees.

Question 25

Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?

Yes.

We agree with this proposal. Gwynedd Pension Fund does have a training policy but this provides an opportunity to bring together various training requirements such as The Pension Regulator's General Code of Practice, CIPFA's knowledge and skills framework and MiFID II into consistent guidance.

Question 26

What are your views on whether to require administering authorities to appoint an independent person as adviser or member of the pension committee, or other ways to achieve the aim?

Whilst we support the Government's consideration to how LGPS governance can be developed and how administering authorities can obtain greater support on the scheme's complex investments, governance and administration landscape, we are uncertain whether a requirement for an independent adviser is the right approach.

The consultation appears to envisage that the independent adviser would be an individual pensions professional who would support the pensions committee on investment strategy, governance and administration. Given each of these areas are very complex in their own right, an independent adviser would need significant research capacity to adequately fulfil this function.

It appears that the Government may believe that there is a need for an independent adviser at the fund level in order to ensure that administering authorities have sufficient investment expertise to be able to challenge pools on investments matters and to provide committees with support on setting the investment strategy. This appears to be a recognition that the proposal that pools provide partner funds with the principal advice on strategic asset allocation would leave an important gap in the LGPS's governance. We are unsure whether the addition of a complex new element in the LGPS governance landscape, with an undeveloped and untested market, would be better than the current position, where authorities can take their own decisions on who to obtain their investment advice from. On balance, we believe that LGPS funds should be able to procure advice from a range of advisors according to their needs and in line with any regulatory and professional requirements.

Question 27

Do you agree that pool company boards should include one or two shareholder representatives?

It is essential that the AAs who are joint shareholders of the pool company and clients / investors should have representation on the pool company board.

Ideally the number of shareholder reps would not be stipulated. The FCA will require to see the proposed constitution and remit of the pool company Board as part of the process for authorisation of the pool co. It should be the arbiter of the appropriate mix and skills of Board member reps.

Question 28

What are your views on the best way to ensure that members' views and interests are taken into account by the pools?

It has long been a challenge for funds to gain truly representative views of their members. Funds should engage with their membership to understand their views and then feed this into the pool. Considering the challenge of engaging members, they are even less likely to engage with a pool they are unfamiliar with, compared to their local pension fund, of which they are already aware and know they are a member of.

This will also help funds to ensure that their members' views are being represented, compared to the survey being undertaken by the pool, as they will have seen the information directly to then communicate to the pools and challenge them on. Appropriate governance mechanisms will need to put in place to allow the voice of the members to be heard, without giving undue influence to any group of the membership. The principal needs to be recognised that, unlike trust-based arrangements, the ultimate owner of LGPS assets remains the administering authority.

Question 29

Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?

Yes.

Administering authorities will continue to need reporting on investment performance, climate and other ESG metrics as well as costs. We receive these annually either from the pool or legacy managers and service providers, in line with the Cost Transparency Initiative for investment costs. Any additional delegation of responsibilities to the pool company should not reduce the level of reporting to administering authorities.

Question 30

Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so, please provide relevant data or evidence.

No.

We note that Gwynedd Pension Fund and WPP will require to be able to provide all communication in Welsh language as well as English.

MEETING:	**PENSIONS COMMITTEE**
DATE:	**27 JANUARY 2025**
TITLE:	**BUDGET APPROVAL FOR 2025/26**
PURPOSE:	**To approve the 2025/26 financial year budget for the Pensions Administration and Investment sections.**
RECOMMENDATION:	**APPROVE THE BUDGET**
AUTHOR:	**DELYTH JONES-THOMAS, INVESTMENT MANAGER**

1. INTRODUCTION

1.1 The purpose of this report is to approve the 2025/26 financial year budget for the Pensions Administration and Investment sections.

2. PENSIONS ADMINISTRATION SECTION

	Final 2024/25 £	Inflation £	Adjustments £	Budget 2025/26 £
Employees	982,800	43,280	(1,350)	1,024,730
Travel and Subsistence	1,440	0	0	1,440
Supplies and Services	298,220	6,590	0	304,810
Central Services	138,810	4,160	0	142,970
Total	**1,421,270**	**54,030**	**(1,350)**	**1,473,950**

2.1 Employees, travel and subsistence

The budget for this section consists of 23 full time posts (4 of which are temporary) and 2 part time posts.

Due to ongoing changes in the LGPS regulations, we have recently updated a small number of job descriptions. These updates are currently undergoing the job evaluation process.

At this stage, it is unclear whether these changes will result in an increase in salaries. However, should this occur, we will need to consider an increase in the budget to accommodate these adjustments.

2.2 Supplies and Services

The supplies and services include mainly printing, office materials and software costs.

2.3 Central Services

Central services comprise an element of the Head of Finance and ancillary staff costs, and support from Council services such as information technology, corporate and legal.

3. INVESTMENT SECTION

	Final 2024/25 £	Inflation £	Adjustments £	Budget 2025/26 £
Employees	133,060	5,810	0	138,870

3.1 Employees

This section is located within the main Central Finance department and therefore only an element of the posts is funded by the Pension Fund.

There are 3 full time posts with officer time divided between the Gwynedd Pension Fund and Cyngor Gwynedd. The following percentages of posts are funded by the Pension Fund:

- Investment Manager (90%)
- Pensions and Investment Officer (85%)
- Pensions and Treasury Management Assistant Accountant (50%)

4. WALES PENSION PARTNERSHIP, FUND MANAGER AND CONSULTANCY FEES

4.1 There is no budget set at this stage as the expenditure can vary significantly, but the expenditure is reported fully in the Fund's financial statements and Annual Report.

5. RECOMMENDATION

5.1 The Committee is asked to approve the 2025/26 financial year budget for the Pensions Administration and Investment sections.

MEETING:	**PENSIONS COMMITTEE**
DATE:	**27 JANUARY 2025**
TITLE:	**REVIEW OF STRATEGIC OBJECTIVES FOR THE FUND'S INVESTMENT CONSULTANTS**
PURPOSE:	**To report progress against current objectives and to note future objectives**
RECOMMENDATION:	**NOTE PROGRESS AND FUTURE OBJECTIVES**
AUTHOR:	**DELYTH JONES-THOMAS, INVESTMENT MANAGER**

1. INTRODUCTION

At the end of 2018, following a review of the investment consulting and fiduciary management markets, the Competition and Markets Authority ("CMA") stipulated that Pension Scheme Trustees should set objectives for their investment consultants. These objectives are set and reviewed each year.

2. ESTABLISHING OBJECTIVES FOR INVESTMENT CONSULTANTS

The CMA states that objectives for consultants should include a clear definition of the outcome expected, and should be:

- 'closely linked' to the pension scheme's strategic objectives
- reviewed at least every three years, and after a significant change to the investment strategy or objectives

Establishing long term objectives is part of a well organised governance approach. The extension to set objectives for investment consultants could be regarded as a natural progression towards all stakeholders being aligned towards a common goal.

3. GWYNEDD PENSION FUND OBJECTIVES FOR INVESTMENT CONSULTANTS

The objectives for Gwynedd Pension Fund can be found in Appendix 1, with the progress reported against them during 2024.

4. FUTURE OBJECTIVES

The future objectives have been noted in Appendix 2. They remain broadly similar but the following have been added:

- Triennial valuation
- Establishing a net zero date and steps to reduce carbon emissions
- Developing the Committee's knowledge of the government's consultation on the future of the LGPS and how this will affect the operation of the fund

5. RECOMMENDATION

The Committee is asked to note the progress report and the Investment Consultants' objectives for the upcoming year.

Consultant's Objectives	Progress report during 2024
1.Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund's investments to support progress towards a long-term steady state of funding.	The Fund receives advice on commitments to private market mandates in order to maintain target allocations. The Fund has carefully considered options available to it as the Lothbury Property Fund terminated, receiving advice throughout. Ultimately, the holdings will be liquidated and proceeds returned directly to the Fund. The Fund received advice on the evolution of the WPP active equity mandates. The Fund received advice in support of indicative allocations to passive equity solutions via BlackRock and WPP Property solutions. The Fund received advice on forecasting of private market capital requirements to aid liquidity needs. The Fund's returns over 12 months to 30 September 2024 were in excess of 12%, and remain above 7.5% since inception.
2.Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.	Advice was provided on a cashflow waterfall to ensure there is sufficient liquidity to meet private market commitments. A framework has been agreed and liquidity needs continue to be monitored based on the managers' capital call projections. The 2022 actuarial valuation indicated the Fund is expected to be cashflow positive (annual income exceeds annual outgo) for a number of years. This will be reviewed at the 2025 actuarial valuation.
3.Advise on the cost efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the Wales Pension Partnership.	WPP develops investment mandates, and the Fund takes advice from its investment consultant on their use in the Fund's investment strategy, though the Fund may consider non-pool investment mandates where suitable oversight is provided through WPP.

	Private market allocations continue to run off for non-pooled holdings and draw down for pooled solutions. Initial advice was received by the Fund in preparation for pooling of property mandates. The Fund continues to assess the evolution of passive equity solutions that embed WPP's responsible investment (RI) expectations.
4. Ensure advice complies with relevant pensions regulations, legislation and supporting guidance.	All arrangements remain compliant. There have been no recent regulatory changes that the Fund needed to be aware of, although the Fund continues to monitor expected legislative changes (e.g. TCFD and LGPS asset pooling). Guidance is provided by the investment consultant as seen fit by the Fund in relation to pooling of assets as noted in 3, above.
5.Develop the Committee's policies and beliefs, including those in relation to Responsible Investment.	The Fund updated its Investment Strategy Statement over the year. The Investment Consultant supported CIPFA risk reporting as requested. The Fund developed a RI policy in 2022 which continues to guide its investment decision-making and evolve as appropriate.
6.Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment considerations.	Advice has been provided on new investments, to ensure these are consistent with the Fund's investment strategy and RI policy. The Fund will be undertaking further work in relation to climate related risk and net zero over 2025.
7.Provide relevant and timely advice. Services shall be proportionate and competitive in terms of costs relative to consultant peer group. Services should adhere to agreed budgets and be transparent, itemising additional work with fees in advance.	The Fund undertook a retender for investment consultancy services over 2024, and reappointed Hymans Robertson. Costs and quality of services were components of this assessment. Timely advice and regular updates are given, including quarterly performance monitoring, advice on rebalancing and support on asset transitions. Hymans' fees are in line with peer group, with fixed fees for certain core tasks, and time-cost

	fees for additional tasks. Large project fees are agreed in advance. Hymans provide annual scope plans, use pre-agreed budgets and itemise where possible. Hymans is working with the Fund to establish a scope and plan for 2025.
8.Help the Committee develop knowledge and understanding of investment matters.	Hymans have not provided any direct training on new asset classes but support in this regard is provided through WPP. The investment consultant keep the Panel updated on market developments via presentation of the quarterly performance reports. The investment consultant joins and supports meetings with investment managers to ensure the Panel maintain and develop understanding of its allocations. Hymans support as required in relation to pooling, following government consultation on the LGPS.
9. Develop the Committee's knowledge on ESG and climate risk.	Hymans continue to incorporate ESG and climate risk considerations in its advice. Over the period this included initial discussion on the evolution of WPP active equity mandates, and passive solutions provided by BlackRock that integrate the pool's RI beliefs. The Fund continues to monitor the requirements relating to TCFD, measurement of carbon emissions for the portfolio and net zero targets. Further work on climate related risk and net zero alignment is planned for early 2025.
10. The investment consultant works collaboratively with the Fund's actuary, asset managers, and custodian, as well as with other third parties including the pool's operator and advisors.	Hymans work with the Fund's actuary (also Hymans) as appropriate. Over the year this has included identifying an improvement in the Fund's funding level and following up with investment advice. Hymans work with investment managers where relevant for performance reporting, and also projection of private market commitments to support efficient cashflow management.

Consultant's Objectives 2025
1.Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund's investments and support progress towards a long-term steady state of funding. This includes advice following triennial actuarial valuation as appropriate.
2.Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.
3.Advise on the cost efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the Wales Pension Partnership, and reform to LGPS pooling requirements.
4. Ensure advice complies with relevant pensions regulations, legislation and supporting guidance.
5.Develop the Committee's policies and beliefs, including those in relation to Responsible Investment.
6.Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment considerations.
7.Provide relevant and timely advice. Services shall be proportionate and competitive in terms of costs relative to consultant peer group. Services should adhere to agreed budgets and be transparent, itemising additional work with fees in advance.
8.Help the Committee develop knowledge and understanding of investment matters.
9. Develop the Committee's knowledge on ESG and climate risk, leading to establishing a net zero target date and a climate transition action plan setting out the actions the Committee will take to reduce carbon emissions.
10. The investment consultant works collaboratively with the Fund actuary, asset managers, and custodian, as well as with other third parties including the pool's operator and advisors.
11. Develop the Committee's knowledge of the government consultation on the future of the LGPS and how this will impact the operation of the Fund.

MEETING:	**PENSIONS COMMITTEE**
DATE:	**27 JANUARY 2025**
TITLE:	**TREASURY MANAGEMENT 2024-25 MID YEAR REVIEW**
PURPOSE:	**CIPFA's Code of Practice recommends that a report on the Council's actual Treasury Management during the current financial year is produced.**
RECOMMENDATION:	**RECEIVE THE REPORT FOR INFORMATION**
AUTHOR:	**DELYTH JONES-THOMAS, INVESTMENT MANAGER**

1. INTRODUCTION

The Chartered Institute of Public Finance and Accountancy's Treasury Management in *the Public Services: Code of Practice* (the CIPFA Code) requires councils to report on the performance of the treasury management function at least twice a year (mid year and end of year) This report provides the mid- year update.

It was decided at the Pensions Committee, 19 March 2024 to allow the accumulation of pension fund surplus funds and co-invest with the Council's overall cash flow for the 2024/25 financial year.

2. EXTERNAL CONTEXT

Economic Background: UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.

Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

Financial markets: Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

Credit review: Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.

Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.

Financial market volatility is expected to remain a feature, at least in the near term, and~~,~~ credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

3. TREASURY INVESTMENT ACTIVITY

CIPFA revised Treasury Management Code defines treasury management investments as those which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the 6 months, the Council's investment balance ranged between £93.8 and £222.8 million due to timing differences between income and expenditure. The investment position during the period is shown in the following table:

Treasury Investment Position

	31.3.24 Balance £m	**6 month Movement £m**	**30.9.24 Balance £m**	**30.9.24 Income Returns %**
Banks & building societies (unsecured)	5.9	5.0	10.9	4.97
Local authorities	81.0	(5.0)	76.0	5.10
Money Market Funds	43.0	2.2	45.2	5.00
Pooled Funds	11.6	0.2	11.8	5.94
Debt Management Office	0.0	20.0	20.0	4.90

Total investments	**141.5**	**22.4**	**163.9**	

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 treasury investments before seeking the optimum 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.

As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in the table below.

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2024	5.30	A+	38%	36	5.59
30.09.2024	5.22	A+	37%	42	5.33
Similar LAs	**4.01**	**AA-**	**34%**	**97**	**5.19**
All LAs	**4.39**	**AA-**	**61%**	**11**	**5.42**

Bank Rate reduced from 5.25% to 5.00% in August 2024 with short term interest rates largely being around these levels. The rates on DMADF deposits ranged between 4.90% and 5.20% and Money Market Rates between 4.89% and 5.29%.

£13m of the Council's investments has been invested in externally managed strategic pooled property, multi-asset, bond and equity funds where short- term security and liquidity are lesser consideration, and the objectives instead are regular revenue income and long- term price stability. 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 investment objective are regularly reviewed.

The performance of our pooled property, multi-asset, bond and equity funds at 30 September 2024 can be seen below:

STRATEGIC POOLED FUND PORTFOLIO			GWYNEDD				From:	22/02/2019	To:	30/09/2024
FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility
AEGON (KAMES) DIVERSIFIED MONTHLY INCOME FUND	MULTI ASSET	1,158,480	1,194,683	-55,317	357,010	5.6	-4.43%	28.56%	24.14%	9.2%
CCLA - LAMIT PROPERTY FUND	PROPERTY	1,524,344	4,142,557	-857,444	1,093,767	5.6	-17.15%	21.88%	4.73%	6.2%
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	1,228,153	1,130,930	-119,070	278,114	5.5	-9.53%	22.25%	12.72%	3.0%
PAYDEN ABSOLUTE RETURN BOND FUND	ABSOLUTE RETURN	233,541	2,005,698	5,698	131,110	1.1	0.28%	6.56%	6.84%	1.0%
SCHRODER INCOME MAXIMISER FUND	EQUITY - UK	7,625,245	3,308,031	-207,278	993,263	3.9	-5.90%	28.26%	22.36%	11.0%
GRAND TOTAL			11,781,899	-1,233,410	2,853,263	4.4	-9.48%	21.92%	12.45%	4.8%
	Unrealised capital since purchase:		-1,218,102		Annualised income return:			4.54%		
					Average Bank Rate:			1.96%		

It is evident that the combined capital value of £11.782m is less than the initial investment of £13m. 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 rates. Investment in these funds will be maintained in the medium term.

4. COMPLIANCE

The Head of Finance reports that all treasury management activities undertaken during the period complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in the table below.

Investment Limits

	Counterparty Maximum during period	Counterparty 30.9.24 Actual	Counterparty 2024/25 Limit	Complied
The UK Government	£72m	£20m	Unlimited	✓
Local authorities & other government entities	£5m	£5m	£10m	✓
Secured investments	£0m	£0m	£10m	✓
Banks (unsecured)	£5m	£5m	£5m	✓
Building societies (unsecured)	£0m	£0m	£5m	✓
Registered providers (unsecured)	£0m	£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	✓

5. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

i. Long term Treasury Management Investments

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 prudential limits on the long-term treasury management limits are:

	2024/25	2025/26	2026/27	No precise date
Actual principal invested beyond year end	£13m	£0	£0	£0
Limit on principal invested beyond year end	£40m	£20m	£20m	£20m
Complied	✓	✓	✓	✓

Additional 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.

	30.9.24 Actual	2024/25 Target	Complied
Portfolio average credit score	4.75	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.

	30.9.24 Actual	2024/25 Target	Complied
Total cash available within 3 months	£147.1m	£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:

	30.9.24 Actual	**2024/25 Limit**	**Complied**
Upper limit on one year revenue impact of a 1% rise in interest rates	£1,353,149	£2,290,000	✓
Upper limit on one year revenue impact of a 1% fall in interest rates	£1,353,149	£2,290,000	✓

Treasury Management Performance

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

The Council's budgeted investment income for the year is £3.2m, however the actual expected investment income for the year 2024/25 is significantly lower, estimated at £2.2m due to the decrease in the base rate and forecasted future decreases.

6. INVESTMENT TRAINING

During the period, officers have attended investment training with Arlingclose and CIPFA relevant to their roles.

7. RECOMMENDATION

To receive the report for information.