



Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSION BOARD

Date and Time

1.00 pm, MONDAY, 7TH APRIL, 2025

Location

Virtual Meeting

Contact Point

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(DISTRIBUTED 28/03/25)

PENSION BOARD

MEMBERSHIP

EMPLOYER REPRESENTATIVES

Sioned Parry (Conwy County Borough Council)

Edward Michael (Isle of Anglesey County Council)

Vacant seat (Cyngor Gwynedd)

MEMBER REPRESENTATIVES

Hywel Eifion Jones (retired – formerly Isle of Anglesey County Council)

Osian Richards (Gwynedd Council)

Anthony Deakin (retired – formerly Cartrefi Conwy)

A G E N D A

1. APOLOGIES

To receive any apologies for absence

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

3. URGENT ITEMS

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

4. MINUTES

4 - 8

The Chairman shall propose that the minutes of the meeting of this committee held on the 4th of February 2025 be signed as a true record.

5. TRAINING PLAN

9 - 14

To consider the report and accept the 2025/26 Training Plan

6. WALES PENSION PARTNERSHIP UPDATE

15 - 65

To consider and note the information.

7. LGC INVESTMENT SEMINAR 2025 FEEDBACK

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To consider and receive the information.

8. ASSUMPTIONS SETTING FOR THE 2025 VALUATION

67 - 89

To consider the report

9. SUMMARY OF GENDER PENSION GAP ANALYSIS

90 - 111

To consider the report and note the information

10. CONNECTING TO THE PENSION DASHBOARD

112 - 113

To consider the update and note the information

PENSION BOARD 04-02-2025

Present:

Anthony Deakin and Eifion Jones (Member Representatives)

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

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

OTHERS INVITED:

Cllr Elin Hywel (Chair of Pensions Committee) – observing

1. APOLOGIES

Apologies were received from Osian Richards (Member Representative)

Cllr Elin Hywel was welcomed to the meeting and was congratulated on her appointment as Chair of the Pensions Committee

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

• UPDATE ON VACANT SEAT

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

• PENSION BOARD CHAIRS ENGAGEMENT MEETING

The Chair highlighted that she had attended the engagement meeting of the Partnership's Pension Board Chairs (04-02-25) and had highlighted Gwynedd's concerns regarding the suggestion that all operational activity might be delegated to the Partnership, and while accepting that an Investment Strategy was necessary, what would Gwynedd's input into the Strategy be?

4. MINUTES

The Chair signed the minutes of the previous meeting of this committee held on 14 October 2024 as a true record.

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

A report was submitted by the Investment Manager reporting on progress against the current objectives, along with a request to the Board to note the progress and objectives for 2025. It was reported, following a review of the investment consulting and fiduciary management markets, that the Competition and Markets Authority had stated the need for Pension Scheme Trustees to set objectives for their investment consultants, and clearly stipulate what was expected of them.

It was reported that for years now, the Fund had been setting objectives for the current consultants, Hymans Robertson in order to ensure that the work they carried out was aligned with the Fund's strategic objectives, and it also formed part of good governance.

It was reported that the past year had been busy, with the consultants providing advice on the investment strategy with the private markets options, passive equity and ensuring that there was sufficient cash flow to pay the pensioners on a monthly basis. It was reiterated that Hymans had worked with the officers to ensure that internal policies were addressed and that there was compliance with any relevant pension regulations.

Although Hymans did not provide training through direct agreement to the Gwynedd Fund, timely training was available through the Wales Pension Partnership, with significant contributions from Hymans. It was highlighted during a recent tendering period that Hymans had stood out in terms of quality, and although accepting that their fees were high, they were also competitive with other companies.

In reference to the objectives for 2025/26, it was reported that they remained similar to previous years' objectives, but that work to be implemented in 2025 had been added to the list – work such as the triennial valuation, setting a net zero target, and the consultation developments.

The members gave thanks for the report and for updating the objectives

In response to a comment that there was no point in holding excess funds in the Fund as the United Kingdom Government suggests using the surplus money of the funds to fund the growth of the UK economy and whether we should therefore consider reducing employers' payments to avoid this, the Head of Finance noted that discussions were taking place with the actuary on these assumptions, but despite pressure from the Government to pool investments, the Fund's primary duty was to secure the best returns/performance for its members. However, it was accepted that work needed to be done to de-risk investments as investment levels were above 100%.

RESOLVED to note the information and accept the progress made on the consultants' objectives during 2024

6. 2025/26 BUDGET – PENSIONS AND TREASURY MANAGEMENT

The Investment Manager presented, for information, the budget for the Pensions Administration Unit and Investment Unit for the 2025–2026 financial year. She noted that the budget had been approved by the Pensions Committee on 27-01-2025.

She referred to the budget of the Administration Unit, reporting that 25 members of staff were employed in the Unit and that the budget included systems costs, printing,

and central repayments. She noted that the costs were consistent apart from inflation and noted that a few jobs were currently going through the evaluation process and, as a result, the budget may need to be increased somewhat.

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

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

The members expressed their thanks for the report.

RESOLVED to accept the report for information, and note the Pensions Administration Unit and the Investment Unit's budget for the 2025/26 financial year

7. THE PENSION FUND'S ADMINISTRATIVE POLICIES

The Pensions Manager submitted a report that presented six key administrative policies for the Board to examine. He stated that the policies were essential for the effective management and administration of the pension fund, and also marked a significant step towards good governance. He added that following the Board's review, the policies would be submitted for approval by the Pensions Committee in March 2025.

The policies were discussed individually, providing the background and context for each one for the Members.

Proof of Life Policy for Pensioners Living Abroad
Overpayment of Pension Policy
Communication Language Policy
Gwynedd Pension Fund Document Distribution Policy
The Pension Fund's Payslip Issuance Policy
Payment of Pensions Benefits and Lump Sum Policy

The members expressed their thanks for the report and for the work of formalising the policies. It was noted that some of the updates had been wise.

A member welcomed the fact that a reminder would be shared with Members of the new arrangements to ensure that benefits are paid to correct and current bank account details (Payment of Pensions Benefits and Lump Sum Policy), and that this should be highlighted in the policy.

RESOLVED to accept and note the information and to recommend to the Pensions Committee to approve the Policies in March 2025

8. RESULTS OF THE NATIONAL KNOWLEDGE ASSESSMENT

In 2024, the Gwynedd Pension Fund took part in Hymans Robertson's National Knowledge Assessment. The assessment was seen as a comprehensive evaluation designed to assess the knowledge and skills of key decision makers and supervisory bodies within pension funds. Participants were asked to respond to a range of questions across different topics, with a view to using their scores to tailor effective training sessions. It was noted that the results were also benchmarked against other funds.

A report was submitted by the Pensions Manager summarising the Pension Board's results, which also offered possible options to address training needs.

The Board Members were thanked for completing the assessment, accepting that the assessment had been challenging. Although the Gwynedd Pension Fund was ranked 18th out of 19 Funds, this was an improvement on the previous assessment.

Hymans Robertson's comments on the results were highlighted. They reported satisfaction that 14 of the Fund's participants had taken part in the assessment with the results being fairly positive (although clearly there were areas of higher levels of knowledge as well as areas in which knowledge should be developed over time).

As a result of the assessment, training opportunities would be arranged for the Members along with the development of a comprehensive training plan that will focus on improving members' understanding and ability in critical areas.

The members thanked the officer for the report

Observations arising from the ensuing discussion:

- The process was long winded – had lost patience by the final questions
- Welcomed the fact that all Members of the Pensions Board and Committee in Gwynedd had completed the assessment
- The face-to-face training would be beneficial – a good opportunity for networking and to pay full attention to what is being presented
- Given that some Members in other funds had not completed the assessment, the results were rather vague
- For the future, the format / layout of some of the questions needs to be considered - the knowledge required should be considered against information that would be desirable to receive
- Any training was welcome – different topics required a different format – virtual, on-line or in person

In response to the comments, the Head of Finance noted that the Members were not required to know everything as there were experts available in the field to provide advice and guidance, but that a training programme was in place to improve members' knowledge of the field

RESOLVED to note and accept the information.

9. THE AMENDED WORK PLAN

A revised work programme for 2025/26 was presented. It was noted that the plan included matters that had been identified following consideration by the Board at previous meetings and matters arising. It was highlighted that matters emerging during the year could be added to the programme in accordance with the need, together with any matters/ideas arising by members following training sessions and/or relevant events.

The members expressed their thanks for the work programme.

A request was made for an item to discuss the United Kingdom Government's proposed reforms – updates on any new developments.

RESOLVED to accept the work programme and note the information.

The meeting commenced at 1.00pm and concluded at 1.50pm.

COMMITTEE: PENSION BOARD

DATE: 7 APRIL 2025

TITLE: TRAINING PLAN

PURPOSE: To receive an update on 2024/25 training and the 2025/26 Training Plan

AUTHOR: DELYTH JONES-THOMAS, INVESTMENT MANAGER

1. INTRODUCTION

1.1 The purpose of this report is to update the Board on the training that has taken place in 2024/25 and to note the 2025/26 Training Plan for the Gwynedd Pension Fund.

1.2 The Fund has a current policy in place: Knowledge and Skills Policy 2022 (gwyneddpensionfund.wales)

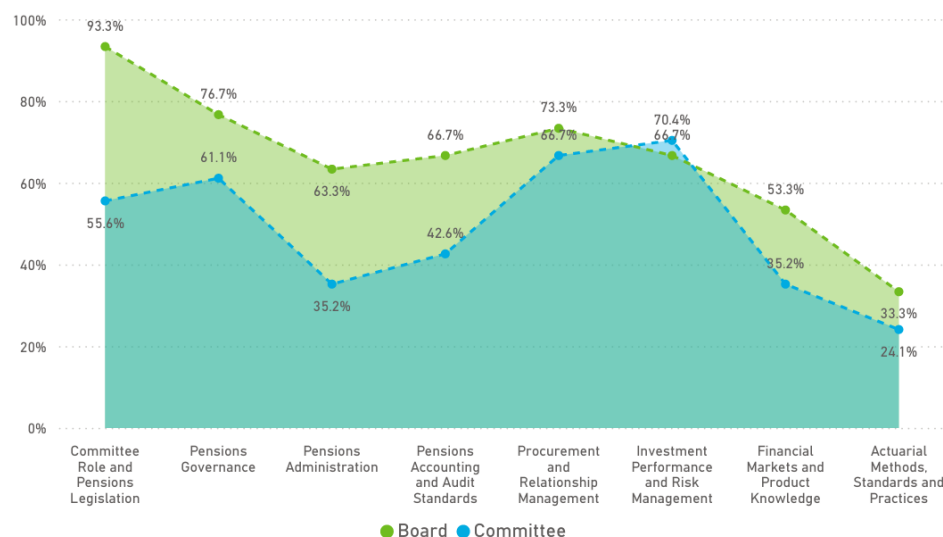
2. 2024/25 TRAINING

2.1 The plan adopted in 2024/25 is in appendix 1 with the progress noted. In addition to the Training Plan, the officers and members of the Committee and Board have also attended a number of conferences during the year.

2.2 Within the Plan it was also expected for officers to attend the CIPFA Accounts Closedown course, but due to no change in accounting regulations this was not necessary this year.

3. RESULTS OF THE LGPS NATIONAL KNOWLEDGE ASSESSMENT 2024

3.1 In 2024, the fund's Committee and Board members participated in this assessment, with the results benchmarked against other funds. After completing the assessment, each member received an individual results report detailing their performance, and the overall results can be found below:



3.2 Hymans Robertson has identified these as the areas on which training should be focused:

- Actuarial methods
- Standards and practices
- Pension administration
- Financial markets and product information

3.3 The survey asked members to identify what subjects they would like to receive training on. The table below summarises the areas where members indicated that training would be beneficial:



3.4 The most popular subjects were:

- Good governance
- Pension governance
- Environmental, social and governance issues
- Actuarial methods

4. TRAINING PLAN 2025/26

4.1 A training plan for 2025/26 can be seen in Appendix 2.

4.2 We have incorporated the topics set out in 3.2 and 3.4 into the Training Plan. A pension administration item will become more regularly to the committee, and we will provide information within the areas of standards and practices and financial markets in our investments panels.

5. RECOMMENDATION

5.1 The Board is asked to accept the report and the 2025/26 Training plan.



Gwynedd Pension Fund Training Plan 2025/26

It is best practice for Gwynedd Pension Fund officers, committee and board members to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions,
- the pooling of local authority pension schemes, and
- relevant investment opportunities.

We have set out below a list of training topics which have been provisionally planned during the 2025/26 financial year which are based on current topical priorities:

Topic	Provisional Date	Applies to	Provider
Actuarial Methods and Assumptions	March 2025	Officers, Committee and Board Members	Hymans Robertson
Net Zero Follow up Workshop	Summer 2025	Officers and Committee Members	Hymans Robertson
Governance in the LGPS	Autumn 2025	Committee and Board Members	Hymans Robertson
Private Markets Product Knowledge	Q1	Officers, Committee and Board Members	Wales Pension Partnership
Local/ Impact Investments within Private Markets asset classes	April – June 2025		Wales Pension Partnership
Voting and Engagement	Q2	Officers, Committee and Board Members	Wales Pension Partnership
Stewardship Code and reporting requirements	July – September 2025		Wales Pension Partnership
Responsible investing- TBC	Q3	Officers, Committee and Board Members	Wales Pension Partnership
Responsible investing- TBC	October – December 2025		Wales Pension Partnership
Pooling consultation	Q4		Wales Pension Partnership

Any new regulatory/ guidance developments	January – March 2026	Officers, Committee and Board Members	Wales Pension Partnership
Accounts Closedown	February 2026	Officers	CIPFA

Gwynedd Pension Fund Training Plan 2024/25 - Update

Topic	Provisional Date	Applies to	Provider	Completed?
WPP Pooled investments	Q1	Officers, Committee and Board Members	Wales Pension Partnership	✓
Overview of cyber security and considerations for WPP	April – June 2024		Wales Pension Partnership	✓
Responsible Investment Policy	Q2 July – September 2024	Officers, Committee and Board Members	Wales Pension Partnership	✓
Climate Risk Policy			Wales Pension Partnership	✓
Stewardship Policy			Wales Pension Partnership	✓
Net Zero journey planning	Q3	Officers, Committee and Board Members	Wales Pension Partnership	✓
Climate metrics	October – December 2024		Wales Pension Partnership	✓
Progress of other LGPS pools and collaboration opportunities	Q4	Officers, Committee and Board Members	Wales Pension Partnership	✓
Any new regulatory/ guidance developments	January – March 2025		Wales Pension Partnership	✓
Accounts Closedown	February 2025	Officers	CIPFA	X- no change in the accounting rules

Gwynedd Pension Fund Training Plan 2024/25 - Update

The following conferences and training events were also attended by officers, Committee and Board members as part of their professional development:

- LGC Investment Seminar
- LAPF Strategic Investment Forum
- DG Publishing Pooling Symposium
- LGC Investment Summit
- LGA Governance Conference

MEETING: PENSION BOARD

DATE: 7 APRIL 2025

TITLE: WALES PENSION PARTNERSHIP UPDATE

AUTHOR: DELYTH JONES-THOMAS, INVESTMENT MANAGER

1. Introduction

The collaboration has been going from strength to strength since its establishment in 2017 and 85% of the Gwynedd fund has been pooled with Wales Pension Partnership.

The performance to date has been mixed in very challenging conditions and many developments are underway and therefore this paper provides an update for the Board.

2. Wales Pension Partnership Funds

The amounts invested in each sub-fund and their performance up to 31st December 2024 can be seen below:

	Valuation 31/12/24	3 Months Return	3 Months Benchmark	1 Year Return	1 Year Benchmark	Since Inception Return	Since Inception Benchmark
	£m	%	%	%	%	%	%
WPP Global Growth	435.8	4.0	6.0	13.2	19.6	10.2	12.3
WPP Global Opportunities	470.2	5.3	6.0	17.9	19.6	12.7	12.3
WPP Emerging Markets	63.2	0.4	-1.1	9.4	10.7	-0.9	1.1
WPP Sustainable Equity	333.8	2.9	6.0	13.9	19.6	13.9	19.0
WPP Multi Asset Credit	238.3	-0.8	2.2	7.5	9.5	3.0	6.7
WPP Absolute Return Bond	398.0	2.8	1.7	8.7	7.4	4.1	4.7
WPP Global Credit	230.0	-1.4	-1.6	3.5	3.1	-1.4	-1.2

The performance of each sub-fund is monitored by the WPP as well as our advisors on a continuous basis, and any concerns are presented to the investment manager (Russell Investments). Russell Investments will 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.

The fund continues to invest in the new WPP private markets funds, managed by the following investment managers.

Private Debt: Russell Investments

Closed-ended infrastructure: GCM Grosvenor

Open-ended infrastructure: CBRE Global Infrastructure Fund, IFM Global Infrastructure Fund and Octopus Renewables Infrastructure SCSp.

Private Equity: Schrodgers

The investments will increase quarter on quarter as capital is called, and a report on their progress will be presented to the Board in due course.

3. Developments

3.1 Real Estate

The WPP is in the process of establishing a real estate portfolio. The requirement for each property manager is:

- UK Core Real Estate, to take existing pooled fund investments and transition them over time to an open-ended direct property investment portfolio.
- International Real Estate, to establish an open-ended investment vehicle investing in funds and direct assets on a global basis.
- Local / Impact Real Estate, to develop an investment programme utilising fund investments and direct asset investments in UK Impact strategies, with at least 50% of assets located in Wales.

Gwynedd Pension Fund will be consolidating its property portfolio in order to take advantage of these options.

3.2 Fit for the Future

In November 2024, the government launched a consultation on proposals to put the LGPS (Local Government Pension Scheme) on a “clearer, firmer trajectory to scale and consolidation”, as well as measures to improve scheme governance and investment capabilities. Together these proposals are intended to provide long-term clarity and sustainability for the future.

The consultation closed on 16th January 2025. The consultation sought views on proposals to strengthen the management of LGPS investments in three key areas:

1. Reforming the LGPS asset pools
2. Boosting LGPS investment in their localities and regions in the UK, and
3. Strengthening the governance of both LGPS Funds and LGPS pools

LGPS funds have worked with key LGPS stakeholders, including the Scheme Advisory Board (SAB) and their own investment pools, in preparing responses to the consultation. Fund officers worked closely in consultation with the Chair of the Pension Committee and colleagues across the Wales Pension Partnership in developing its response which was submitted ahead of the 16th January deadline. A copy is available under Appendix 1. The WPP, as one of the eight LGPS asset pools across England and Wales, also issued a response to the consultation.

One of the requests of the Government was for all existing LGPS pools in England and Wales to prepare a business case submission, by the 1st of March 2025, setting out consideration for how pooling can be enhanced, focusing on:

1. The benefits of scale
2. Resilience
3. Value for money
4. Viability for completion by the proposed deadline

The WPP, following detailed engagement with the Joint Governance Committee (JGC) successfully submitted its business case submission to Government on Friday 28th February and a copy is appended to this report within Appendix 2. A key proposal within the submission is that Wales should retain a stand-alone LGPS pool, building on the success of existing pooling arrangements. WPP is now awaiting feedback on its business case submission while the LGPS awaits consultation feedback more generally. In the proceeding months there will

need to be further consideration and formal approval to progress matters and officers will continue to keep members informed of these developments as they materialise.

4. Pension Board Chair's Engagement meeting- 30th April 2025

Sioned Parry and Osian Richards (as the Scheme Member Representative of the JGC) will be attending this meeting and will provide an update to the Board in the next Board meeting.

5. Recommendation

The Board is asked to note the information.

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 its 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 by 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 recognise 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 be 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.



LGPS “Fit for the Future”

Wales Pension Partnership Submission to Government:

A standalone LGPS pool for Wales

February 2025

Wales Pension Partnership Submission to Government: a standalone LGPS pool for Wales

This submission has been prepared by the Wales Pensions Partnership (WPP) and is in response to the Government's request for proposals that meet the requirements of the LGPS "Fit for the Future" consultation (November 2024) and "guidance for pool submissions" set out in the Ministers' letter to WPP dated 2 December 2024.

WPP is committed and aligned to the Government's objectives, including the transfer of all remaining assets to pool management quickly and the intention to further increase the benefits of LGPS investment pooling, including increasing the focus on local investment and supporting UK growth.

We appreciate the Government's acknowledgement in the consultation (para 62) that there are unique considerations in respect of Wales supporting the continuation of a separate investment pool for the 8 LGPS Administering Authorities in Wales as a devolved nation. We propose adaptations to our operating model, including the establishment of an FCA-regulated investment management company ("IM Co"), to meet all of the Government's requirements.

Details of our plans for the WPP to continue as a separate pool, uniquely placed to deliver benefits to LGPS scheme members in Wales, and to continue to bring wider benefits through local investment in Wales and the rest of the UK are set out in this submission and are aligned with Government criteria – scale, resilience, value for money and viability against deadline.

We look forward to any feedback you may have on our submission. In the meantime, we will continue with the implementation work that is already underway.

Cllr. Elin Hywel	Cyngor Gwynedd (Gwynedd Pension Fund)
Cllr. Mike Lewis	Swansea Council (City and County of Swansea Pension Fund)
Cllr. Peter Lewis	Powys County Council (Powys Pension Fund)
Cllr. Mark Norris	Rhondda Cynon Taf County Borough Council (RCT Pension Fund)
Cllr. Dan Rose	Flintshire County Council (Clwyd Pension Fund)
Cllr. Chris Weaver	City of Cardiff Council (Cardiff and Vale of Glamorgan Pension Fund)
Cllr. Elwyn Williams (Chair)	Carmarthenshire County Council (Dyfed Pension Fund)
Cllr. Nathan Yeowell	Torfaen County Borough Council (Greater Gwent (Torfaen) Pension Fund)

Members of the WPP Joint Governance Committee

For and on behalf of WPP

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1. Introduction: WPP today and Building for the Future

The WPP to date

The WPP is a geographic collaboration representing all LGPS pension funds in Wales.

Collaboration across the 8 LGPS pension funds in Wales is not new – these funds have a long and proven track record of working together. The 2013 report “Welsh LGPS – Working Together” identified that a joint approach delivers the economies of scale, operational efficiencies and improved investment outcomes that underlying funds want, while being the catalyst to identify local investments and establish responsible investment and other policies.

The strategic business case for the 8 Welsh LGPS funds to form an investment pool for Wales was built on the solid foundations laid in the existing close working relationships. It also, importantly, offered an opportunity to establish an investment pool for Wales reflecting the unique cultural and national characteristics of a devolved nation, with the chance to make a difference for the LGPS stakeholders in Wales. From a practical perspective, the proposal addressed the regulatory obligations around The Welsh Language Act, The Well-being of Future Generations (Wales) Act and the distinct audit regime present in Wales.

The formal establishment and structuring of the WPP in 2015 was fully compliant with Government criteria at that time, while meeting the strategic requirements of the underlying 8 Welsh LGPS pension funds, reflected in the representative, open governance and operational framework established. The model was fully committed to leveraging the skills and expertise of the market, hiring both the underlying pool architecture and investment management capability while exercising its status as an investor of significant scale to deliver fee savings and operational benefits to the underlying funds.

Successes of WPP to date include:

- 70% of assets pooled
- Robust governance and a highly aligned collaboration between the administering authorities in Wales
- Delivered fee savings of £40m
- Dedicated pooled investment vehicles for WPP investors
- Establishing a range of 10 multi-manager listed asset sub-funds to meet investment strategy needs of administering authorities
- Establishing private market funds in Private Debt, Infrastructure, Private Equity and Real Estate
- Delegated Portfolio Management and Implementation Services across listed assets and private markets
- Responsible Investment Policy, Stewardship & Engagement Policy, Risk Management framework
- Voting and Engagement provider appointed to implement pool policies
- Pool stock lending programme to add value to administering authority investments
- Pool training programme established for JGC, administering authority S101 committees and local Pension Board members to support good governance
- Establishing a stakeholder engagement group
- Local/national (Wales) impactful deployment of capital (by investing in renewable infrastructure, affordable housing, battery storage, natural capital)

The WPP – Fit for the Future

WPP welcomes the Government review launched on 14 November 2024, and the formal WPP response to that consultation has been submitted in accordance with the timetable. It concurs with the Government conclusions in paragraph 62 of the consultation:

“62. In particular, the Wales Pension Partnership operates within a devolved nation and has separate partnerships with the Welsh Corporate Joint Committees. It may therefore make sense for Welsh LGPS funds to continue in a separate pool.”

Having undertaken a thorough consideration of other options, it is clear that merger or becoming a client of another pool would not be a “more cost effective or otherwise preferable approach to achieving compliance”.

This submission sets out the compelling business case for the WPP to remain a standalone investment pool for Wales, building the additional requirements for the pool operating model set out by Government in the consultation. This builds on the success of WPP to date and delivers across the range of objectives that the Government has set out in its ambitions for the progress of the LGPS – specifically, the LGPS in Wales. This submission demonstrates WPP’s ability to deliver across all fronts as a standalone investment pool.

WPP proposes to establish a standalone Financial Conduct Authority (“**FCA**”) authorised investment management company (“**IM Co**”) in line with Government criteria and to move all WPP assets into IM Co management in line with the timescales outlined. This submission also demonstrates the objective evaluation of our plans against the Government’s identified criteria (Benefits of Scale, Resilience, Value for Money, Viability against timeline) and how this is optimal compared with other options.

The decision to build a WPP IM Co offers a unique opportunity to establish a material centre of excellence in LGPS investment in Wales, creating valuable career opportunities while enhancing the financial services sector in Wales.

The proposed target operating model builds on the success, positive experience and professional strategic relationships established and developed in the WPP journey to date. This approach is also adopted to expedite the ‘transition’ to the new operating model by the specified date of March 2026 and shall continue to leverage the benefits of the scale that our partners have in the market, while building capability to identify and undertake due diligence on local investments, provide investment advisory services and manage legacy assets.

In time, WPP IM Co plans to deliver additional benefits to administering authority investors by extending the range of in-house investment management capabilities.

The strategic relationships established with our existing service delivery partners enable a logical evolution of the current WPP model into a standalone FCA-regulated IM Co. Subject to appropriate steps to ensure compliance with public procurement law, we intend to transfer these relationships into the new IM Co and day 1 operating model. The model harnesses the experience and resourcing of these already FCA-regulated partners, which will greatly assist the process to form an FCA-regulated IM Co and satisfy the rigorous application criteria, advising and assisting on the appointment of the key senior management personnel required by the FCA upon authorisation while providing the resourcing to deliver IM Co investment advisory services.

When appraising other pool options, avoiding the need to transition WPP assets into another LGPS pool was a significant factor given the considerable transition costs involved, which have been conservatively modelled at approximately £45m on listed actively managed assets alone. (Source: Russell Investment Management) There would be further additional transition costs on passive listed and private market assets.

Under merger, there would be dilution of WPP’s voice in governance as a shareholder or client compared to the preferred alternative. This could limit our ability to direct local investment to communities in Wales, for example. Merger requires partner fund agreement, FCA authorisation and asset transition. It would also take several years, diverting resources from delivery without obvious compensating benefits.

Establishing the WPP IM Co ensures the retention of the corporate memory of administering authorities in Wales to enable the continued efficient management of the portfolio of legacy assets, which would be lost if forced to transition to another pool. This submission shows that on balance, for all the reasons identified here, other pool options have been discounted. At the same time, we will continue to seek opportunities for collaboration across pools, including co-investment opportunities that support UK growth.

The formation of WPP IM Co presents a once-in-a-generation opportunity to create a standalone LGPS Investment Company for the benefit of all the stakeholders of the underlying 22 local authorities in Wales, 382 employers and 412,000 members. Not only can the WPP continue to invest for, and safeguard the LGPS pensions of, its members, it shall have the chance to continue in its role investing locally throughout Wales and the rest of the UK, working with Councils, Corporate Joint Committees, The Development Bank of Wales, British Business Bank and Welsh Government, promoting economic growth, providing employment, safeguarding clean energy and enhancing the wider infrastructure of the country, for the benefit of the people of Wales.

2. Executive Summary

Options analysis and decision to build

- 2.1 The WPP administering authorities strongly agree with the Government's view in the "Fit for the Future" consultation (paragraph 62) that there are unique considerations in respect of Wales supporting the continuation of a separate investment pool for the 8 LGPS funds in Wales.
- 2.2 Continuation of a separate investment pool for Wales is necessary to reflect the unique cultural and national characteristics of a devolved nation.
- 2.3 We believe it is the only option that will ensure the WPP is able to effectively direct local investment to promote economic growth and support communities in Wales (a key goal for a standalone pool for Wales) and can also effectively and cost-efficiently deliver the specific responsible investment goals of LGPS stakeholders in Wales. (An example is the forthcoming launch of passive mandates specifically aligned to WPP's responsible investment policies.)
- 2.4 This approach offers a unique opportunity to establish a centre of excellence in LGPS investment in Wales, creating career opportunities and enhancing the financial services sector in Wales, building on the success of Development Bank of Wales. From a practical perspective, it is the most credible approach that enables us to comply with regulatory obligations around The Welsh Language Act, The Future Generations of Wales Act and the distinct audit regime in Wales.
- 2.5 Options to merge or become a client of another pool were given thorough consideration by WPP. Those options do not address the unique considerations in respect of Wales, would result in diluted influence as clients and shareholders to shape LGPS investment services to meet the needs of stakeholders in Wales, would be ineffectual in directing local investment to the Welsh economy and communities and would potentially incur £50m or more costs for LGPS stakeholders (investment transition costs on listed assets, legal and other advisor costs and costs of winding up current pooling arrangements) without any material offsetting cost savings.
- 2.6 We therefore plan to continue as a separate investment pool and adapt our operating model to meet all Government requirements, including establishment of an FCA-regulated investment management company ("IM Co").

Build proposal: meeting Government's new pool operating model requirements

- 2.7 WPP starts with many of the key elements of the required operating model in place – pooling vehicles including dedicated Authorised Contractual Schemes (ACSs) for WPP actively managed and passive investments, delegated implementation services and delegated discretionary investment management via FCA-regulated fund "operators" and portfolio managers across listed and private market assets and collective client-side governance and oversight of WPP pool service providers.
- 2.8 We will add to our operating model an FCA-regulated IM Co with both advisory and investment management permissions. It will be staffed by experienced industry professionals. The IM Co will provide implementation services (transferring any remaining local implementation work to the IM Co and over time developing in-house portfolio management capabilities), investment advice, local investment capability (sourcing, assessing and managing local investments) and legacy asset management (i.e. it is expected all legacy assets will be under pool management from day 1).
- 2.9 With the support from and validation by existing service providers and advisors (including specialists in compliance and FCA authorisation) we have completed the high-level design work on the new target operating model for the new FCA-regulated IM Co and client-side governance.
- 2.10 WPP IM Co will continue to use existing and new third party delegates to support delivery of services (e.g. fund operators, discretionary managers for listed and unlisted assets and investment advisors). This gives WPP access to scale benefits of service partners, provides resilience in the operating model, reduces implementation risk (reducing hiring and build requirements for day 1) and enables a gradual transition to increased capabilities in respect of in-house portfolio management and advisory services. This approach also buys time for the new-hire CEO and their team to shape the WPP IM Co's future development and growth in service provision.

- 2.11 We plan additional new elements in the governance framework, including a client-side Shareholder Board with representatives of all administering authorities. The role of the Shareholder Board is to agree shareholder “reserved matters” in respect of the WPP IM Co (wholly owned by the administering authorities), including approval of business plans and budgets proposed by the IM Co and its senior hires.

IM Co implementation and running costs

- 2.12 Based on the target operating model, we have fully assessed day 1 and day 2 in-house resource requirements, technology requirements and costs (including external service partner costs).
- 2.13 The estimated additional annual running costs of the new operating model on day 1 are £5–5.5m annual after deducting administering authority cost savings (including transfer of advisory services to WPP IM Co, centralised production of reporting across all assets for each administering authority by the IM Co and a further reduction in any remaining local involvement in investment implementation). IM Co costs will rise as it increases its in-house management capability over time and external spend on investment management and other services will reduce.
- 2.14 In the medium and long term, WPP is aiming to deliver financial benefits that exceed the additional costs of the new operating model e.g. by bringing “in-house” an increasing range of portfolio management activities on listed and unlisted assets over time. In addition, WPP believes the standalone investment pool will have governance benefits that will add significant value over time.
- 2.15 WPP administering authorities will provide Regulatory Capital (estimated to be £5–10m, with this estimate to be finalised as part of the risk-based assessment required when the authorisation application is submitted to the FCA this summer).
- 2.16 The WPP has established a project budget for the delivery of the reforms set out in this submission, which is estimated to be circa £1.6m (legal advisors, specialist compliance support, investment consultants and project managers). In addition, there will be salary costs for personnel onboarded before March 2026 to assist in setting up and testing systems, processes and controls before going live.
- 2.17 There are no investment transition costs. This is a key difference from a merger and one of the reasons that option was discounted. Merger also has project implementation costs (legal, transition management advice, project management). We estimate investment transition and other implementation costs for a merger to be potentially c£50m or more.

Implementation Plan

- 2.18 Our project delivery team including programme management was mobilised in December 2024. A project team composed of officers, our strategic delivery partners, legal advisors and programme management support reports weekly to a Steering Group (S151 officers). The JGC members (Chairs of S101 committees) are briefed regularly and provide sign-off at key points, including approval of this submission to Government.
- 2.19 Implementation is underway. We set out our detailed implementation plans in section 6. Critical path elements of the implementation plan include the “governance pathway” (obtaining necessary individual administering authority governance approvals including budget sign-off), commencing search and selection for senior roles in March 2026 and preparing to submit in summer an application to the FCA for authorisation of the WPP IM Co.
- 2.20 We have no concerns on FCA authorisation. Our specialist advisors will support the FCA application process and ensure our application is “approval ready”. The FCA assigned a case team in January and regular touch-points are scheduled from now through to submission of our authorisation application. Our initial discussions with the FCA case team have been positive and constructive.

Benefits delivery

- 2.21 Continuation of a standalone LGPS investment pool for Wales and the planned further development of WPP’s pool operating model and investment capabilities will deliver significant benefits for LGPS stakeholders and the people of Wales including:
- building on a long history and success of collaboration of the partnership

- a pooling model where success will be defined and measured by its ability to deliver for Wales and the UK
- local investment to promote economic growth and support communities in Wales, building on the success of Development Bank of Wales and initiatives such as Cardiff Capital Region/Corporate Joint Committees
- additional financial savings from bringing an increasing range of portfolio management and advisory services in-house over time
- further reducing local administering authority costs (reporting, managing local/legacy investments, etc)
- delivering the specific responsible investment goals of LGPS stakeholders
- continuing to benefit from the global scale and purchasing power of our strategic delivery partners
- the ability to review service providers periodically to ensure best-in-market service delivery and value for money.

Government assessment criteria

- 2.22 Benefits of Scale: WPP's current pooling model already delivers scale benefits, offering access to a wider range of asset classes and cost savings from global scale and purchasing power of service delivery partners. This has been validated by independent cost and performance bench-marking specialists CEM. On actively managed listed assets alone, WPP saved administering authorities £10.3m net of pooling operating costs. Our planned further development of WPP's operating model and investment capabilities will, over time, deliver additional scale benefits including material additional financial savings and local investment capability.
- 2.23 Resilience: a robust governance framework supported by a pool oversight advisor oversees current delegated implementation services. Delegates have the high standards of operational resilience required to meet FCA regulatory requirements. Additional new elements of the governance framework will include a client-side Shareholder Board with representatives of all Welsh administering authorities. As an FCA-regulated entity, the WPP IM Co will be subject to regulatory requirements in terms of conduct, systems, processes and controls that provide additional resilience and assurance to administering authorities as clients and investors. Senior Management Functions will be supported by capable and experienced professionals to provide additional resilience to WPP IM Co. In addition, strategic delivery partners have access to deep and broad resource pools (global in some cases) and can be more easily replaced than an underperforming in-house function.
- 2.24 Value for Money: see points above on cost savings from global scale and purchasing power of service partners. In future, WPP IM Co will take on more in-house management, delivering further cost savings. The new operating model will also reduce administering authorities' local costs (advice, reporting and any remaining investment implementation activities that will move to the IM Co).
- 2.25 Viability against deadline: please see implementation plan above. WPP and its advisors are confident that the additional new requirements for the pool operating model can be put in place by March 2026. This is subject to the Government confirming its proposed requirements as soon as possible to enable local authority governance approvals to proceed. The FCA has put in place a case team and is in regular scheduled contact. The cost and complexity of the build is significantly reduced because many of the key elements of the required day 1 operating model are already in place (pooling vehicles, delegated implementation services and delegated discretionary investment management via FCA-regulated fund "operators" and portfolio managers across listed and private market assets and collective client-side governance and oversight of WPP pool service providers).

Longer term aspirations – 2030 and beyond

- 2.26 WPP aspires to create a centre of excellence for investment management in Wales, building on the successes of organisations such as the Development Bank of Wales, and recognises the opportunity to become a best-in-class LGPS pool serving its scheme employers and members.
- 2.27 Beyond March 2026, work will continue to further enhance the IM Co's operating model, developing in-house capabilities aligned with the long-term aspirations of Government and delivering benefits to the LGPS and wider communities of Wales.
- 2.28 Our five-year ambition will see opportunities for adding significant value from more in-house portfolio management of listed sub-funds (including "manager of managers" mandates) and private market allocator roles. We have ambitions to become a leader in local and impact investment and will actively engage and collaborate with other LGPS investment pools where there are opportunities to identify and participate in UK investments. Over the same timeframe, we expect to reduce use of strategic investment partners in investment implementation and investment advice services as we build in-house capacity and resilience.

- 2.29 To develop these in-house capabilities, we will need to increase the size and capabilities of the WPP IM Co team. We expect to double IM Co personnel within the first 2–3 years, increasing in-house capacity and capabilities including additional portfolio manager resource and a Head of Responsible Investment to deliver WPP's ambitious responsible investment goals. Our strategic delivery partners will work with us to develop in-house capabilities through knowledge transfer and upskilling WPP IM Co personnel.
- 2.30 Once WPP IM Co is established, the senior management team will prepare a more detailed 5-year plan to the Shareholder Board, prioritising development of the operating model where greatest value can be achieved.
- 2.31 With the above in mind, WPP are mindful of the need to preserve business as usual activity and to minimise disruption to the delivery of existing objectives and priorities while undertaking the reform measures noted. The plans set out in this submission focus on day 1 delivery (Government's "minimum" requirements for March 2026).

Next steps

- 2.32 We look forward to discussing any comments or questions MHCLG and HMT may have on this submission. It will assist WPP and other pools greatly if the Government can confirm its intentions and requirements following the "Fit for Future" consultation. This will help administering authorities with internal governance approvals including expenditure on implementation and hiring. In the meantime, work on implementation will continue.

3. Consideration of other options and decision to build

Having undertaken a thorough consideration of other options, it is clear that merger or becoming a client of another pool would not be a “more cost effective or otherwise preferable approach to achieving compliance”.

3.1 Why build and continue a separate investment pool for Wales?

The Government acknowledges in its consultation (primarily in paragraph 62) that there are unique considerations in respect of Wales supporting the continuation of a separate investment pool for the 8 LGPS funds in Wales.

This is the only option that can effectively ensure the continuation of local investment in Wales to promote economic growth and support communities. Evidence of our work to date in facilitating investments in local investment opportunities in Wales includes:

- 1) Windfarms (Capital Dynamics): c£70m investment by WPP to develop windfarms across Wales. The project is expected to invest in up to 16 onshore wind projects totalling 2.1GW located across Wales, supporting enhancements to existing grid infrastructure;
- 2) Forestry (Gresham House): WPP is currently exploring the potential to invest in a fund that plans to acquire c7,000 hectares of existing productive forestry land to grow and harvest commercial timber across the UK, with a number of forests in Wales;
- 3) Battery storage infrastructure (Quinbrook Infrastructure Partners): c£55m net investment into two projects based in Wales (Rassau, Ebbw Vale and Uskmouth, Newport). 619 jobs created to support the development and construction of these two key Welsh assets, with permanent long-term jobs retained for maintenance and security of assets. 115 megawatts of new (and therefore additional) capacity generated from Uskmouth asset to National Grid (supporting wider Government objectives).

Continuation of a separate investment pool for Wales is also the only option that can effectively and cost-efficiently deliver the specific responsible investment goals of LGPS stakeholders in Wales. An example is the development by Blackrock of a passive investment ACS vehicle for WPP with a bespoke passive mandate specifically aligned to WPP's responsible investment policies.

Building on our existing operating model leverages the scale benefits of our service partners and their global operations platforms and buying power (Russell Investments, Blackrock, non-listed managers and Waystone) enables WPP to deliver the scale benefits of pooling that are greater than those achievable with WPP assets alone.

This has been validated by independent analysis by CEM Benchmarking, global leaders in cost and performance benchmarking for institutional pension fund asset owners. An example of their analysis is shown below. On actively managed listed assets alone, WPP saved Welsh administering authorities £10.3m (circa 7bps on £14bn assets in the WPP ACS) in the year to end March 2024, relative to what their funds would have expected to pay as individual investors. This saving is net of the costs of the current pool operating model for listed managed assets in the WPP ACS. WPP has also made substantial fee savings by pooling passively managed listed and private market investments.

WPP saved the Partner Funds £10.3 million in the year to March 31, 2024 relative to what those Partner Funds might have expected to pay independently, based on the experience of similar funds outside the pool.

All products and Partner Funds
Distribution of cost savings by sub-fund and Partner Fund: 1 Year to 31st March 2024

	SWA £m	CAR £m	TOR £m	RCT £m	GWY £m	CLY £m	DYF £m	POW £m	Total £m	
UK Opportunities	-	0.1	0.1	-	-	-	-	-	0.1	• The product generating the most savings was the Global Opportunities fund.
Global Opportunities	-2.5	-1.1	-1.0	-0.8	-1.0	-0.1	-	-	-6.5	
Global Growth	-	-0.3	-	-1.9	-0.6	-	-1.5	-0.2	-4.3	
Emerging Markets	-	-0.4	-0.2	-	-0.2	-0.2	-	0.0	-0.9	• 8 out of 9 (89%) of products/sleeves delivered savings in the past year to Partner Funds.
Multi-Asset Credit	0.0	-0.1	-	0.0	-	-0.1	-	0.0	-0.3	
Global Credit	-	-0.2	-0.3	-	-	-	-0.3	-0.1	-0.9	
Absolute Return	-0.1	-	-	-	-0.7	-	-	-0.1	-0.9	• 8 out of 8 (100%) of Partner Funds saved by investing through the pool.
Global Government	-	-0.1	-0.1	-	-	-	-	-	-0.3	
UK Credit	-	-	-	-0.9	-	-	-	-	-0.9	
Total	-2.7	-2.0	-1.6	-3.6	-2.4	-0.5	-1.8	-0.4	-14.9	
Invoiced 23/24 pool fees*	0.6	0.8	0.8	0.9	0.6	0.3	0.5	0.1	4.6	
Total (less invoiced pool fees)	-2.1	-1.2	-0.8	-2.7	-1.7	-0.1	-1.3	-0.3	-10.3	

Once WPP's FCA-regulated IM Co with advisory and investment management permissions is established, we expect IM Co to take on an increasing number of portfolio management responsibilities over time, further removing some external partner costs and delivering additional cost savings to offset against the additional costs of running the WPP IM Co. IM Co management will assess the business cases that will determine the priority order for taking on additional in-house portfolio management activities over time.

3.2 Reasons for ruling out merger and becoming a client of other pools

WPP has had informal discussions with a number of other LGPS pools and has considered options for merger or becoming a client of another pool.

Merger or becoming a client of another pool would weaken the voice of Wales in investment pool governance, reducing or removing our ability to effectively direct LGPS investments to local investment for economic growth in Wales and deliver the responsible investment objectives of Wales. These will form key strategic requirements of the WPP IM Co, which the 8 Welsh funds will oversee and hold to account as its shareholders.

Merger or moving assets to another pool is likely to result in the costly unwinding of WPP's existing pooled investments. Russell Investment Management's asset transition experts have carried out a detailed assessment of the cost of transitioning to comparable mandates in other pools and have concluded that the cost of transition on actively managed listed assets alone could be c£45m. [See Appendix 1]

Additional costs for a merger, including legal costs and winding up existing arrangements, could take the total cost to more than £50m. Future net-of-fees performance in any pool is obviously an unknown and could not be relied upon to recoup this additional cost. This is, therefore, an unacceptable cost for LGPS stakeholders in Wales.

Benefits of a standalone pool for Wales

Merger or becoming a client of another pool would deprive Wales of many of the benefits of a standalone LGPS investment pool and planned further development of WPP's pool operating model and investment capabilities. The benefits include:

- 1) Dedicated resource working with public bodies and agencies in Wales to source, assess and manage local and impact investments, promoting economic growth and supporting communities in Wales.
- 2) In time, additional financial and governance benefits that are expected to exceed the additional costs of the new operating model. For example, we would expect an increasing range of portfolio management activities on listed and private market assets to be brought under in-house management over time, in line with Government expectations.
- 3) Immediate savings for administering authorities from transferring remaining investment implementation functions to the WPP IM Co, centralising reporting and centralising provision of strategic investment advice in

the WPP Pool Co (initially through competitive procurement of an external partner by the Pool Co) and, in the longer term, greater savings by building an in-house advisory team.

- 4) Transferring components of the existing WPP pooling model to the new operating model (including existing pooled vehicle structures), continuing to benefit from the global scale and purchasing power of service delivery partners (currently including Russell, Blackrock, CBRE, Schrodgers and Waystone) and an ability to review and replace service providers and obtain competitive fees through competitive procurement (in future a responsibility of the WPP IM Co).
- 5) Delivering the specific responsible investment goals of LGPS stakeholders in Wales. An example is the development by Blackrock of a passive investment ACS vehicle for WPP with a range of passive mandates specifically aligned to WPP's responsible investment policies.
- 6) A unique opportunity to establish a centre of excellence in LGPS investment in Wales, creating career opportunities and enhancing the financial services sector in Wales.

From a practical perspective, continuing a standalone pool for Wales enables us to comply with regulatory obligations around The Welsh Language Act, The Well-being of Future Generations (Wales) Act and the distinct audit regime present in Wales.

4. Build proposal: meeting the Government's new pooling requirements

4.1 Current Pool Operating Model

WPP's current pool operating model complies fully with existing Government requirements introduced in 2016 including:

- Pooled investment vehicles for listed and unlisted assets
- FCA-regulated fund operators for listed and unlisted assets (Authorised Fund Managers "AFMs" and Alternative Investment Fund Managers "AIFMs", respectively)
- Delegated "strategy implementation services" provided by fund operators and investment managers appointed by fund operators
- Delivering cost savings

The pooled vehicles include WPP's dedicated FCA-regulated ACS operated by Waystone (the operator/AFM). Waystone appointed Russell Investments, who provide investment implementation services and portfolio management services for a range of multi-manager sub-funds across various listed asset classes. Manager selection is delegated to Russell. Similar arrangements are in place (or, in the case of real estate, being put in place) for unlisted assets with specialist investment managers and fund operators for vehicles holding unlisted assets (private equity, private credit, infrastructure and real estate).

WPP plans to build on the existing pool operating model. Components of the existing model will continue, including the existing pooling vehicles and third party FCA-regulated fund operators (AFMs and AIFMs).

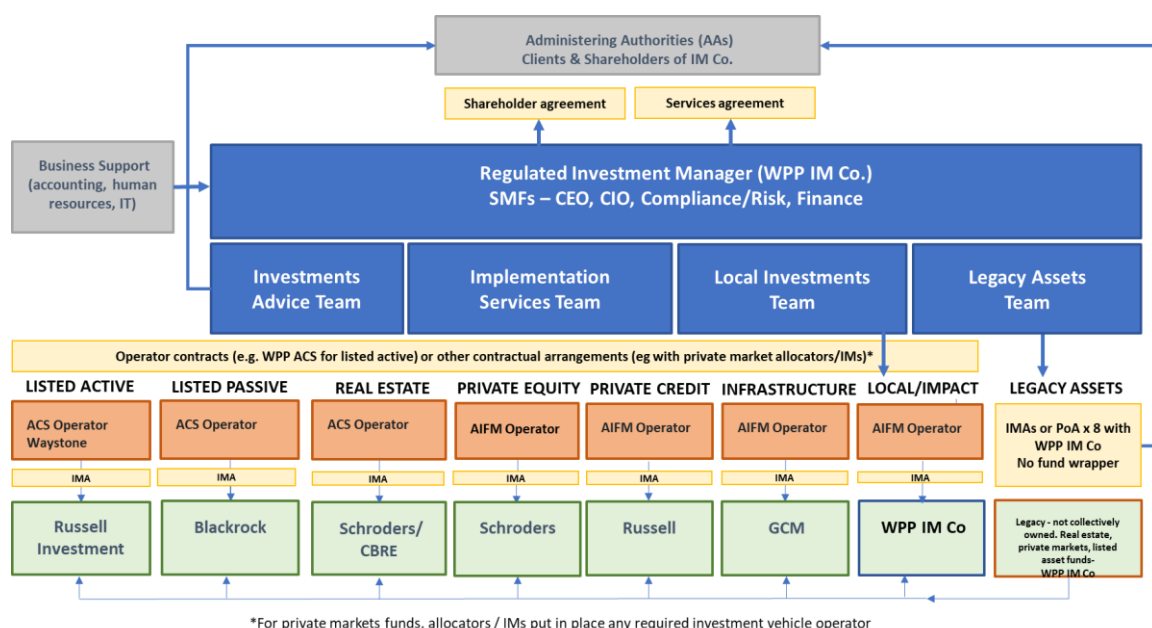
4.2 Government's proposed new Pool Operating Model requirements

WPP will add necessary components to the current pool operating model to ensure it complies fully with additional new requirements specified by the Government in its "Fit for the Future" consultation. Those components and how they will be delivered by WPP are described below.

Government Requirement	Function in WPP Target Operating Model
1) FCA Regulated IM Co	<ul style="list-style-type: none">• WPP IM Co• Makes available investment vehicles required to meet AA strategy needs• Provision of Investment Management to AAs (e.g. Portfolio Mgt Local)• Provision of Investment Advice to AAs• Regulatory permissions required for above (advisory and investment management)• Reporting
2) Implementation delegated to IM Co	<ul style="list-style-type: none">• WPP IM Co CIO and team oversee delegated implementation services (manager selection, tactical asset allocation, rebalancing, transitions, fund switches, etc)
3) Investment Advice provided by IM Co	<ul style="list-style-type: none">• WPP IM Co Advice Team• SAA recommendations for AA decision etc
4) Local Investment capability	<ul style="list-style-type: none">• Set up collective investment fund wrapper• WPP IM Co Local Investment Team• Source and assess opportunities• Manage investments selected for WPP pool
5) All legacy assets under pool management	<ul style="list-style-type: none">• WPP Legacy Assets Team• Manage legacy assets of each AA and transition over time to pool vehicles

4.3 New Target Operating Model

The new Target Operating Model to deliver Government requirements is shown below.



Key features of the new operating model are as follows:

- 1) **Regulated Investment Management Co (WPP “IM Co”)**: An FCA-regulated investment management company (WPP “IM Co” or “Pool Co”) wholly owned by the 8 LGPS administering authorities (AAs) in Wales and run by a senior management team approved by the FCA. The IM Co will have investment advisory and investment management permissions.
- 2) **Dedicated functions for Implementation, Advice, Legacy and Local**: The IM Co will have dedicated teams responsible for:
 - (a) Strategy Implementation Services (providing vehicle building blocks for the asset classes needed by AAs to meet their investment strategy requirements and carrying out all implementation services delegated to it by the AAs including manager selection, rebalancing, etc);
 - (b) Investment Advice (providing strategic investment advice to the AAs);
 - (c) Legacy Assets (so that all WPP investments will be under pool management and current non-pooled assets will be transitioned into appropriate pool vehicles under management of the WPP IM Co; each AA will have an IMA and / or Power of Attorney with the IM Co in respect of its own legacy assets);
 - (d) Local Investments (to source and assess local investment opportunities, decide which should become pool investments and the manage those investments; we envisage establishing a collective investment vehicle for local and impact investments, with a third-party operator and WPP IM Co as delegated investment manager).
- 3) **Existing pooled investment vehicles continue under new operating model**: Existing dedicated pooled investment vehicles for listed assets (including the WPP ACS operated by Waystone) and for private market assets (e.g. dedicated Scottish Limited Partnerships (SLPs) for private equity and private credit assets) will continue under the new operating model.
- 4) **Third party FCA regulated operators of investment vehicles**: The IM Co will continue to use FCA-regulated third party “operators” of pooled investment vehicles where required. This approach is commonly used by investment management companies for reasons of resilience (regulated fund operators can be replaced) and cost efficiency (tapping into the scale benefits of global entities serving multiple investment management companies). The current fund operator (an AFM) for the WPP ACS (investment vehicle for listed, actively managed assets) is Waystone. It currently has an “operator contract” with the 8 administering authorities. These will be replaced by a single operator contract with the WPP IM Co. Waystone selected and appointed

Russell Investments to run the multi-manager sub-funds of the ACS under an Investment Management Agreement. That arrangement is undisturbed by the creation of the WPP IM Co. Where required, fund operator arrangements are expected to remain in place for private markets pooled vehicles (eg SLPs put in place by third party private market allocators appointed by WPP).

- 5) **Passive investments** with Blackrock are already in a pooled vehicle (an ACS) and investment contracts are currently between Blackrock and (individually) the 8 LGPS administering authorities in Wales. Contractual arrangements in respect of these assets will also transfer to the WPP IM Co.

4.4 Services provided by WPP IM Co and how they will be delivered

In this section, we set out the services to be provided by the WPP IM Co to clients (Administering Authorities) and how they will be delivered.

4.4.1 WPP Strategy Implementation Services

All strategy implementation will be delegated by AAs to the IM Co. The IM Co will make decisions on actions to be taken and implement these (similar to the role of a “discretionary” or “fiduciary” manager of private sector defined benefit schemes). In a few limited cases, the IM Co will consult with AAs, e.g. on the pooled investment vehicles required to implement AA strategy decisions and on each of the AA’s specific cashflow needs and the options for meeting these. The implementation services are listed below. The “decide” and “implement” role of the WPP IM Co is consistent with the Government’s proposal in para 32 of the “Fit for the Future” consultation.

	Implementation service	Comments
1	Make available and monitor pooled vehicles with investment and RI objectives to meet client strategy needs	• IM Co agrees new / changed mandates and vehicles from time to time with clients. Covers listed, non-listed, active, passive. Includes ongoing monitoring of Investment Manager performance and risk.
2	For each authority separately manage to asset allocation ranges and rebalance (scheduled regular & exceptional/one-off)	• Agreed and documented policy. Formulaic / automatic when hit tolerances, quarterly/annually or more leeway for IM Co? Common policy for all AAs?
3	Portfolio Manager for sub-funds including review of 3 rd party investment managers and implementation of changes from time to time	• Expect consultative, transparent approach – communicate rationale for change and choice.
4	Portfolio Manager for local investments	• Source opportunities in consultation with local authorities in Wales. Assessment and DD carried out by IM Co (with external support as appropriate eg specialist DD advisors or existing unlisted IMs). Decision on investment for pooled vehicle rests with IM Co.
5	For each authority separately, investment management of legacy assets	• Consult asset owners on proposed / recommended strategy as to how and when transfer to pooled vehicles and on destination (eg wait until natural maturity for PE etc). Duty of care requirements in IMAs. Could be discretionary once approach agreed.
6	Transition implementation (i) within same vehicle and (ii) between / into/out of pool vehicles)	• (i) Implementation decided and overseen by vehicle Operator • (ii) implementation decided and overseen by WPP IM Co. Expect consultation on latter? IM Co selects and appoints any specialist TM and oversees
7	Cashflow: (i) Allocating net new money to pool (ii) Redemptions to meet cashflow needs (eg if negative c/flow or one-offs)	• New money in: allocation as per SAA or specific instructions? • Money out for cashflow needs: Consult and agree approach with client fund and its advisors (eg waterfall specified). Execution “discretionary” (i.e. IM Co decides appropriate actions and timing consistent with client agreement).
8	Selection and appointment of all suppliers of services and advisers to IM Co	• Appointment of Fund operators / AFMs / AIFMs/ custodian. Investment managers and allocators. Third party advisors eg for manager selection, local investment DD, RI, etc.

Under the new operating model, services that may previously have been delivered by local advisors and consultants historically will be provided by WPP IM Co under “WPP Investment Implementation Services”, including:

- Advice on investment opportunities
- Advice on legacy assets
- Advice on asset transitions
- Research and recommendations on asset classes and investment managers

4.4.2 How WPP Strategy Implementation Services will be delivered

March 2026

An IM Co “Implementation Services Team” will be in place, reporting to the CIO. WPP IM Co will be fully responsible for all implementation services, including those delegated to third parties. WPP IM Co will be portfolio manager for local and legacy mandates and there will be external delegate portfolio managers for other mandates.

External strategic delivery partners will support some implementation services on day 1. These may include:

- rebalancing (scheduled and one-off/tactical) of each AA’s assets between pooled vehicles to ensure ongoing alignment to their agreed strategic asset allocation (“SAA”)

- oversight of legacy assets
- implementing approach for delivering income for cashflow needs agreed with clients.

This may be provided by extending scope of Russell Investments services or a new procurement for additional delegated investment implementation services (there is an established market for these services). The approach will be finalised ahead of application for FCA authorisation.

The WPP IM Co will have regulatory and contractual obligations and liabilities in respect of the services provided.

Legal contracts will set out IM Co obligations and liability to administering authorities as clients, including variations in liability limits between different implementation service and fees for services provided.

The IM Co will have professional indemnity insurance (PII) to protect administering authorities as shareholders and clients in the event of errors requiring redress.

How WPP Implementation Services will evolve over time

We expect WPP IM Co to take on the portfolio manager role on a growing number of listed and unlisted mandates potentially including current “manager of managers” listed asset mandates run by Russell Investments.

Over time, WPP IM Co will build in-house portfolio management capabilities in respect of private markets investments.

4.4.3 WPP Investment Advice Services

The main services to be provided are listed below.

Investment Advice Services provided by IM Co
1) Recommendations on investment objectives, return objectives, risk appetites and risk budgets
2) Recommendations on Strategic Asset Allocation (<i>we are assuming more granular than government template with clear definitions of asset categories</i>)
3) Recommend on common investment policies eg RI/ESG
4) Provide “suitability reports” for specific investments
5) Advice on how to meet cashflow requirements
6) Advice on approach to overlays (eg currency hedging)
7) Training as required

How will WPP Investment Advice Services be provided?

March 2026

The WPP IM Co “Head of Investment Advice” will be appointed ahead of day 1. The Head of Investment Advice will procure and direct work of external consultancy firm(s). They may use more than one consultancy e.g. one firm for SAA modelling and advice, other firms for one-off exercises (e.g. further development of RI policy).

WPP IM Co will be responsible for advice given to CAs and will have FCA permissions for the provision of regulated advice.

Client services agreements will cover the various services provided (including any optional services), the obligations and liability of the IM Co and fees.

How service delivery will evolve over time

The core service is modelling and advice on SAAs. To develop in-house capability over time, WPP IM Co will make it a condition of initial procurement of external investment advisors for day 1 that the successful candidates will commit to a programme of upskilling the in-house team, which can be built up over time.

4.4.4 WPP Local Investment Services

A dedicated team within IM Co will oversee local investment services, sourcing and appraising opportunities and making recommendations on those considered suitable for WPP investors. The approach to delivering the services is as follows:

How WPP Local Investment Services will be provided
1) WPP IM Co will appoint a Head of Local Investments
2) They will source local investment opportunities in Wales working with Councils, Corporate Joint Committees (CJCs), The Development Bank of Wales and Welsh Government
3) The WPP IM Co will appoint a third party operator (AIFM) to run a pooling vehicle to collectivise local investments ("WPP Local / Impact Investment Fund"). WPP IM Co will act as Portfolio Manager.
4) The Head of Local Investments will assess investment opportunities with WPP IM Co unlisted investment managers / allocators and use external advisors for full DD as necessary.
5) The WPP IM Co Decides which opportunities are suitable assets for the "WPP Local / Impact Investment Fund" (or WPP unlisted investment funds).
6) Some of the investible opportunities may be taken into WPP's unlisted asset vehicles by the unlisted investment managers and allocators.
7) Others may not be a good fit with their investment objectives and mandates and will instead be held in the "WPP Local / Impact Investment Fund". WPP IM Co will invest and manage these investments as Portfolio Manager.

4.4.5 WPP Legacy Asset Services

All legacy assets will be under WPP IM Co management from day 1. Our intended approach is set out below.

How WPP IM Co will deliver Legacy Asset Services
1) WPP IM Co will appoint a Head of Legacy Assets
2) Legacy assets will be under WPP IM Co management from day 1 via an Investment Management Agreement (IMA) with the asset owner and/or Power of Attorney (PoA).
3) Each Administering Authority remains the owner of its own legacy assets and the IMA/PoA will include Duty of Care provisions to protect the AA from actions that might otherwise cause economic detriment (e.g. premature sale of Private Market investments in secondary markets before maturity).
4) The WPP IM Co will consult Administering Authorities on when and how legacy assets will be transferred to pool vehicles and which pool vehicles are most appropriate given the AA's agreed Strategic Asset Allocation. The IM Co would be expected to consult further with the AA asset owner in the event of any reconsideration of agreed approach (e.g. changes in outlook for particular asset classes, changes in the SAA decided by the AA from time to time).
5) Once the approach is agreed, WPP IM Co may act on a "discretionary" basis, i.e. the WPP Pool Co decides appropriate actions and timing consistent with client agreement including oversight and management of legacy assets and eventual transfer to appropriate pooled vehicle.

Later in this submission, under “Implementation”, we provide more detail. Work has already been undertaken by WPP to identify all non-pooled assets, consult AAs to agree outline plans for their future management by the WPP IM Co and the likely pooled vehicle home at the appropriate time. These plans include potential for a small number of new pooled vehicles where scale and AA strategic needs support this.

4.4.6 Other WPP IM Co Services for Administering Authorities

There are a number of other important services that WPP IM Co will provide. Much of this will be overseen by the WPP IM Co Chief Operating Officer (COO) and their team.

Services provided	How WPP IM Co will deliver these services
Client relationships / engagement	<ul style="list-style-type: none"> A Head of Client Relationships will be appointed They will engage with AA officers, S101 committees and client-side governance groups They will be the channel for communication and action on service delivery matters and client requirements including training needs
Investor reporting (performance, RI/Climate metrics)	<ul style="list-style-type: none"> The IM Co will provide reporting across all asset classes and mandates (valuations, performance, investment manager commentary, sub-fund fact-sheets, etc) Each AA will receive reports showing their own holdings and their aggregate performance (this aggregation is currently done by each AA locally) Current RI and Climate metric reporting will be extended in future with the goal of enabling each AA to report across all of its investments in the pool Underlying data comes from different sources but will be collated. We aim to put in place reporting dashboard for use by the internal team and with access for individual AAs
Voting and Engagement	<ul style="list-style-type: none"> The WPP IM Co Investment team will consult AAs to agree any changes to V&E policy The WPP IM Co Operations team will procure and oversee third party V&E providers Existing contract between Robeco and the AAs will transfer to WPP IM Co
Stock lending	<ul style="list-style-type: none"> The WPP IM Co Investment Team will consult AAs on Stock Lending policy and advise on changes The WPP IM Co Operations team will select and oversee service providers <i>Currently Northern Trust is the service provider and the Stock-lending Agreement is between NT, the ACS Fund Operator (Waystone) and the ACS Fund.</i>
Training	<ul style="list-style-type: none"> The WPP IM Co Head of Client Relationships responsible for responding to client needs, establishing a rolling programme of training for S101 committees and officers, ensuring high quality delivery by IM Co personnel or other third parties. The current training plan will form the basis of training programme.

4.5 Organisation chart – senior management and functional units

To deliver these services, the WPP IM Co will be organised as 5 functional units:

- 1) Investments (including dedicated teams or Implementation Services, Advice, Local and Legacy)
- 2) Risk (incorporating Compliance and Legal)
- 3) Operations
- 4) Finance
- 5) Client Relationships.

The main roles of each team are set out in the functional org chart immediately below.

CEO (SMF 1)				
Chief Investment Officer (SMF 3)	Chief Risk Officer (SMF 3, SMF 16/17)	Chief Operations Officer (SMF 3)	Finance Director (SMF 3 TBC)	Head of Client Relationships (SMF TBC)
Investments	Risk	Operations	Finance & Business Support	Client Services
Investment Implementation Services (see above)	Risk monitoring and reporting (investments)	Risk monitoring and reporting (operational)	Financial management	Client relationships
Investment Advice Services (see above)	Compliance monitoring and reporting	Supplier procurement, DD and contract management	Management of regulatory capital	Other stakeholder engagement (S101, JGC, etc)
Legacy Asset Management	Legal	inc. pooled vehicle Operators, stock lending, V&A, IMs, etc	Financial reporting (including statutory and regulatory)	Training
Local Investments	Data protection	Investor Reporting (production)	Business Support (property, human resources, payroll)	Investment reporting (delivery)
Development of investment policies (eg RI, V&E, rebalance)		Business Continuity and cyber security	Company Secretariat	
		Data, technology / IT services (enterprise and investment operations)		

*Investment manager oversight, monitoring, performance measurement, manager search and selection is in Investment Implementation Services. External investment advice partners also overseen in Investments. Other suppliers overseen by COO.

The functional team will be led by a senior management/executive team consisting of:

- Chief Executive Officer
- Chief Risk Officer
- Chief Investments Officer
- Chief Operating Officer
- Finance Director or Head of Finance
- Head of Client Relationships

Most of these are likely to be FCA Senior Management Functions (SMFs) approved by the FCA as part of the authorisation process and subject to ongoing “fit and proper” review (annual checks, sign-off and attestations). Clearly the SMF roles will require WPP IM Co to hire individuals with significant industry experience in similar regulated investment management roles.

Personnel requirements are covered in more detail in section 5.

4.6 Governance

4.6.1 WPP IM Co

Governance, controls and people are key areas of focus for the FCA authorisation process. The main governance group is the WPP IM Co Board chaired by an external director with significant industry experience.

The Board will have sub-committees likely to cover investments policy, audit and risk, and remuneration. There will also be an Executive Management Team chaired by the CEO.

The application for authorisation will include:

- full details of the WPP IM Co proposed governance structure, policies, systems and controls
- terms of reference for the WPP IM Co Board
- the proposed Board Chairperson (SMF 9)
- proposed external independent directors
- any proposed shareholder representatives (likely to be one or two only)

4.6.2 Administering Authorities as Shareholders

The AAs jointly will wholly own the WPP IM Co and will be its shareholders. Under the Shareholder Agreement between the AAs and the WPP IM Co there will be “Reserved Matters” that only the shareholders can decide, including:

- approving the Business Plan, Business Plan activities and Budget
- remuneration policy
- senior appointments (hiring and dismissal)

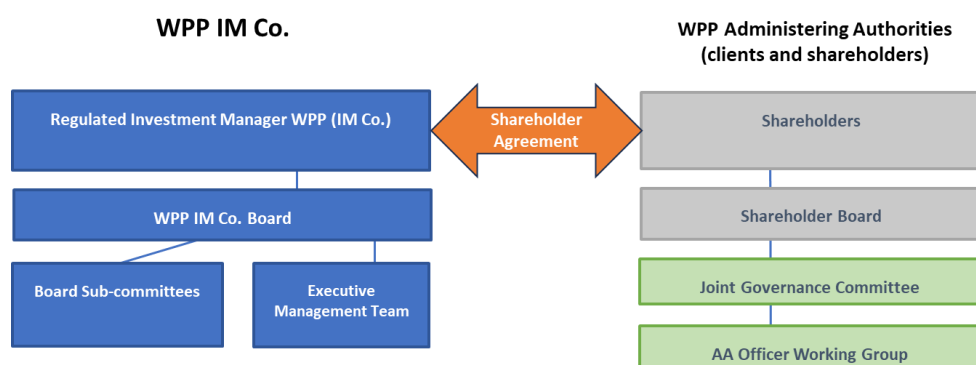
We intend to establish a “Shareholder Board” (elected councillors and S151 officers) to make decisions in respect of “Reserved Matters” under the Shareholder Agreement.

The shareholders are not permitted to have undue influence or control over decisions that should only be made by an FCA-regulated entity (the WPP IM Co).

4.6.3 Administering Authorities as Clients

There will be a client services agreement governing the services WPP IM Co provides to the AAs as clients. There may also be other legal documents such as “Investment Management Agreements” and/or “Power of Attorney” in respect of particular assets owned by AAs (e.g. legacy assets).

AAs will have collective oversight of the WPP IM Co service delivery through client-side governance groups (currently the JGC, S151s and Officer Working Group). In this oversight task, the AAs will most likely continue to be supported by an oversight advisor with experience in oversight of delegated “fiduciary” or “discretionary” investment managers. Under the new pool operating model proposed by the Government where all implementation decisions and actions are delegated to the IM Co, this will look more like oversight of fiduciary investment management in private sector defined benefit schemes.



5. Implementation

5.1 Approach to establishment of new IM Co

To de-risk implementation, WPP will work with third party partners, leveraging their global scale and resilience rather than trying to internalise all functions on day 1. This will also allow the senior management team time to shape and grow the WPP IM Co with their own hires.

Our approach, therefore, is:

- 1) hire industry experience into key SMF roles, starting with the CEO and CRO
- 2) determine which services can be supported most efficiently, robustly and cost effectively by existing and new service providers
- 3) work back to the initial WPP IM Co personnel requirements to deliver remaining internal functions and effectively oversee third party service providers.

5.2 Senior Managers (SMF roles)

WPP IM Co expects to have the following SMF functions as a minimum on day 1:

- Chief Executive Officer (SMF 1)
- Chief Investment Officer (Executive Director) (SMF 3)
- Chief Risk Officer (SMF 3), Compliance Oversight (SMF 16) & MLRO (SMF 17)
- Chief Operations Officer (SMF 3)
- Chair of WPP IM Co Board (Independent non-exec) (SMF 9)

The Finance Director role may or may not be an SMF function on day 1. The head of the Finance function could report to the CRO or COO depending on whether these individuals have appropriate credentials and experience. We expect the Head of Client Relationships to be on the Executive Management Team but may not be required to be an SMF.

Other combinations are possible depending on the experience and credentials of senior hires. For example, SMF 16/17 responsibilities could lie with the Finance Director or COO. A final decision will be made during the search and selection process.

Role descriptions for SMFs and other key personnel are being prepared. Search and selection ahead of application for authorisation will begin shortly, starting with CEO and CRO roles, following approval of the appropriate budgets by the administering authorities.

5.3 Strategic delivery partners

In the table below, we set out our plans for use of strategic delivery partners on day 1. Appropriate market testing and procurement processes will be followed before confirming service providers. This will be done ahead of applying to the FCA for authorisation.

Support	Oversight – IM Co accountable person	Example third party suppliers (subject to appropriate procurement)
Compliance monitoring and reporting (including independent compliance report to Board and MLRO) + compliance advice	CRO	• Waystone Compliance Solutions
Production of regulatory returns	FD	• Waystone Compliance Solutions
Risk monitoring and reporting (Investments)	CRO	• Waystone as ACS operator currently provide this function for assets in WPP ACS. Similar approach for non-listed i.e. via vehicle operators.
Legal	CRO	• Burges Salmon LLP or another legal advisor if there is conflict of interest
Company Secretarial (“Co Sec”)	FD or COO	• Waystone Company Secretarial Services
Business Support: Human Resources (Reward, Benefits, Hiring etc)	FD or COO	• An Administering Authority
Business Support: Procurement Services	COO	• An Administering Authority
Business Support: Payroll	FD	• An Administering Authority
Business Support: Financial Management / Financial Reporting	FD	• An Administering Authority
Property / facilities management	FD	• An Administering Authority
IT / devices / cyber security	COO	• An Administering Authority
Investment Advice	CIO	• Mercer, Aon, Russell, Hymans Robertson
Portfolio Management (listed / non-listed) : ACS Investment Managers and non-listed “allocators”	CIO	• Transfer existing appointments: Russell, Schroders, GCM, etc. Future appts made by IM Co
Investment Implementation Services support including (1) rebalancing each CA to its SAA*, (2) management of legacy assets and existing private market commitments, (3) CA cashflow needs; (4) consolidated quantitative** reporting at individual CA level across listed and unlisted	CIO	• Russell *Rebalancing within sub-fund done by operator. **Qualitative commentary from IMs as now

There are very few new procurements required since much of the operating model and supporting technology is already in place (ACSs for active, ACS for passive, ACS service providers including custody, fund and pooled vehicle operators, delegated investment management across listed and private markets). This will be kept under review through the development phase and on an ongoing basis thereafter.

The main new procurements required are:

- investment advice delivery partners
- compliancy monitoring and reporting services
- additional delegated investment implementation services (last row above).

New procurements will be run under the Procurement Act 2023 and appropriate advice will be taken when developing the procurement strategies and throughout the running of the procurements.

5.4 WPP IM Co personnel requirements

Having determined which functions can be delivered efficiently, robustly and cost effectively by service partners, we have assessed day 1 WPP IM Co resourcing requirements. This assessment has been externally validated by advisors and current strategic delivery partners.

We have also estimated day 2 resource requirements as the WPP IM Co becomes established and takes on greater in-house responsibility.

We expect to have in place around 16 WPP IM Co personnel on day 1, growing to around 32 over a period of years as the WPP Pool Co performs an increasing number of functions internally

Day 1 personnel

		CEO (SMF 1)	Personal Assistant x 1 Admin x 1	Some delegation of tasks to 3 rd party service partners
Chief Investment Officer (SMF 3)	Chief Risk Officer (SMF 3, SMF 16/17)	Chief Operations Officer (SMF 3)	Head of Finance	Head of Client Relationships
Investments	Risk	Operations	Finance & Business Support	Client Services
Implementation Services (Head of / Deputy CIO + 1)	Risk monitoring and reporting (investments)	Risk monitoring and reporting (operational)	Financial management	Client relationships
Investment Advice Services (see above) (Head of)	Compliance monitoring and reporting	Supplier procurement, DD and contract management	Management of regulatory capital	Other stakeholder engagement (S101, JC, etc)
Legacy Asset Management (Head of*)	Legal	inc. pooled vehicle Operators, stock-lending, V&A, IMs, etc	Financial reporting (including statutory and regulatory)	Training
Local Investments (Head of*)	Data protection	Investor Reporting (production)	Business Support (property, human resources, payroll)	Investment reporting (delivery)
Development of investment policy (eg V&E, rebalance)		Business Continuity and cyber security	Company Secretariat	
RI (advice, policy dev, implementation, reporting)		Data, technology / IT services		
CIO, Deputy, Head of Advice, 1 x analyst / support Total 4 *Role covered by Deputy CIO on D1	CRO, Assistant Mgr Total 2	COO, Ops Mgr (Asst COO), Contract Mgr, 1 x support Total 4	HoF, Asst Finance Mgr Total 2	HoCR Total 1

5.5 Technology

We have carried out an assessment of the technology and data required to support WPP IM Co on day 1.

On day 1, minimal technology will have to be procured directly by WPP IM Co, since the service partners it appoints and oversees will have the technology required to deliver the required functions (portfolio management, rebalancing, risk monitoring and reporting, client reporting, business support, etc).

Details are shown below.

	Day 1 WPP IM Co technology and data requirements
Enterprise IT (network, hardware, cloud licences, cyber security)	Not required – third party service
Device provision (PCs, laptops, phones)	Not required – third party service
Investments (risk): risk monitoring and reporting (liquidity, concentration, compliance with mandate guidelines)	Not required - Fund Operators have systems and can report to Investments and Risk team
Investments (monitoring): performance monitoring	ACS Operator and Depositary provide as now
Investments (reporting): delivery of reporting at individual client level (performance)	Existing IM reporting + future consolidated reporting at CA level from Russell
Investments (reporting): delivery of reporting to clients (RI / climate metrics)	CA level climate reporting is a day 2 development
Investments (portfolio management): for role as portfolio manager on investment mandates, systems for portfolio construction and data feeds for portfolio management	Needed when take on Portfolio Management of any existing/new mandates– on day 1 delegated to Russell
Investment (advice): asset liability modelling software for SAA advice	Not required – third party service
Data and index licences (eg for performance reporting)?	Not required – third party service providers licence data/indices as required
Cost benchmarking services	Not required - third party service provider
Management accounts systems	Not required – third party service
Payroll system	Not required – third party service
Human Resources system	Not required - third party service
CRM (client relationship management system)	Licencing of appropriate system required

5.6 Costs

5.6.1 Additional annual running costs

Additional annual running costs of the new operating model include:

- IM Co staff costs
- compliance monitoring and reporting services
- additional delegated implementation services (over and above those provided currently)
- investment advice services
- business support costs (Human Resources, procurement, payroll, IT) and
- miscellaneous other costs (e.g. professional indemnity insurance costs for the IM Co)

The total additional annual running costs of the new operating model on day 1 are estimated to be £7m. The breakdown of these costs is shown below. These additional costs are partially offset by savings at administering authorities, which could total circa £1.5 to £2.0m (e.g. reduction in spend on investment advisors, reporting costs and any remaining investment strategy implementation costs transferred to the WPP IM Co). The net additional costs of new operating are therefore around £5m to £5.5m.

Over time, we expect WPP IM Co staff costs to increase as it takes on additional functions including extended portfolio management services. This will result in additional savings including reductions in current third-party costs for portfolio management of listed and private market mandates and reductions in externally delegated implementation services.

Running costs	Estimated Initial Annual Costs	Comments
WPP IM Co Staff Costs	£2.9m	Expected to rise to c£4.5m as WPP IM Co takes on more functions over time
Additional Delegated Implementation Services and client level reporting	£1.0m	Includes (1) rebalancing each Administering Authority (AA) to its Strategic Asset Allocation (SAA), (2) management of legacy assets and existing private market commitments, (3) managing AA cashflow needs; (4) consolidated quantitative reporting at individual CA level across listed and unlisted
Investment Advice	£1.5m	Based on current total annual spend across Administering Authorities. There will be corresponding savings at AAs.
Business Support (HR, procurement, payroll, IT, etc)	£0.9m	Provided by one or more local authorities. Assume 30% of payroll costs TBC
Compliance Monitoring and Reporting Services	£0.05m	Third party support.
Property and facilities management	-	Included in Business Support
Technology (hardware, licences, etc)	-	Included in service provider costs except CRM
Other (insurance, company secretarial, etc)	£0.65m	Assume 10% loading until confirmed
Total	£7.0m	

5.6.2 Set-up costs

The additional external* advisor and project management costs for Project Snowdon are estimated to be c£1.6m. (c£420k for the financial year ending 31 March 2025 and a further £1.14m in the new financial year ending 31 March 2026.) In addition, there will be salary costs for personnel onboarded before March 2026 to assist in hiring and in setting up and testing systems, processes and controls before going live. There are no investment transition costs.

For comparison, if WPP were to merge with or become the client of another LGPS investment pool, the total set up costs could potentially exceed £50m (£45m investment transition costs plus project implementation costs, legal costs, advisor costs, costs of winding up existing WPP pooling arrangements including termination of existing service provider contracts).

* External advisors include compliance consultants who specialise in supporting applications for FCA authorisation, legal advisors, professional project managers and investment oversight consultants

6. Implementation plan

6.1 Plan overview, project team and project governance

A project team consisting of administering authority officers and external advisors has been established along with a robust governance structure.

To ensure WPP can meet government timescales, design a best-in-class operating model and governance and derisk implementation, WPP has assembled a project team with experienced industry practitioners to support officers.

Support is being provided by existing strategic delivery partners (Waystone and Russell), compliance consultants who specialise in supporting applications for FCA authorisation, legal advisors, professional project managers and investment oversight consultants.

The project team reports to a Steering Group (composed of S151 officers from all of the administering authorities), which meets weekly or more often. There are regular briefings and approval steps with the Joint Governance Committee (“JGC”) (Chairs of administering authority S101 pension fund committees).

The Programme Manager has created a comprehensive project plan to ensure WPP delivers all aspects of the Government’s requirements in the required timescales. The plan has been split into 5 workstreams:

- 1) submission of this business case to Government
- 2) governance and stakeholder engagement
- 3) FCA authorisation
- 4) IM Co set up
- 5) transition of assets.

Each workstream is progressing with detailed planning and specific tasks.

In establishing the critical path for the project, we have identified specific areas that require greater focus. For example, dependencies between workstreams, the risks identified throughout the lifetime of this project and how these are managed and the requirements of local governance processes for each administering authority.

Appendix 3 shows the current project plan at the date of submission. This can be subject to change as the project moves through its lifecycle.

6.2 Critical Path

There are a number of key milestones critical to project delivery in the required timescales. These include:

- 1) Government confirmation of the outcome of the “Fit for the Future” consultation – to assist administering authority governance approvals.
- 2) Recruitment – search and selection will start in March ahead of the application for FCA authorisation.
- 3) Administering Authority Approvals – each administering authority will need to approve certain aspects of the new operating model. In addition, local approval processes and timescales differ and will need to be co-ordinated to avoid delay in implementation (there is a dependency on Government confirming its intentions following the consultation and the timetable for legislation).
- 4) Application for FCA authorisation – we aim to submit an application for authorisation in summer. There is a dependency on 1) since the FCA will expect the application to name proposed holders of SMF roles.

6.3 Administering Authority Approval steps ("Governance Pathway")

To progress implementation, we need to be cognisant of Local Authority governance steps and approval requirements, and the timescales associated with such approvals. This is particularly important at critical sign off points, where it is expected that full Council approval will be required. For example, committing funds to establish the IM Co, including hiring and set up costs; commitment of Regulatory Capital; signing the shareholder agreement; amending the Inter Authority Agreement; and submitting the application for FCA approval. We are undertaking the following activities to ensure requirements are detailed in the project plan:

- Working with our legal advisers to identify changes required to the current Inter Authority Agreement (IAA).
- Working with the Monitoring Officers to identify local approval processes for each administering authority (including what is permissible in the absence of primary legislation).
- Synchronising key approvals and project milestone dates with existing meeting cycles.
- Identifying risk and putting mitigating actions in place.

6.4 Hiring and procurement plan

6.4.1 Recruitment

The process of hiring for senior day 1 roles for the WPP IM Co will begin in March ahead of the application for authorisation. Appendix [2] shows the roles both SMF and "Head of" roles that will be required on day 1. We will prioritise CEO and CRO roles. In our search we will specify a requirement for extensive experience in senior SMF positions to oversee current longstanding relationships with strategic delivery partners that are continuing and to build WPP capabilities over time.

We are currently finalising role descriptions for SMF roles, engaging with search consultants, developing remuneration policy and designing the selection process. We plan to start search and selection in March. Subject to confirmation of the outcome of the Government consultation, our aim is to identify preferred candidates for senior roles and confirm acceptances by June or July to enable our application for FCA authorisation to be finalised and submitted.

Further hiring for less senior roles will progress in parallel with FCA authorisation, with onboarding of the first wave of recruits later in 2025 to set up and test systems, processes and controls and be ready for gaining authorisation and going live.

Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
<ul style="list-style-type: none">• Identify all required roles• Agree priority hires (CEO, CRO)• Prepare role descriptions• Engage search agency• Design selection process• Start search	<ul style="list-style-type: none">• Identify candidates for SMF roles (start with CEO/CRO)• Offer and confirmation of acceptance	<ul style="list-style-type: none">• Other hires progress in parallel with FCA authorisation	<ul style="list-style-type: none">• Onboarding first wave of staff• Working on set up and testing of systems, controls and processes	<ul style="list-style-type: none">• Complete onboarding of day 1 personnel

This timetable is subject to individual administering authority approvals (see "governance pathway" above").

6.4.2 Procurement

Existing arrangements

Where existing contracts are in place with WPP, these will need to be transferred to IM Co. Public procurement law does not operate to prevent such a transfer where the terms of the contract that is being transferred are not otherwise materially varied. WPP/IM Co currently envisage that existing contracts will be transferred without there being any material changes, such that the public procurement law issues in adopting this approach are likely to be minimal. This position is to be kept under review on an ongoing basis.

New arrangements

There are very few new procurements required since much of the operating model and supporting technology is already in place (ACSS for active, ACS for passive, ACS service providers including custody, fund and pooled vehicle operators, delegated investment management across listed and private markets). This will be kept under review on an ongoing basis.

The main new procurements are shown below.

Procurement	Approach	Comments
Investment advice delivery partner	Potentially using LGPS National Procurement Framework	Advice on Strategic Asset Allocation etc. WPP administering authorities are accustomed to specifying requirements and selecting advisors. Selected provider will be required to assist WPP IM Co in development of internal capability over time.
Additional delegated implementation services	TBC. Market test or extension of role of existing delegated investment implementation provider (Russell)	Includes (1) rebalancing each CA to its SAA; (2) management of legacy assets and existing private market commitments; (3) CA cashflow needs; and (4) consolidated quantitative reporting at individual CA level across listed and private markets
Compliance monitoring and reporting support	Procurement process proportionate to contract size. Potentially extend scope of work of existing advisors.	

For each of these new procurements we are specifying detailed requirements and identifying appropriate procurement processes. New procurements will be run under the Procurement Act 2023 and appropriate advice will be taken when developing the procurement strategies and throughout the running of the procurements.

Existing and new delegates and strategic delivery partners have the technology required to deliver their services. As a result, we expect little or no technology procurement to be required. IT infrastructure, devices and cyber security will be provided under business support services delivered by a host local authority.

6.5 Plan for transition of legacy assets including private markets and passive investments-

WPP has carried out a full analysis of assets not currently within the WPP ACS or WPP private markets investment vehicles. This can be summarised as follows

- On 31 March 2024, WPP held 74% in the WPP ACS, private markets and passive mandates on behalf of the 8 Welsh Administering Authorities
- A further 8% of liquid holdings are expected to transition into WPP solutions by March 2026
- Private markets mandates that are planned to run off into WPP solutions over time amount to 8%
- Work has commenced in exploring a WPP solution for LDI and cash holdings (7%)
- The remaining assets (3%) will either be transferred into pool oversight or run-off with proceeds to flow into future pool solutions.

The decision of WPP to build its own IM Co will ensure we are able to meet the Government's requirement for all assets to be in pooled investment solutions or under pool management by March 2026.

7. Government assessment criteria

We have reviewed our submission against the guidance and Government assessment criteria set out by Ministers in their letter dated 2 December 2024. We note that Government assessment criteria does not reference local investment to drive UK growth explicitly in the same way as the consultation proposals. We consider this an important feature of the consultation and an important part of plans for the standalone pool for Wales.

Government Guidance/Assessment Criteria
Benefits of Scale – Government considerations <ul style="list-style-type: none">Government considerations include access to a wider range assets including private markets, in-house management over time, ability to negotiate lower fees and collaboration across LGPS.
Benefits of Scale – WPP standalone pool <ul style="list-style-type: none">WPP's current pooling model already delivers scale benefits. It offers cost effective access to a wider range of asset classes to enable implementation of locally decided investment strategies.WPP already achieves scale benefits greater than its own size might otherwise achieve by accessing the global scale and purchasing power of its service delivery partners (Investment Managers and pooled vehicle "operators"). Even under a full implementation model by the IM Co, it would be difficult to replicate these benefits.This has been validated by independent cost and performance benchmarking specialists CEM. On actively managed listed assets alone, WPP saved administering authorities £10.3m [c7bps annual on £14bn assets in the WPP ACS] in the year to end March 2024 relative to what their funds would have expected to pay as individual investors. This saving is net of the costs of the current pool operating model for listed managed assets in the WPP ACS.WPP believes there are possible unintended consequences of scale in respect of private markets whereby access to investable opportunities, particularly local or impact, will require modest capital commitments in LGPS terms. Pursuit of scale by any means could inhibit the ability of LGPS pools, particularly WPP, in deploying capital into innovative opportunities that provide long-term benefits to Wales and the UK.Our planned further development of WPP's operating model and investment capabilities to meet proposed Government requirements will, over time, deliver additional scale benefits including material additional financial savings and local investment capability.For example, we would expect an increasing range of portfolio management activities on listed and private market assets to be brought under in-house management over time, in line with Government expectations.From day 1 we will have in-house resource working with public bodies and agencies in Wales to source, assess and manage local investment opportunities.WPP will also continue to consider opportunities to collaborate more widely across the LGPS.
Resilience – Government considerations <ul style="list-style-type: none">Government considerations include governance framework, internal controls, accountability, in-house management over time, in-house regulated advisory over time, current and proposed corporate governance and roadmaps towards delivery of all key functions over time (shared service or internal capability)
Resilience – WPP standalone pool <ul style="list-style-type: none">A robust governance framework has been put in place to oversee the delegated implementation services including the "pool oversight advisor" role, which WPP put in place in 2019. Our current pool oversight advisor advises officers and elected councillors on the existing Joint Governance Committee, assisting the pool in effective oversight and challenge on the performance and delivery of the pool's service providers (Investment Managers and operators of fund vehicles).

- WPP delegates investment implementation to the WPP ACS Operator for listed assets and its appointed investment manager (Russell Investments). Similar delegated implementation is in place across the private market pooled vehicles. These delegates are FCA-regulated businesses with high standards of operational resilience required to meet regulatory requirements. The ability of portfolio managers and private market allocators to replace underperforming investment managers with the choice of best in market, strengthens the resilience of the WPP operating model.
- The culture of the WPP is highly collaborative, with strong collective buy-in across the administering authorities. We believe that this adds resilience and helps ensure the success of investment pooling for the LGPS in Wales. It is important that this culture is retained in future, between administering authorities as clients and shareholders of the new IM Co.
- As part of the planned further development of the WPP operating model to meet new Government requirements, we will retain effective features of the current governance structure including the Officer Working Group, for collective oversight of the performance of the new WPP Pool Co/IM Co, and a “pool oversight advisor” role advising the administering authorities collectively on the Pool Co performance and service delivery.
- We plan additional new elements in the governance framework, including a client-side Shareholder Board with representatives of all 8 administering authorities. The role of the Shareholder Board is to agree shareholder “reserved matters” in respect of WPP IM Co (which is wholly owned by the administering authorities), including approval of business plans and budgets proposed by the IM Co and senior hires. (This is wholly separate from the Board of the WPP IM Co, which will be chaired by an independent non-exec and whose members will include IM Co senior management, independent directors and only 1–2 shareholder representatives to avoid inappropriate influence in matters for which the IM Co is decision-maker as an FCA-regulated entity.)
- As an FCA-regulated entity, the WPP IM Co will be subject to strict regulatory requirements in terms of conduct, systems, processes and controls that provide additional resilience and assurance to administering authorities as clients and investors. These regulatory requirements include the regulatory accountabilities of management personnel under the Senior Management Function (SMFs) and Certified Person regimes.
- WPP will work towards bringing more functions under in-house management over time where this can result in material costs savings without detriment to investment performance or access to investments available to external service providers because of their global scale. While internal functions may reduce supplier dependency risks, use of third-party service providers can in many cases strengthen resilience of the IM Co operations on account of their deeper and broader resource pools (global in some cases) and on account of the fact that they are more easily replaced than an underperforming in-house function. We therefore anticipate continued use of external service partners for reasons of resilience and cost effectiveness from scale across multiple clients.
- In-house functions for business support functions like IT services are also likely to be more resilient and cost-effectively delivered by third party service partners. We plan to use host local authorities for a number of business support functions, including IT and payroll.

Value for money – Government considerations

- **Government considerations include reducing duplication, spreading fixed costs over more assets, encouraging greater collaboration, set up and running costs of build vs merge, breakdown of costs by service, savings at administering authorities.**

Value for Money – WPP standalone pool

- WPP’s current and future operating models deliver value for money.
- External service partners give access to their global scale (spreading fixed cost over more assets) and purchasing power (for example, the investment manager fees savings achieved by Russell in its role as portfolio manager on all but one of the WPP listed investment ACS sub-funds. This is evidenced by CEM analysis, which shows savings in year ending March 2024 of circa 3 x the costs of current pool operating model (c£10m net investment manager fee savings after allowing for pool operating costs).
- WPP aims to deliver additional financial and governance benefits that exceed the additional costs of the new operating model. For example, we would expect an increasing range of portfolio management activities on

listed and private market assets to be brought under in-house management over time, where this can result in material costs savings without detriment to investment performance or access to investments available to external service providers because of their global scale.

- The current operating model has removed duplication of work at administering authority level. Pre-pooling, individual authorities would have run individual investment manager search and selection and due diligence processes. This is now done once, centrally and is wholly delegated to WPP service partners including pooled vehicle operators, Russell Investments as portfolio manager on listed asset sub-funds and private market “allocators”.
- Under the new operating model there will be additional savings at administering authority level by delegating all strategy implementation activities to the IM Co (e.g. periodic rebalancing of each administering authority’s pooled assets to the agreed SAA, managing distributions to meet each authority’s cashflow requirements to ensure payment of pensions when due, managing asset transitions, management of legacy assets, assessment and management of local investment opportunities, etc). The IM Co will also provide consolidated reporting to each administering authority across all of its investments (currently administering authorities consolidate reporting locally using data from multiple sources). It is difficult to quantify savings, but we expect this to materially reduce resource requirements at each administering authority.
- Transferring provision of strategic advice to the IM Co will result in some administering authority savings from day-to-day liaison with consultants and period re-procurement. Administering Authorities will no longer be paying locally appointed consultants for their principal investment strategy advice. Based on current costs this may save administering authorities circa £1.5m annually. There are potentially some immediate savings from centralising provision of strategic investment advice in the WPP IM Co (initially through competitive procurement of an external partner by the IM Co) and, in the longer term, greater savings by building an in-house advisory team. Our short-term cost projections for WPP IM Co running costs include the costs of procuring third party partners for provision of strategic investment advice to administering authorities

Viability against deadline – Government considerations

- **Government considerations include any critical obstacles, extent of “evolution” of pool operating model required, timeline for achieving compliance with minimum standards by March 2026 and milestones for delivery of key features**

Viability against deadline – WPP standalone pool

- There are no critical obstacles to the delivery of Government’s new requirements by March 2026.
- WPP is focused on the critical steps in delivery including planning and executing the “governance pathway” (all necessary local governance approvals) and progressing key hires ahead of the application for authorisation of the WPP IM Co in summer. As we said in our January letter to MHCLG and HMT, Government could assist the governance pathway by providing draft regulation (as may be required) as soon as possible and, in the meantime, providing in March any feedback on the WPP build project that is currently in train.
- The WPP build is less complex than the original build project in 2017 for other LGPS pools, since we have most of the critical pool infrastructure in place – listed asset Authorised Contractual Scheme and appropriate pooling vehicles for private market assets, fund operators (AFMs and AIFMs) for listed and private markets assets, third party service partners for delegated implementation services (Russell Investments and Blackrock as portfolio managers on listed assets and similar arrangements with “allocators” on private market assets. This will significantly reduce the scope of “evolution” required and the cost and timescales of building the new operating model. Through our informal engagement with other LGPS pools, we have also been able to learn from their experience of building IM Co operating models. Those learnings are reflected in this submission and project plan.
- We have no concerns on FCA approval, having engaged with the FCA since January. The FCA case team is in place and is committed to regular touch-points in the run up to the authorisation application. Our specialist compliance advisors have extensive experience of similar applications for authorisation and will ensure that our authorisation application for advisory and investment management permissions is “approval ready”.
- The programme team including existing service provision partners, legal advisors, regulatory compliance advisors and other advisors were all appointed and mobilised in January and the build project is underway.

- Our project plan, timelines and critical path deliverables (including governance approvals, recruitment plan and application for authorisation) are set out in the “Implementation” section of this business case submission to Government.
- WPP, its service delivery partners and advisors are confident that the additional new requirements for the pool operating model can be put in place by March 2026 provided Government confirms its proposed requirements as soon as possible to enable local authority governance approvals.

8. Longer-term aspirations – 2030 and beyond

- 8.1 The plans set out in this submission focus on day 1 delivery (Government's "minimum" requirements for March 2026).
- 8.2 Beyond March 2026, work will continue to further enhance the IM Co's operating model, developing in-house capabilities aligned with the long-term aspirations of Government and delivering benefits to the LGPS and wider communities of Wales.

Building in-house capability – 5-year ambition

- 8.3 On a 5-year view, we see opportunities for adding significant value from more in-house portfolio management of listed sub-funds (including "manager of managers" mandates currently run by our strategic delivery partners) and private market allocator roles.
- 8.4 A full list of current portfolio managers is shown in Appendix 4. We will prioritise transfer to in-house management according to value, taking account of potential scale and cost savings while continuing to work with strategic partners where their global scale enables access to a wider set of opportunities, particularly in private markets. We will also actively engage with other LGPS investment pools where there are opportunities for collaboration in the UK on local and impact investments.
- 8.5 In the same timeframe, we expect to reduce use of strategic investment partners in investment implementation and investment advice services as we build in-house capacity.
- 8.6 Over time, by adding additional experienced specialist resources to the IM Co, we expect to be able to be more ambitious in driving forward and delivering our responsible and local investment aims.

How this will be achieved

- 8.7 To develop these in-house capabilities, we will need to increase the size and capabilities of the WPP IM Co team. We expect to double IM Co personnel within the first 2–3 years, increasing in-house capacity and capabilities.
- 8.8 In the Investment team, we will need to hire additional portfolio managers and would expect to appoint a Head of Responsible Investment to deliver WPP's long-term responsible investment goals.
- 8.9 As well as increasing the size the Implementation Services team there will be corresponding increases in the size of the Risk, Compliance and Operations teams and increasing spend on technology licences for systems needed to perform additional functions (e.g. portfolio monitoring systems to support additional portfolio management activities beyond day 1 legacy and local investments).
- 8.10 The expected WPP IM Co resources on a 2-to-3-year view are shown below.

		CEO (SMF 1)	Personal Assistant x 1 Admin x 2	
Chief Investment Officer (SMF 3)	Chief Risk Officer (SMF 3, SMF 16/17)	Chief Operations Officer (SMF 3)	Finance Director (SMF 3 TBC)	Head of Client Relationships (SMF TBC)
Investments	Risk	Operations	Finance & Business Support	Client Services
Investment Implementation Services (Head of + 2)	Risk monitoring and reporting (Investments)	Risk monitoring and reporting (operational)	Financial management	Client relationships
Investment Advice Services (see above) (Head of + 1)	Compliance monitoring and reporting	Supplier procurement, DD and contract management	Management of regulatory capital	Other stakeholder engagement (S101, JC, etc)
Legacy Asset Management (Head of + 1)	Legal	inc. pooled vehicle Operators, stock-lending, V&A, IMs, etc	Financial reporting (including statutory and regulatory)	Training
Local Investments (Head of)	Data protection	Investor Reporting (production)	Business Support (property, human resources, payroll)	Investment reporting (delivery)
Development of investment policy (eg RI, V&E, rebalance)		Business Continuity and cyber security	Company Secretariat	
Head of RI (advice, policy dev, implementation, reporting)		Data, technology / IT services		
CIO, 5 x Heads, 4 x analyst / support Total 10	CRO, Asst Mgr, Head of Legal, 1 x trainee / support Total 4	COO, Ops Mgr, Contract Mgr, Investor Reporting Mgr, Head of IT, PM, 3 x support Total 9	FD, Asst Finance Mgr, 1 x support Total 3	HoCR, 1 support Total 2

Expected growth in WPP IM Co resources

Function	Day 1	Additional resources on a 2-3 year view	2-3 year plan
CEO	1		1
Investments Team	4	Add Head of Responsible Investment, Portfolio Mgrs, more Local Investment resource, support	10
Risk and Compliance	2	Add Head of Legal and support	4
Operations	4	Add Investor Reporting resource, Head of IT, Project / Change Manager, support	9
Finance Team	2	Add support	3
Client Services	1	Add support	2
Admin support	2	Add admin to support larger team	3
Total People	16		32
Est cost	£2.9m		£4.5m

- 8.11 While it makes economic sense or adds resilience (compared to a sub-scale in-house function), we will continue to use strategic delivery partners for longer (e.g. some business support functions).
- 8.12 Our strategic delivery partners will work with us to develop in-house capabilities through knowledge transfer and upskilling WPP IM Co personnel. This will be a requirement in the selection process for WPP IM Co investment advice delivery partners.

Developing our long-term strategy

- 8.13 Once WPP IM Co is established, the senior management team will be charged with delivering a more detailed 5-year plan to the Shareholder Board, prioritising development of the operating model where greatest value can be achieved.

8. Conclusions and next steps

Having undertaken a thorough consideration of all options, it is clear that merger or becoming a client of another pool would not be a “more cost effective or otherwise preferable approach to achieving compliance” with the objectives of Government.

For reasons demonstrated within this submission, WPP plan to continue as a separate pool and adapt our operating model to meet all Government requirements, including establishment of an FCA-regulated investment management company (“IM Co”).

The WPP has long-term aspirations for the future evolution of its operating model and will utilise its strong history of collaborative working to put in place these ambitions over the medium term.

The plans set out in this submission focus on day 1 delivery of new Government requirements. Beyond March 2026, work will continue to further enhance the operating model, developing in-house capabilities aligned with the long-term aspirations of Government.

We look forward to discussing any comments or questions MHCLG and HMT may have on this submission. It will assist WPP and other pools greatly if Government can confirm its intentions and requirements following the “Fit for Future” consultation. This will help administering authorities with internal governance approvals including approvals for expenditure on implementation and hiring. In the meantime, work on implementation will continue.

Appendix 1 – Investment Transition Cost in Event of Merger

WPP sub-funds	Redemption Swing Factor (bps)	Subscription Swing Factor (bps)	Wales AUM (£)	Transaction Costs Redemption (no inspecie)	Transaction Costs Subscription (no inspecie)	Transaction Costs Redemption (inspecie)	Transaction Costs Subscription (inspecie)
Absolute Return Bond Fund	20	20	526,085,062	1,052,170	1,052,170	1,052,170	1,052,170
Global Credit Fund	15	15	1,011,242,168	1,516,863	1,516,863	1,516,863	1,516,863
Global Government Bond Fund	10	10	493,401,776	493,402	493,402	493,402	493,402
Multi Asset Credit Fund	30	30	839,107,865	2,517,324	2,517,324	2,013,859	2,013,859
Sustainable Active Equity Fund	15	10	1,603,020,726	2,404,531	1,603,021	1,442,719	961,812
UK Opportunities Fund	10	60	758,467,918	758,468	4,550,808	455,081	2,730,485
Global Growth Fund	15	15	3,696,119,019	5,544,179	5,544,179	3,326,507	3,326,507
Global Opportunities Fund	15	15	3,474,075,921	5,211,114	5,211,114	3,126,668	3,126,668
Emerging Markets Equity Fund	35	30	273,621,777	957,676	820,865	957,676	820,865
Sterling Credit Fund	15	15	723,160,712	1,084,741	1,084,741	433,896	433,896
Total WPP Directly Transferable			£13,398,302,944	£21,540,467	£24,394,486	£14,818,842	£16,476,528
% Directly Transferable							
				Total	£45,934,953		£31,295,370
					c34.3 bps		c23.4 bps

Source: Russell Investments. Includes listed assets in ACS (c£14bn). Excludes passive investments (c£5bn) and private markets (c£5bn). Excludes project implementation costs for merger, legal costs, costs of winding up WPP ACS and any contract termination costs or penalties with service providers

Appendix 2 – Day 1 and Day 2 Hires and Payroll

Day 1 roles and payroll cost

Day One/Day Two	SMF Ref	Role	Headcount	Salary	Bonus %	Bonus	Additional Benefits Package %	Additional Benefits Package	Total Package
Day One	SMF 1	CEO	1	£200,000	70%	£140,000	40%	£80,000	£420,000
Day One	SMF 3	CIO	1	£175,000	70%	£122,500	40%	£70,000	£367,500
Day One	SMF 3, SMF 16/17	CRO	1	£175,000	40%	£70,000	40%	£70,000	£315,000
Day One	SMF 3	COO	1	£175,000	40%	£70,000	40%	£70,000	£315,000
Day One	SMF 2 (TBC)	Head of Finance/Finance Director	1	£125,000	30%	£37,500	40%	£50,000	£212,500
Day One	SMF TBC	Head of Client Relationships	1	£85,000			40%	£34,000	£119,000
Day One		Head of Investment Implementation (Deputy CIO)	1	£120,000	15%	£18,000	40%	£48,000	£186,000
Day One		Head of Investment Advice Services	1	£110,000	15%	£16,500	40%	£44,000	£170,500
Day One		Support for Investment Implementation Services	1	£85,000	10%	£8,500	40%	£34,000	£127,500
Day One		Deputy CRO	1	£100,000	15%	£15,000	40%	£40,000	£155,000
Day One		Operations Manager (Deputy COO)	1	£100,000	15%	£15,000	40%	£40,000	£155,000
Day One		Contract Manager	1	£65,000	10%	£6,500	40%	£26,000	£97,500
Day One		Support to COO	1	£50,000	10%	£5,000	40%	£20,000	£75,000
Day One		Deputy Finance Manager	1	£65,000	15%	£9,750	40%	£26,000	£100,750
Day One		Personal Assistant	1	£40,000	10%	£4,000	40%	£16,000	£60,000
Day One		Administration Assistant	1	£25,000	10%	£2,500	40%	£10,000	£37,500

FTE= 16

Total **£2,913,750**

Potential additional roles over following 2-3 years

Day One/Day Two	SMF Ref	Role	Headcount	Salary	Bonus %	Bonus	Additional Benefits Package %	Additional Benefits Package	Total Package
Day Two		Head of Legacy Asset Management	1	£110,000	15%	£16,500	40%	£44,000	£170,500
Day Two		Head of Local Investments	1	£110,000	15%	£16,500	40%	£44,000	£170,500
Day Two		Head of RI	1	£110,000	20%	£22,000	40%	£44,000	£176,000
Day Two		Head of Legal	1	£100,000	20%	£20,000	40%	£40,000	£160,000
Day Two		Head of IT	1	£80,000	20%	£16,000	40%	£32,000	£128,000
Day Two		Support/Analyst CIO	1	£50,000	10%	£5,000	40%	£20,000	£75,000
Day Two		Support/Analyst CIO	1	£50,000	10%	£5,000	40%	£20,000	£75,000
Day Two		Support/Analyst CIO	1	£60,000	10%	£6,000	40%	£24,000	£90,000
Day Two		Support/Analyst CIO	1	£60,000	10%	£6,000	40%	£24,000	£90,000
Day Two		Support/Analyst/Trainee CRO	1	£50,000	10%	£5,000	40%	£20,000	£75,000
Day Two		Support/Analyst HoF/FD	1	£50,000	10%	£5,000	40%	£20,000	£75,000
Day Two		Investor Reporting Manager	1	£65,000	10%	£6,500	40%	£26,000	£97,500
Day Two		Project Manager	1	£50,000	10%	£5,000	40%	£20,000	£75,000
Day Two		Support/Analyst COO	1	£50,000	10%	£5,000	40%	£20,000	£75,000
Day Two		Support/Analyst HoCR	1	£50,000	10%	£5,000	40%	£20,000	£75,000
Day Two		Administration Assistant	1	£25,000	10%	£2,500	40%	£10,000	£37,500

FTE= 16

Total **£1,645,000**

On day 1 we plan to have circa 16 FTE and a payroll of £2.9m. (See section 5.4.) Over a period of 2-3 years, as WPP takes more functions in-house we expect to increase FTE to around 32 and payroll to c£4.5. (See section 8.) Salaries assumptions based on a recruitment agency survey data for Financial Services professionals and some public information on senior role remuneration at other LGPS pools (not for profit entities).

Appendix 3 – Project Plan and Workstreams

				2025												2026				
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
Milestone	Owner	Other resources	Start Date	Due Date	Dependencies															
Main Milestones																				
	Tracey Williams	Hymans Robertson, Burges Salmon	Wed 22/01/25	Ongoing	Engagement of all stakeholders listed															
	Tracey Williams	Hymans Robertson, Burges Salmon	Wed 22/01/25	Ongoing	Established stakeholder plan and current communication policy															
	Tracey Williams	Hymans Robertson, Burges Salmon	Wed 22/01/25	Fri 28/02/25	Ensuring all parties are considered and approval channels are agreed and shared															
Business Case																				
	Jeffrey Dong	Hymans Robertson, Waystone Russell Investments	Mon 27/01/25	Fri 14/02/25	Input from other workstreams is provided - IM Co. Build & FCA Authorisation															
	Jeffrey Dong	Hymans Robertson, Waystone Russell Investments	Fri 14/02/25	Fri 28/02/25	Establish governance process for approval before submission															
	Jeffrey Dong	Hymans Robertson	Fri 28/02/25	Fri 28/02/25	Review of business case is complete by all parties required and appropriate approval given by JGC (this may be retrospective at formal JGC on 12th March 2025)															
	Jeffrey Dong		Mon 03/03/25	Mon 31/03/25	Unsure of the timeline for response by government															
		Anthony Parnell	Hymans Robertson, Waystone Russell Investments, FCA Case Officer	Mon 03/03/25	Mon 30/06/25	Input from work done in other workstreams - Business Case/Business Plan, IM Co. Build. Establish governance processes for approval before submission.														
		Anthony Parnell	Hymans Robertson, Waystone Russell Investments	Mon 03/02/25	Fri 30/05/25	Input from work done in other workstreams - IM Co. Build - recruitment, establish governance processes for approval of roles to be established and then advertised														
		Anthony Parnell	Hymans Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25	Input from work done in other workstreams - Business Case/Business Plan, IM Co. Build. Establish governance processes for approval.														
		Anthony Parnell	Hymans Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25	Input from work done in other workstreams - Business Case/Business Plan, IM Co. Build. Establish governance processes for approval.														
FCA Authorisation																				
	Anthony Parnell	Hymans Robertson, Waystone Russell Investments, FCA Case Officer	Sun 01/06/25	Tue 31/07/25	All information needs to be provided by all parties before the submission date, including time for review and governance approval.															
	Anthony Parnell	Hymans Robertson, Waystone Russell Investments, FCA Case Officer	Fri 01/08/25	Tue 31/03/26	Timeline from FCA has indicated approval can be anything from 6 months to 12 months to be received															
		Alex Bull	Hymans Robertson, Waystone Russell Investments	Mon 27/01/25	Fri 28/02/25	Government response to business case could influence the structure of TOM.														
		Alex Bull	Hymans Robertson, Waystone Russell Investments	Mon 03/03/25	Mon 30/06/25	Information required for this application still to be decided and form will need governance approval before submission to Companies House														
		Alex Bull	Hymans Robertson, Waystone Russell Investments	Mon 03/03/25	Tue 31/03/26	Business Case approval and governance approval required before this process can begin														
		Alex Bull	Hymans Robertson, Waystone Russell Investments	Mon 03/03/25	Wed 31/12/25	Representing plans set out in Business Case														
		Alex Bull	Hymans Robertson, Waystone Russell Investments	Mon 03/03/25	Wed 31/12/25	Representing plans set out in Business Case														
		Alex Bull	Hymans Robertson, Waystone Russell Investments	Mon 03/03/25	Wed 31/12/25	Working with the Asset Transition workstream														
Asset Transition																				
		Alex Bull	Hymans Robertson, Waystone Russell Investments	Mon 03/03/25	Tue 31/03/26	Working with the Asset Transition workstream														
		Alex Bull	Hymans Robertson, Waystone Russell Investments	Tue 01/07/25	Tue 31/03/26	Governance approval and all tasks completed before proceeding														
		Alex Bull	Hymans Robertson, Russell Investments, Burges Salmon			Input from work being done in the IM Co. workstream. Governance approval process														
		Alex Bull	Hymans Robertson, Waystone Russell Investments	TBC	TBC	Governance approval and audit?														
		Phil Latham	Hymans Robertson, Russell Investments, Burges Salmon	Mon 27/01/25	Fri 28/02/25	Input from work being done in the IM Co. workstream. Governance approval process														
		Phil Latham	Hymans Robertson, Russell Investments, Burges Salmon	Mon 27/01/25	Tue 31/03/26	Input from work being done in the IM Co. workstream. Governance approval process														
		Phil Latham	Hymans Robertson, Russell Investments, Burges Salmon	Fri 01/08/25	Tue 31/03/26	Governance approval process														

Appendix 4 – WPP Portfolio Managers

Portfolio Manager	WPP Assets
Russell (9), Waystone (1)	10 actively managed equity and fixed income sub-funds, held in a WPP ACS
BlackRock	Passively managed ACS, exclusively for WPP AAs
Schroders	Private Equity LPs, Real Estate ACS (UK and local)
GCM	Closed ended infrastructure LPs
IFM, CBRE, Octopus	Open ended infrastructure funds
CBRE	Property (global)
WPP IM Co	Legacy mandate oversight
WPP IM Co	Local investments

Over time, WPP IM Co will take over further Portfolio Management activities where the business case supports (e.g. where can save costs without losing access to scale benefits such as access to investment opportunities available to external providers and unlikely to be available to WPP IM Co). WPP IM Co management will prioritise this activity and make recommendations to shareholders.

MEETING	PENSION BOARD
DATE	7 APRIL 2025
TITLE	LGC INVESTMENT SEMINAR 2025
PURPOSE	To receive relevant feedback and information from the conference
RECOMMENDATION	Receive the information
AUTHOR	Hywel Eifion Jones

1. INTRODUCTION

The LGC Investment Seminar has been held recently and was attended by Hywel Eifion Jones on behalf of the Board.

2. LGC INVESTMENT SEMINAR

The conference agenda can be viewed here:

<https://investmentseminar.lgcplus.com/LGIS2025/en/page/programme>

Hywel Eifion Jones will provide verbal feedback and share relevant information from the conference.

3. RECOMMENDATION

The Board is requested to receive the information.

Meeting:	Pensions Committee
Date:	07/04/2025
Title:	ASSUMPTIONS SETTING FOR THE 2025 VALUATION
Purpose:	For information only
Author:	Meirion Jones, Pensions Manager

1. Introduction

Following on from last month's training session, Hymans Robertson's 'Assumptions setting for the 2025 valuation' paper is attached in **Appendix A**.

This paper outlines the assumption setting for the Gwynedd Pension Fund's 2025 valuation. It details the financial, life expectancy, and other demographic assumptions the Fund needs to make. These assumptions are set by the Fund Actuary through discussions with Officers and the Committee, starting from current assumptions and considering relevant changes, while reflecting the Fund's specific characteristics and taking a very long-term view. The assumptions also adhere to LGPS guidance requiring prudence in the discount rate, while all other assumptions are best estimates. The approach is an evolution from the 2022 valuation, not a revolution.

2. Financial Assumptions

Regarding **financial assumptions**, the paper notes significant changes in economic conditions since the 2022 valuation, including increased interest rates, higher than expected inflation, and increased market volatility. Political and climate risks are also mentioned as influencing factors. The **discount rate**, representing the average annual rate of future investment return, has seen a significant change in the economic environment since 2022, leading to higher expected future investment returns and funding levels, but also increased uncertainty. The recommendation is to **increase the prudence level for the discount rate from 75% to 80%**. For **benefit increases and CARE revaluation**, which are linked to CPI, the approach remains the same as the 2022 valuation but reflects current inflation expectations. The average level of future inflation at 30 November 2024 was 2.3% pa (compared to 2.7% pa in March 2022). **Salary increases** are recommended to be maintained at **CPI + 0.5%**, reflecting uncertainty despite current inflation expectations.

3. Life Expectancy Assumption

For the **life expectancy assumption**, it is broken down into baseline longevity (how long members currently live) and future improvements in longevity (how death rates are expected to change). The **baseline assumption** will continue to use **tailored Club Vita assumptions**, which are updated annually and consider member characteristics like postcode, retirement type, and affluence. For **future improvements**, the paper highlights the uncertainty in the outlook and the real-

world drivers that will affect future life expectancy, suggesting the Fund should consider its beliefs around future trends. Various longevity drivers such as medical advances, lifestyle behaviours, and external factors like climate change and pandemics are discussed.

4. Other Assumptions

Regarding **all other demographic assumptions**, the recommendation is to **adopt assumptions based on analysis of the LGPS and the Fund's actual membership experience**, considering external factors. These assumptions include withdrawal rates, 50:50 option take-up, death before retirement, promotional salary scale, ill-health retirements, retirement age, and cash commutation. Assumptions for members leaving dependants and the age difference with dependants are informed by Club Vita LGPS-wide analysis.

5. Conclusion

The paper concludes with a table summarising the proposed changes in assumptions from the 2022 valuation to the proposed 2025 valuation. Key changes include the increase in the discount rate prudence level, a decrease in the median CPI expectation, changes to withdrawal assumptions, a decrease in 50:50 uptake assumption, and an increase in the cash commutation assumption. The baseline longevity will remain based on the latest Club Vita tables, and future improvements will use the latest available CMI model while reflecting the Fund's characteristics and beliefs.

Assumptions to be approved		
Assumption	2022 valuation assumption	Proposed 2025 valuation assumption
Discount rate (level of prudence)	75% LoS prudence level	80% LoS prudence level Reflects increased market/economic uncertainty
CPI inflation (Benefit increases and CARE revaluation)	Based on Hymans' ESS model, reflecting market expectations Median CPI expectation of 2.7% pa	Based on Hymans' ESS model, reflecting market expectations Median CPI expectation of 2.3% pa (as at November 2024, will be based on March 2025 expectations for valuation)
Salary increases	CPI + 0.5%	CPI + 0.5%
Baseline longevity	Latest Club vita tables	Latest Club vita tables
Future improvements in longevity	<ul style="list-style-type: none"> Use latest available CMI model Reflect Fund's membership characteristics Avoid recent Covid experience skewing projections 	<ul style="list-style-type: none"> Use latest available CMI model Reflect Fund's membership characteristics Avoid recent Covid experience skewing projections Reflect Fund's beliefs about future longevity drivers
Other demographic assumptions (excluding longevity)	<ul style="list-style-type: none"> Withdrawals (excl. ill health) – Hymans' default assumption is reduced by 20% for full-time males and females, and 25% for part time males Ill health early retirements – Hymans' default assumption Promotional salary scale – Hymans' default assumption Death in service – Hymans' default assumption 50:50 assumption – 0.5% uptake Retirement age – earliest age at which a member can retire with their benefits unreduced. Cash commutation – 65% of the maximum tax-free amount. Members leaving dependants – Club vita LGPS-wide analysis Age difference with dependant – Dependant is 3 years younger or older for males and females respectively 	<ul style="list-style-type: none"> Withdrawals (excl. ill health) – Hymans' default assumption is reduced by 40% for full-time and part time males, 30% for full-time females and 10% for part-time females Ill health early retirements – Hymans' default assumption Promotional salary scale – Hymans' default assumption Death in service – Hymans' default assumption 50:50 assumption – 0% uptake Retirement age – no change Cash commutation – 75% of the maximum tax-free amount. Members leaving dependants – Club vita LGPS-wide analysis Age difference with dependant – Club vita LGPS-wide analysis (Dependant is 3.5 years younger for males and 0.6 years older for females)

The assumptions were adopted by the Pensions Committee in their meeting on 17/03/2025.

Gwynedd Pension Fund

Assumption setting for the 2025 valuation

Pensions Committee: 17 March 2025

Richard Warden FFA C.Act Allan Woodhouse AFA C.Act

Contents

- 1. Background**
- 2. Financial assumptions**
- 3. Life expectancy assumptions**
- 4. All other demographic assumptions**
- 5. Next steps**

1. Background

What assumptions does the Fund need to make?

Assumption	Description
Financial assumptions	
Discount rate	Average annual rate of future investment return that will be earned on the Fund's assets. This is used to place a present value on future projected benefit payments.
Benefit increases / CARE revaluation	Average annual rate of future benefit increases and CARE revaluation (which are based on CPI inflation in the LGPS)
Salary increases	Average annual rate of future inflationary salary awards
Demographic assumptions	
Baseline longevity	How long we expect members to live based on current observed death rates
Future improvements in longevity	How death rates are expected to change in the future (historically life expectancy has improved over time)
Members leaving dependants	Proportion of pensioners leaving a dependant pension at death
Age difference with dependant	Difference in age between member at death and their surviving dependant
Other demographic events	Events such as retirement age, rate of ill health retirement, level of commutation and 50:50 take up

Assumption setting ‘rules’



Set by the Fund Actuary through discussions with Officers and Committee



Reflect the specific characteristics of the Fund (where practical) and the timeframe of the liabilities i.e. very long-term view



LGPS guidance requires funds to adopt prudent assumptions



Margin of prudence adopted in the future investment return (discount rate) assumption



All other assumptions are best estimate



Starting point is current assumptions, then consider any relevant changes

Evolution from 2022, not a revolution

2. Financial assumptions

Changes affecting financial markets since 2022

The main changes since the 2022 valuation date are set out below:

Economic conditions

- Increase in interest rates from historic lows to rates closer to the long-term average.
- Higher than expected inflation: April 2023 (10.1%) and April 2024 (6.7%).
- Increased market volatility, impacting expected future investment returns.

Climate risk

- Climate change could have significant implications for financial markets.
- In particular, there is evidence to suggest that the risk of extreme events occurring is increasing
- A workshop that focuses on the uncertainty around future climate pathways is being planned for later this year.

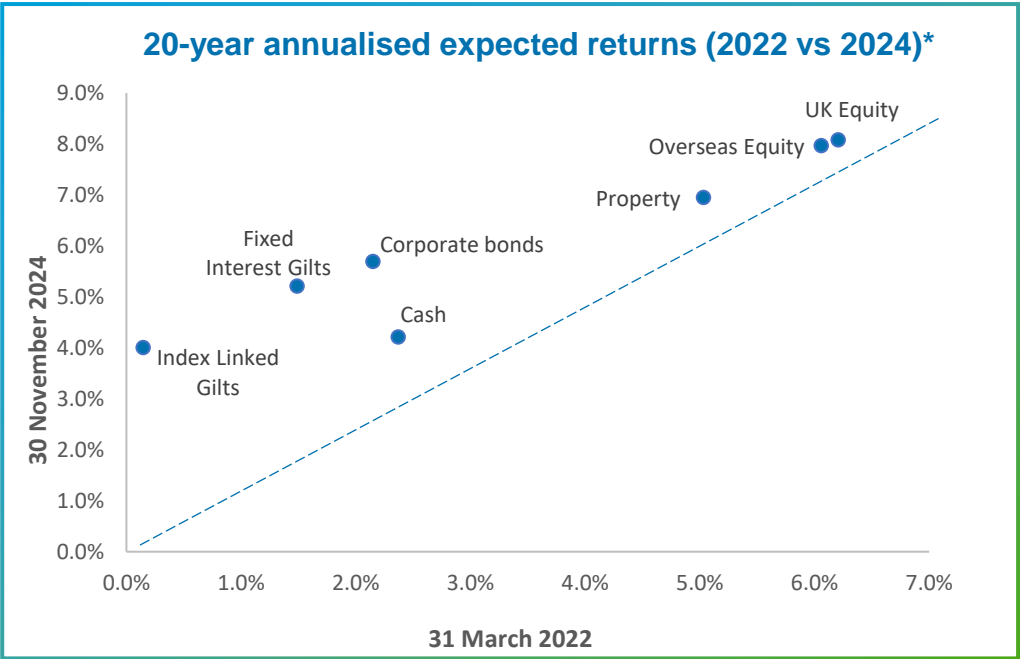
Political risks

- In July 2024, the Government launched its Pensions Investment Review.
- In November 2024, the UK Government launched the “LGPS – Fit for the future” consultation.
- The geo-political landscape has shifted significantly e.g. increases in regional conflicts, potential trade wars.

The most material change for the purpose of funding at the 2025 valuation is the change in economic conditions

Future investment returns (discount rate)

- Significant change in economic environment since 2022
- Higher expected future investment returns, higher funding levels and lower benefit costs
- But increased uncertainty, justifying an increase in prudence in the assumption



Prudence level	31 March 2022		30 November 2024	
	Reported discount rate (p.a.)	Funding level	Discount rate (p.a.)	Funding level
75%	4.1%	120%	6.2%	186%
80%	Not assessed	Not assessed	5.7%	171%

Prudence level	31 March 2022	30 November 2024
	Primary rate (% of pay)	Primary rate (% of pay)
75%	21.2%	14.7%
80%	Not assessed	16.0%

Recommendation: Increase prudence level from 75% to 80%

* Source: Hymans Robertson's ESS model

Benefit and salary increases

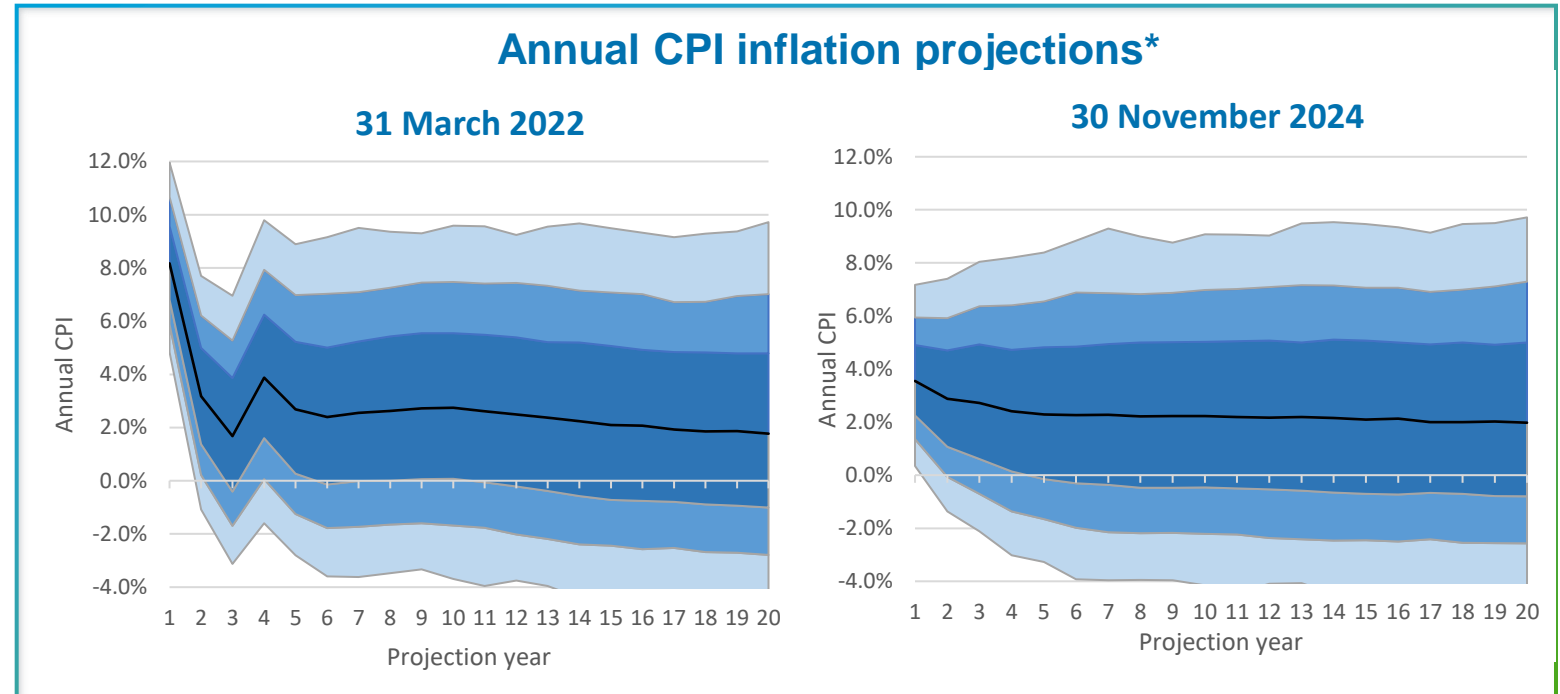
Benefit increases

- Benefit increases (and CARE revaluation) linked to CPI
- Reflect current inflation expectations

Salary increases

Inflationary salary increases set at $CPI + 0.5\%$:

- Uncertainty due to competing factors
- Maintain at current margin in absence of strong reason for change



Average* level of future inflation at 30 November 2024 = **2.3% pa** (vs **2.7% pa** at March 2022)

Recommendation: Same approach as 2022 valuation, but reflect current inflation expectations

Life expectancy assumption

Breaking down the longevity assumption



Your **longevity** assumptions

How long you expect to pay a pension to each member and their dependants.



Baseline

- A snapshot of **how long people currently live**
- Measured **objectively** based on recent mortality data
- Use Club Vita analytics for a **tailored best estimate** based on members' characteristics



Future improvements

- How life expectancy increases over time
- Shorter-term expectations reflecting recent trends
- Longer-term expectations reflecting **historical trends plus evidence** that improvements may be higher or lower than historical trend
- **Subjective** – wide range of possible outcomes

Evidence based baseline and informed judgement for future improvements

Baseline assumption

- Life expectancy tailored to every member of the Fund
- Considers postcode (proxy for lifestyle), retirement type and affluence
- Assumption is updated annually to reflect latest available data

Life expectancy at age 65

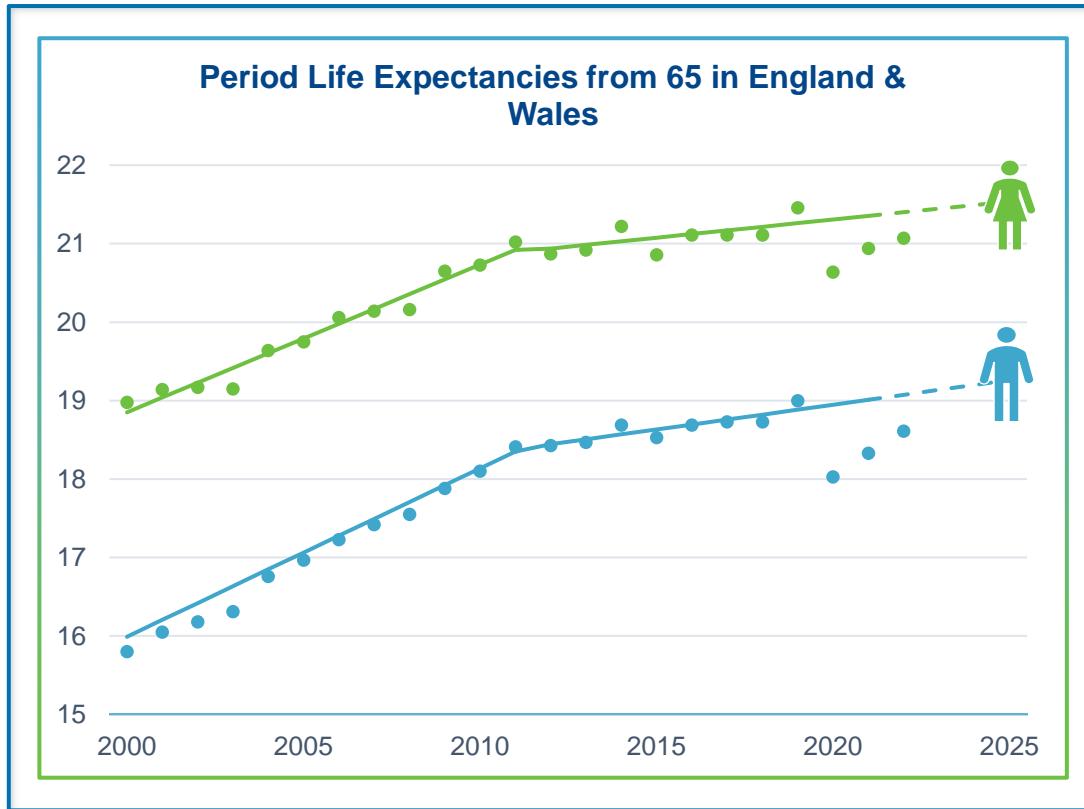
Low  High



Source: Club Vita, map available at <https://maps.clubvita.co.uk>

Recommendation: Continue to use tailored Club Vita assumptions

Future improvement assumption



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



The world does not stand still, including life expectancy



Need to allow for future improvements in life expectancy



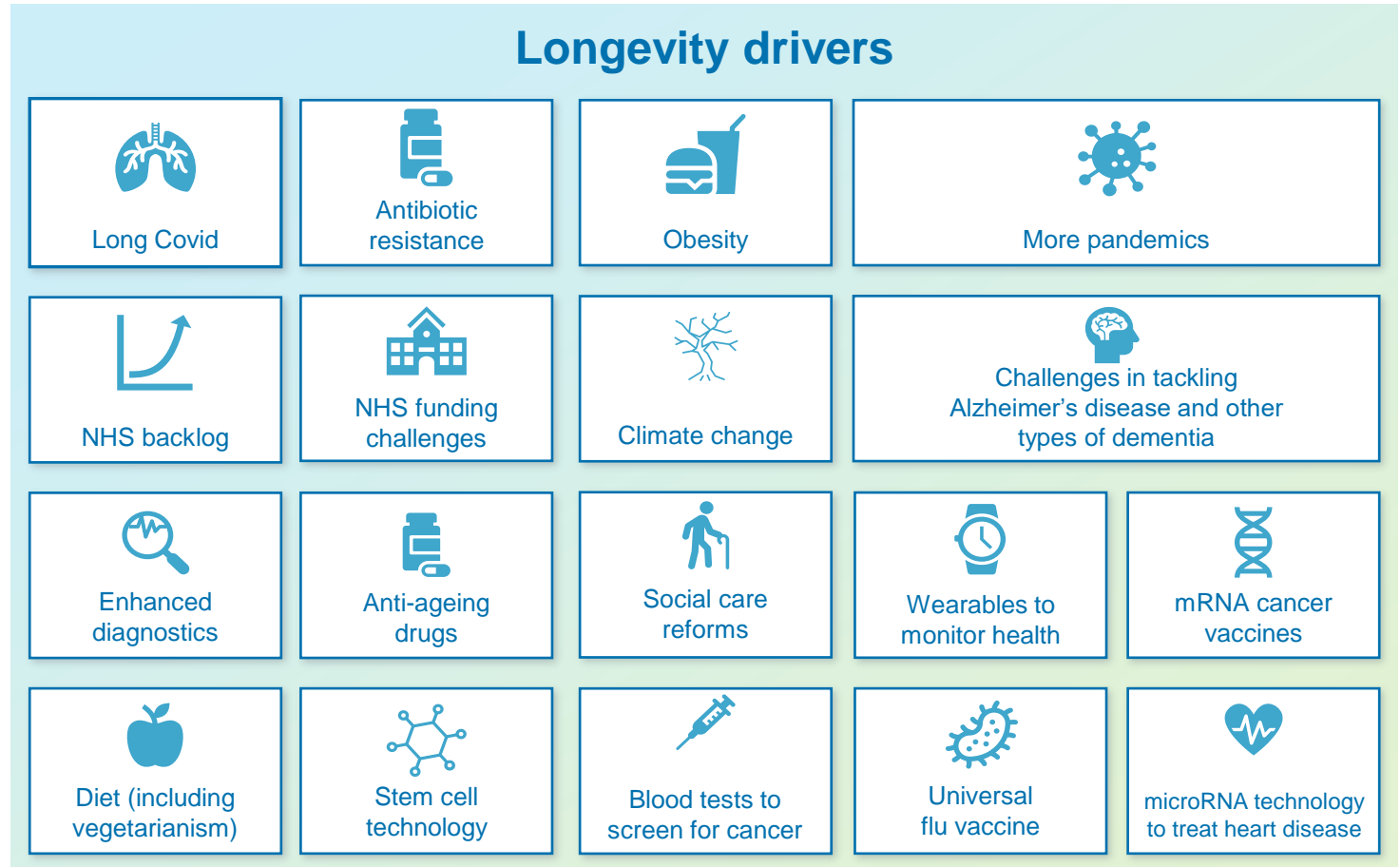
Improvements will be driven by medical advances, lifestyle behaviours and other external factors



Will require subjective decision making

Future improvements – other drivers

- Uncertainty in outlook
- Real-world drivers will affect future life expectancy
- Fund should consider its beliefs around future trends
- Full analysis considered in the Fund officer paper included in the committee pack.



Less prudent

Prudent

Climate Change



Low

- There is extremely limited response to address climate change.

Default

- There is some adaption to address climate change, but a struggle to adapt quickly.

High

- There is plausibly fast and effective adaption to address climate change.

COVID-19 Deaths



- Deaths from COVID will continue to be material in the longer term.

- The level of deaths as a result of COVID has now stabilised.

- Deaths from COVID will be negligible in a few years' time.

Long COVID



- The proportion of individuals affected long COVID will remain at the level observed in 2023.

- The proportion of individuals affected by long COVID will reduce slowly from the level observed in 2023.

- There is no material increase to mortality risk in the long-term due to reduced instances of long COVID.

NHS delays



- There is no reduction in NHS waiting times and no progress towards the government's 18-week target.

- There is a general reduction in NHS waiting times, but still above the government's 18-week target.

- Within 5 years, there is no-one that waits more than 18 weeks for treatment.

NHS funding



- The Government's health and social care budget continues to reduce in real terms.

- The Government's health and social care budget remains constant in real terms

- The Government's health and social care budget will be increased in future years.

Recommendation: Adopt overall 'default' future improvement assumption

All other demographic
assumptions

Other demographic assumptions

Withdrawal

Ill-health retirements

Promotional salary scale

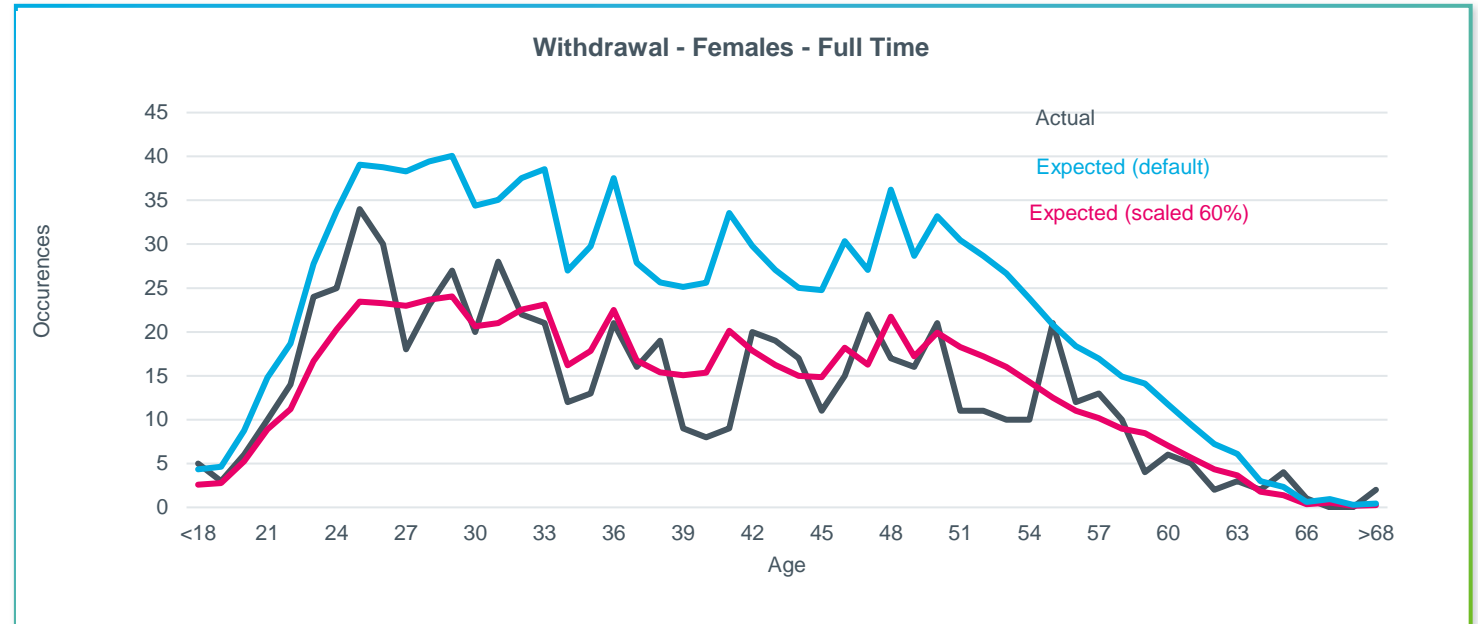
Death before retirement

50:50 option take-up

Retirement age

Cash commutation

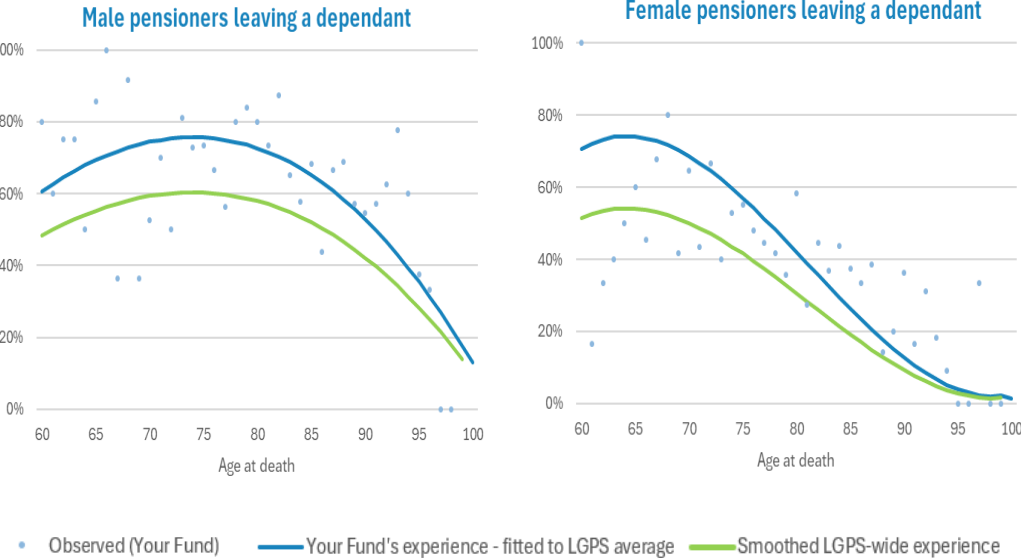
Use analysis of LGPS and Fund's actual membership experience.
Consider external factors e.g. short-term events which skew analysis or upcoming changes



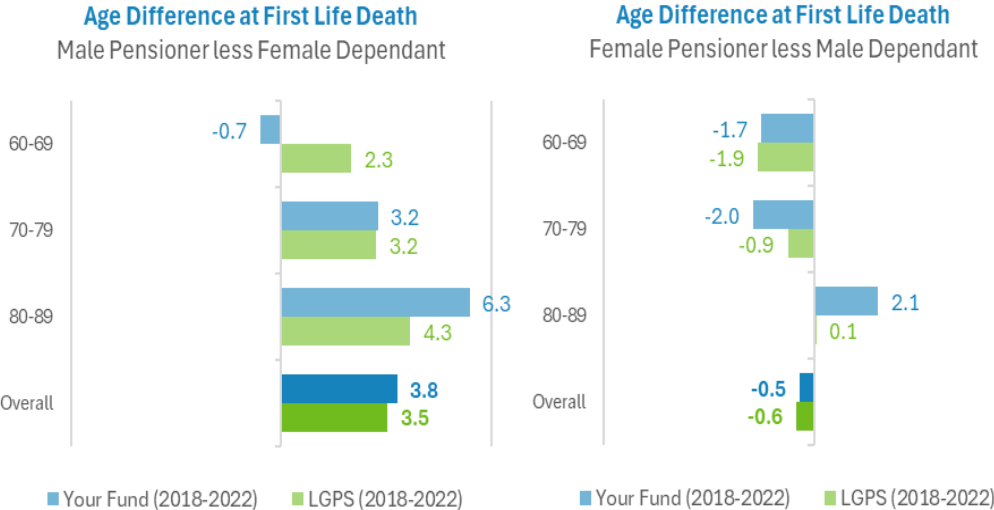
Recommendation: Adopt assumptions based on analysis of the Fund's actual membership experience

Assumptions informed by Club Vita

Proportion of members leaving a dependant



Age difference with dependant



Recommendation: Adopt assumptions based on Club Vita LGPS-wide analysis

Next steps

Assumptions to be approved

Assumption	2022 valuation assumption	Proposed 2025 valuation assumption
Discount rate (level of prudence)	75% LoS prudence level	80% LoS prudence level Reflects increased market/economic uncertainty
CPI inflation (Benefit increases and CARE revaluation)	Based on Hymans' ESS model, reflecting market expectations Median CPI expectation of 2.7% pa	Based on Hymans' ESS model, reflecting market expectations Median CPI expectation of 2.3% pa (as at November 2024, will be based on March 2025 expectations for valuation)
Salary increases	CPI + 0.5%	CPI + 0.5%
Baseline longevity	Latest Club vita tables	Latest Club vita tables
Future improvements in longevity	<ul style="list-style-type: none"> Use latest available CMI model Reflect Fund's membership characteristics Avoid recent Covid experience skewing projections 	<ul style="list-style-type: none"> Use latest available CMI model Reflect Fund's membership characteristics Avoid recent Covid experience skewing projections Reflect Fund's beliefs about future longevity drivers
Other demographic assumptions (excluding longevity)	<ul style="list-style-type: none"> Withdrawals (excl. ill health) – Hymans' default assumption is reduced by 20% for full-time males and females, and 25% for part time males Ill health early retirements – Hymans' default assumption Promotional salary scale – Hymans' default assumption Death in service – Hymans' default assumption 50:50 assumption – 0.5% uptake Retirement age – earliest age at which a member can retire with their benefits unreduced. Cash commutation – 65% of the maximum tax-free amount. Members leaving dependants – Club vita LGPS-wide analysis Age difference with dependant – Dependant is 3 years younger or older for males and females respectively 	<ul style="list-style-type: none"> Withdrawals (excl. ill health) – Hymans' default assumption is reduced by 40% for full-time and part time males, 30% for full-time females and 10% for part-time females Ill health early retirements – Hymans' default assumption Promotional salary scale – Hymans' default assumption Death in service – Hymans' default assumption 50:50 assumption – 0% uptake Retirement age – no change Cash commutation – 75% of the maximum tax-free amount. Members leaving dependants – Club vita LGPS-wide analysis Age difference with dependant – Club vita LGPS-wide analysis (Dependant is 3.5 years younger for males and 0.6 years older for females)

Thank you

Important Information

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Meeting:	Pension Board
Date:	07/04/2025
Title:	Summary of Gender Pension Gap Analysis
Purpose:	For information only
Author:	Meirion Jones, Pensions Manager

1. Introduction

This paper summarises the findings of a recent analysis conducted by Hymans Robertson on the Gwynedd Pension Fund membership data, as of March 31, 2024, to explore the Gender Pensions Gap. The full report is available for review in **Appendix A.**

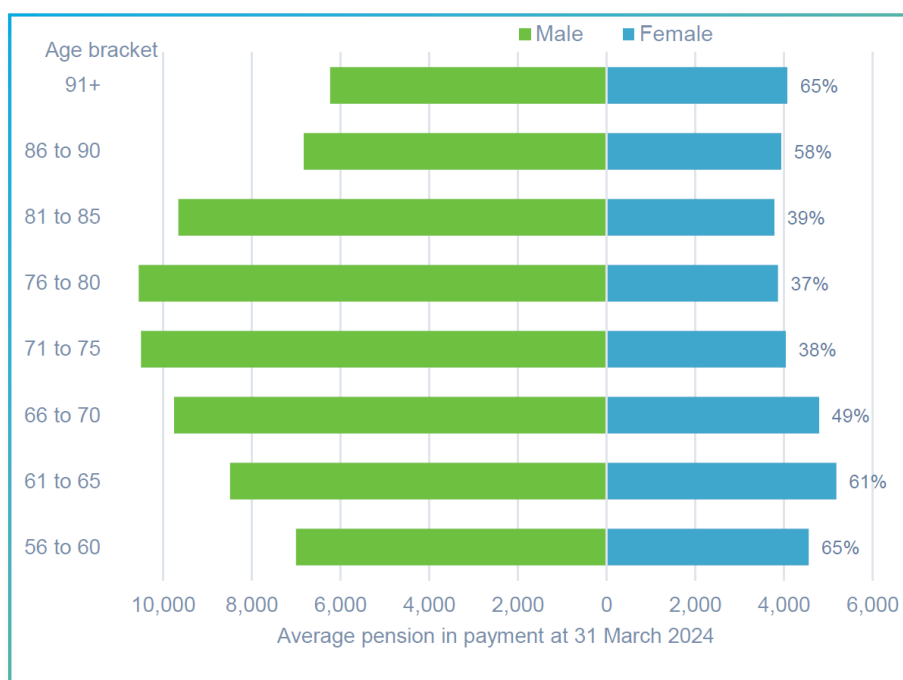
2. What is the Gender Pension Gap?

The Gender Pensions Gap is the difference between the retirement income of men and women. It can be measured by the difference in wealth at retirement, including items such as property.

3. Key Findings

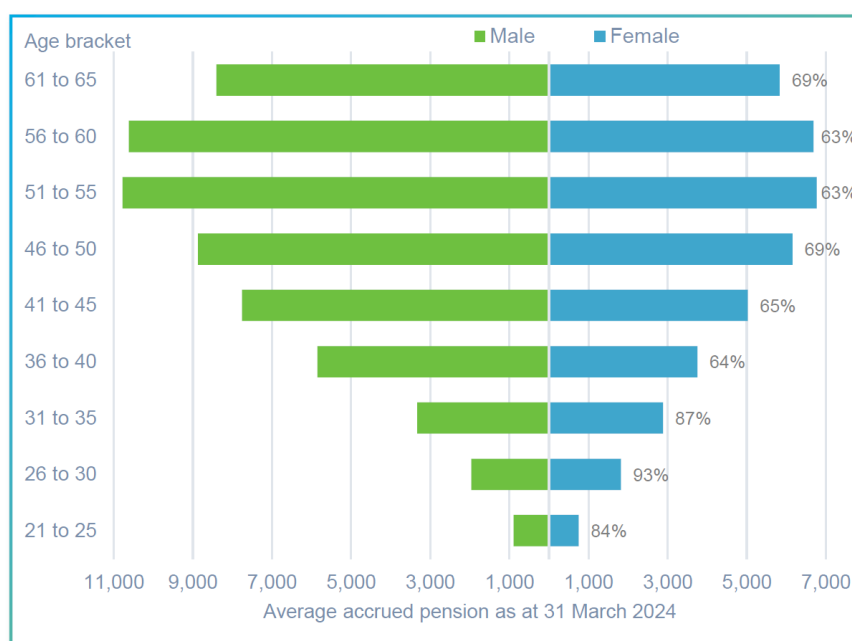
The key findings of the analysis are:

- **Existence of a Gender Pension Gap:** The analysis confirms the existence of a Gender Pension Gap within the Gwynedd Pension Fund.
- **Disparity in Pension Amounts:**
 - **Current Pensioners:**
 - On average, women receive approximately 52p for every £1 paid to men.
 - The average pension in payment as of March 31, 2024, was calculated for 5-year age brackets, split by gender.
 - The analysis indicates a significant Gender Pensions Gap across all age brackets, with the disparity being more pronounced in older age groups. For example, the report shows that for the 61 to 65 age bracket, females are receiving 61% of what their male counterparts are receiving.



○ **Active Members:**

- A Gender Pensions Gap is evident even among younger, active members, although it is less pronounced compared to older age groups. For example, the report shows that for the 31 to 35 age bracket, females are accruing 93% of what their male counterparts are accruing.
- The average accrued pension as of March 31, 2024, was calculated for active members in 5-year age brackets, split by gender.



4. Contributing Factors:

Contributing factors for the Gender Pension Gap include:

- a. **Gender Pay Gap:** A contributing factor to the Gender Pensions Gap is the difference in average full-time equivalent (FTE) salaries between genders. Females are paid 81-93% of what males are paid within the same age bracket, implying a gap range of 7% to 19%.
- b. **Working Patterns:** A significantly higher percentage of the female workforce are part-time workers compared to males. This results in women accruing less pensionable service and retirement benefits.
- c. **Age-Related Trends:** The pay and working pattern causes seem to appear from age 26-30 onwards, where maternity leave and other familial responsibilities often result in career breaks, which can adversely affect long-term pension accumulation.
- d. **Opt-Out Rates:** Higher opt-out rates among women from the LGPS further exacerbate the pension gap.

5. Recommendations

The report suggests that to fully address the gap, national-level action and changes will likely be required. However, there are also some actions that could be taken at the local level, albeit employer-driven:

- Review job profiles and pay scales to ensure genuine equality across the full spectrum.
- Check that back-to-work policies, including flexible working, fully support and encourage people who have taken career breaks back into the workplace.
- Introduce or enhance shared parental leave policies.
- Educate employees about implications for their pension any time there is a life point change that may have financial consequences.
- Let new joiners and part-time workers know that they can opt-in to the pension scheme, even if they do not meet the qualifying criteria.

Gwynedd Pension Fund

Gender pensions gap analysis

Richard Warden
Fund Actuary

28 January 2025



Use the menu bar above to navigate to each section.

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Background

What is the Gender Pensions Gap?

In recent years there has been increasing focus on ensuring equality at work. Most companies must now publish statistics on their Gender Pay Gap (the difference in average pay between males and females).

Following on from this, research has been conducted to better understand the Gender Pensions Gap (GPeG). A [report¹](#) published for the Commons Library highlights that the GPeG can be measured in different ways; to some it is the difference between the retirement income of men and women (which would include private and state pensions), whilst for others it is the difference in wealth in retirement (which would suggest the inclusion of other assets, such as property). The Government [introduced²](#) a measurement in June 2023 for private sector pensions.

A publication by [NOW:Pensions³](#), in conjunction with the Pensions Policy Institute, highlighted that, on average, women retire with pension savings of £69,000, whilst men at a similar age have a pensions wealth of £205,000. In addition, it also states that 67% of pensioners in poverty are women and that women would need to work full time for an extra 19 years to retire with the same pension as men.

¹<https://researchbriefings.files.parliament.uk/documents/CBP-9517/CBP-9517.pdf>

²<https://www.gov.uk/government/statistics/gender-pensions-gap-in-private-pensions/the-gender-pensions-gap-in-private-pensions#main-stories>

³www.nowpensions.com/about-us/fairpensionsforall/gender-pensions-gap



Gender pensions gap & the LGPS

Is the Gender Pensions Gap an issue in the LGPS?

As one of the largest pension schemes in the UK (with around 6.3 million members), the LGPS provides a valuable benefit to many people.

Around 74% of these members are female (the figure is around 73% in your fund). With such a large proportion of members being female, and the public sector nature of participating employers, people may expect the gender pensions gap to be less of an issue in the LGPS.

However, a [report](#) issued by GAD analysing LGPS data in England and Wales identified a substantial difference between the benefits currently being built up by male and female members. The difference is roughly 35% for benefits in the CARE scheme, and roughly 46% for benefits in the final salary scheme.

It is difficult to pinpoint the exact causes of the gap, but the main factors seem to be:



Gender pay gap (pension is linked to earnings)



Part-time vs. full-time working (pension is linked to service)



Career breaks (again, this affects service)

To better understand the issue, analysis is required. As agreed with the fund, we have used the fund's membership data provided as at 31 March 2024 and investigated the difference in the average annual pension amount between gender across 5-year age bands.

Note we are using pension amount instead of pension wealth. Wealth reflects differences in life expectancy and would be more appropriate if measuring the difference between defined contribution retirement pots. However, the LGPS is a defined benefit scheme and the benefit granted is independent of gender and expected life expectancy. Therefore, for this scheme, pension amount is a more appropriate measure for analysing the Gender Pensions Gap.

The results of our analysis are set out on the next four pages.

Fund-level analysis

Analysis of your data: current pensioners

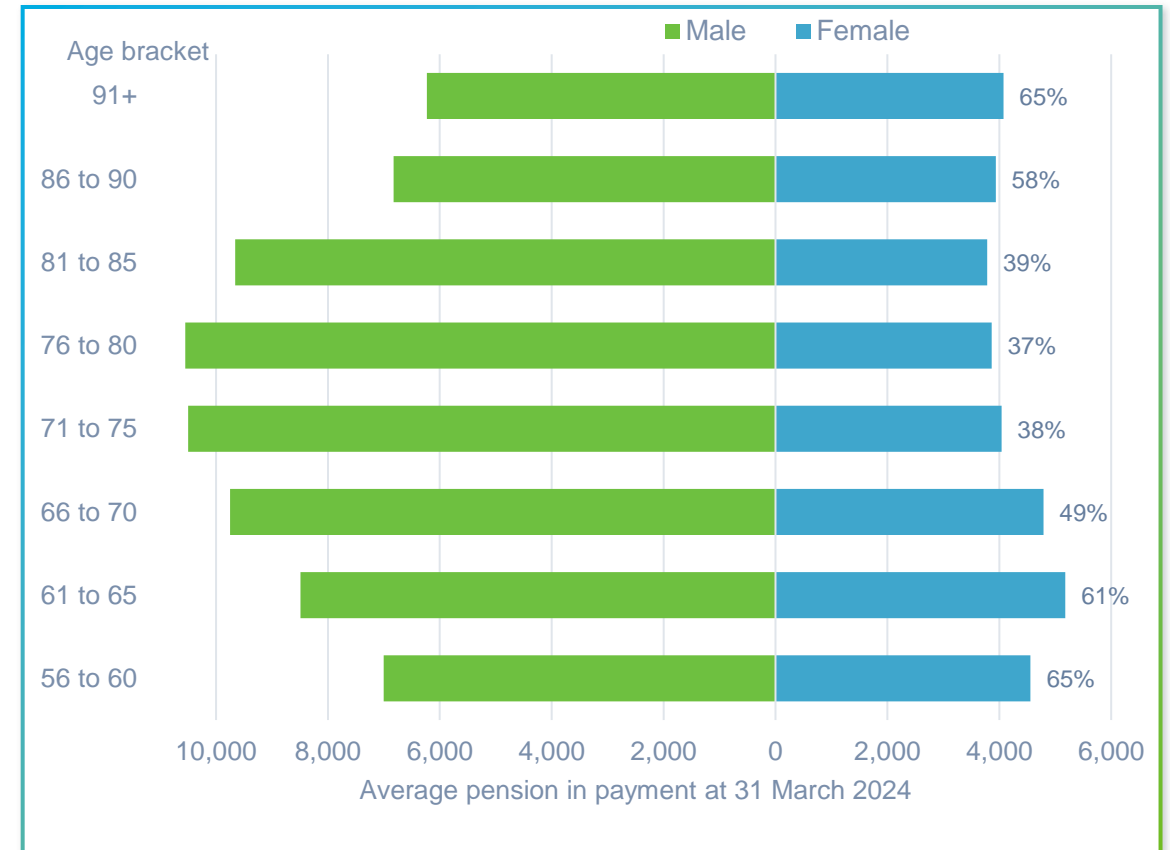
Using the 2024 data provided, we have calculated the average pension for 5-year age brackets and split by gender.

The chart shows that, on average, for every £1 of pension paid to males, females are receiving around **52p** (noted by the percentages). This is clear evidence of a Gender Pensions Gap.

For older members, as considered here, this difference may not be surprising when considering the societal structures in place as these benefits were being accrued. However, the trend is still evident at younger ages, e.g. 61 to 65, when changes to these structures were taking place.

To understand if the Gender Pensions Gap is a timing issue, we have carried out the same analysis for active members.

Note that the figures for age 56 to 60 may be skewed or subject to some bias. For example, pensioners in this age bracket are likely to have retired early due to affluence or a long service history. Therefore, some of the factors that cause the pensions gap are not relevant for this group. Similarly at age 90+, the dynamic of dependant pensions is likely to skew the analysis.



Analysis of your data: active members

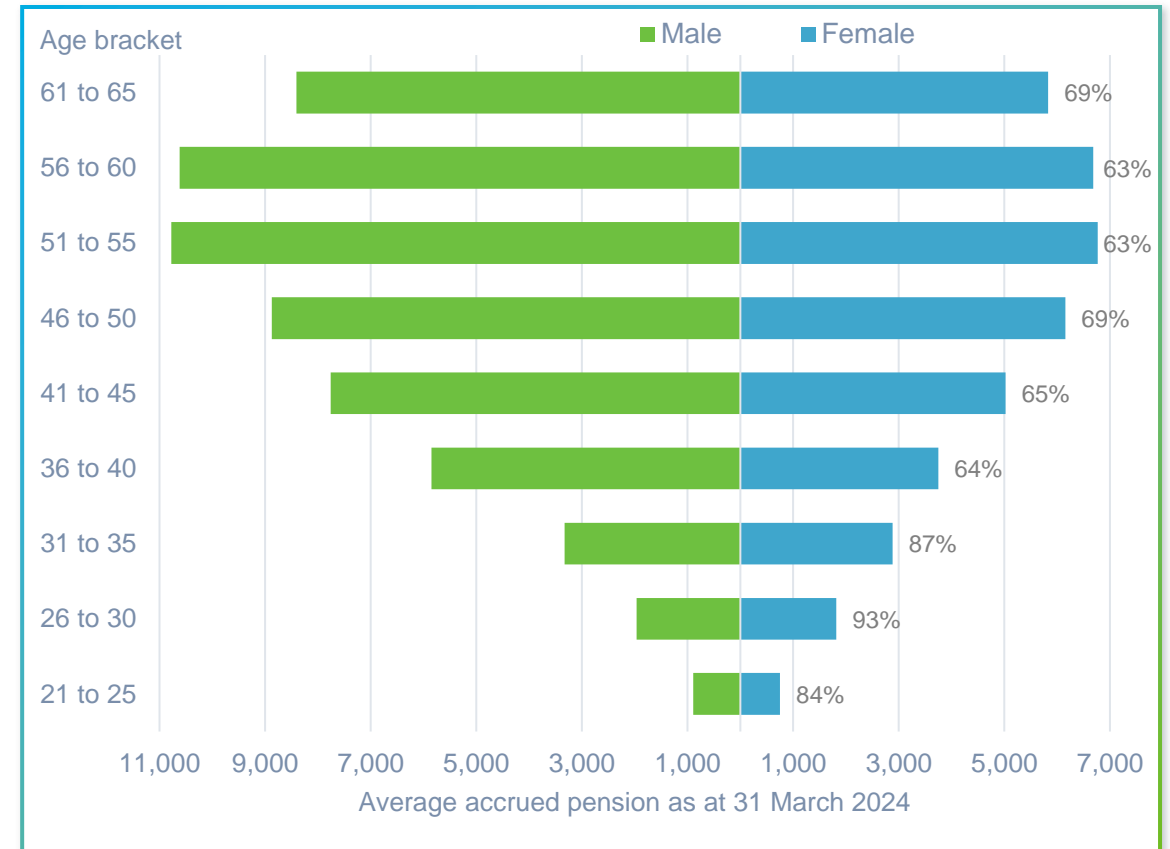
Again, using the 2024 data provided, we have calculated the average accrued pension for active members in 5-year age brackets and split by gender.

The pyramid shape of the chart is to be expected. Younger members will have a shorter service history so have accrued less benefits to date than older members.

The chart shows that even for younger members, despite changes in household working behaviours, a Gender Pensions Gap still exists. The gap is less pronounced at younger ages, a pattern we have seen in other LGPS funds.

This analysis has focussed on the output (pension). To better understand the issue, particularly the potential causes, we have reviewed the inputs – salary and service.

Note that the figures for age 61 to 65 may be skewed or subject to some bias. For example, due to retirement age rules, active members in this age bracket are likely to have similar service and job history so the differences which affect younger age brackets are less present.



Causes of the gap

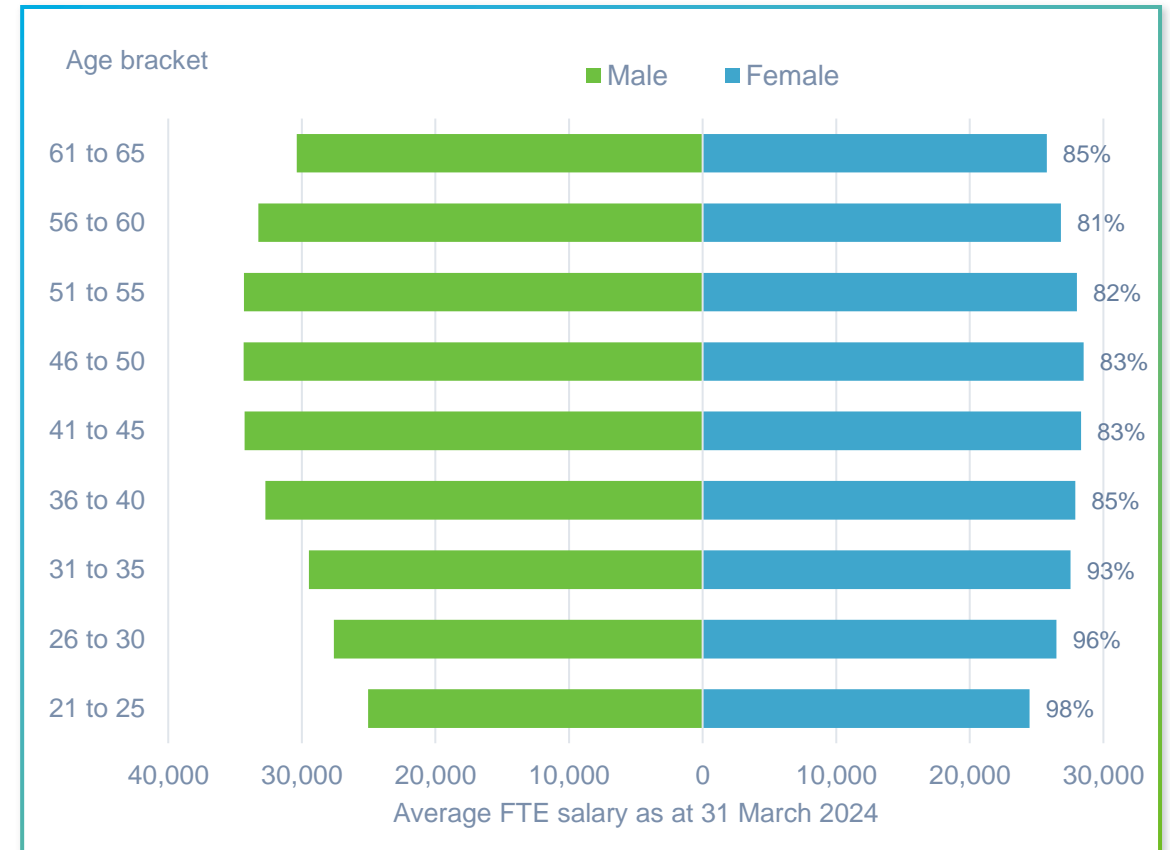
Possible causes of the Gender Pensions Gap: salary

This chart looks at the average full-time equivalent (FTE) salary of active members of the fund as at 31 March 2024. As LGPS benefits are directly linked to the magnitude of salary, any difference in salary between the genders causes a difference in pension.

Looking at the percentages on the chart, we can see that on average females are paid 81-93% of males within the same age bracket (note this doesn't allow for differences in roles etc.) for ages 31 and above, implying a gap range of 7% to 19%. This compares with the average gender pay gap for the UK which sits at around 14%¹.

This difference will be a contributing factor to the Gender Pensions Gap already observed.

An interesting pattern in the analysis is that there is little difference in FTE pay between genders up to age 30. Thereafter, the gap starts to widen.

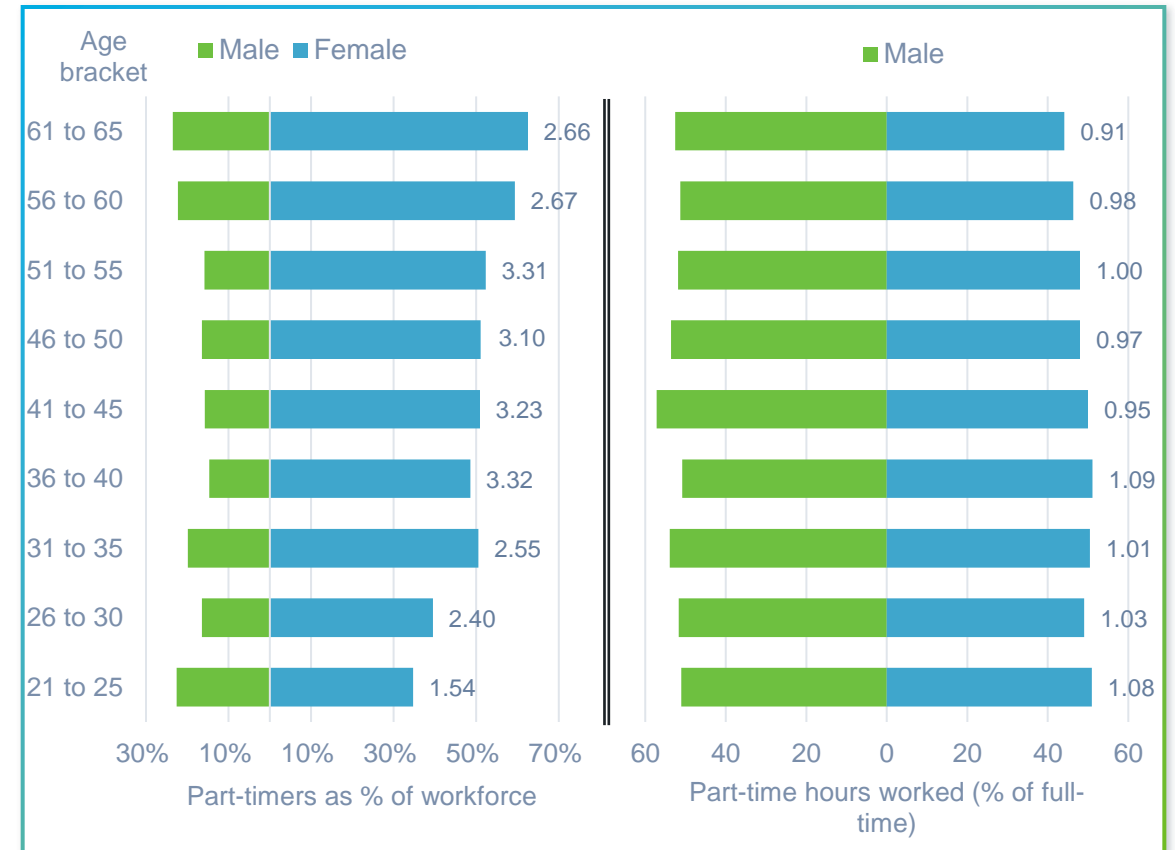


Possible causes of the Gender Pensions Gap: service

These charts look at how working patterns, which affect service, and the amount of benefit accrued, vary between genders. The left-hand chart analyses the percentage of the workforce in each bracket that are part-time workers for each gender. The right-hand chart analyses the average number of hours worked (as a percentage of full-time hours) by those part-time workers for each gender.

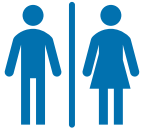
The left-hand chart shows that a much greater percentage of the female workforce are part-time workers than males. The differences are stark. As part-time workers will accrue less pensionable service and retirement benefit than full-time equivalents, this will be a big driver in the gender pension gap. There appears to be a big jump in the trend from age 26+.

The right-hand chart doesn't highlight any significant difference between males and females. This suggests that this factor is unlikely to be a material contributing cause to the Gender Pensions Gap.



Conclusions

Conclusions from the analysis



A Gender Pension Gap does exist in the fund

The analysis shows that the gap is prevalent at older ages but even exists at younger ages



The gender pay gap is a contributing factor

Whilst the pay gap is slightly lower than the national average at some ages, the difference will be a contributing factor to the pensions gap



There is a significant difference in working patterns between genders

Females are more likely to be part-time workers which results in them accruing less pension



The pay and working pattern causes seem to appear from age 26-30 onwards

We don't have the data to investigate the cause of this trend, but the [Office for National statistics](https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/bulletins/birthcharacteristicsinenglandandwales/2022)¹ states age 30.9 as the average age of mothers who give birth. Does this single event then lead to females being more likely to earn less and work part-time than male equivalents? If this is the case, what can be done to recognise this and ensure retirement equality?

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/bulletins/birthcharacteristicsinenglandandwales/2022>

Next steps

Next steps

The Gender Pensions Gap is not an issue confined solely to the LGPS. Research shows it existing across the whole pension landscape.

To fully address the gap, and some of its contributing factors, it is likely national level action and changes will be required. We believe that the LGPS, as a scheme with around 4 million female members, is in a prime position to be a leader in this debate.

There are also some actions that could be taken at local level, albeit employer driven, such as:

- Reviewing job profiles and pay scales to ensure there is genuine equality across the full spectrum (this would also help address the gender pay gap).
- Checking that back-to-work policies, including flexible working, fully support and encourage people who have taken career breaks back into the workplace.
- Introducing or enhancing shared parental leave policies.

- Educating employees about implications for their pension any time there is a life point change that may have financial consequences (e.g. reducing hours, getting divorced, promotion etc). Employees can then make informed choices about whether to top up their pension or not.
- Letting new joiners and part-time workers know that they can opt-in to the pension scheme, even if they do not meet the qualifying criteria

If you want further information on this topic, particularly around what could be done to reduce the Gender Pensions Gap, please watch the recording of our [webinar¹](#). The guest presenter was Lauren Wilkinson from the Pensions Policy Institute.

Reliances & limitations

Reliances and limitations

We have been commissioned by Cyngor Gwynedd ('the Administering Authority') to carry out an analysis of the Gwynedd Pension Fund membership data to explore if there is a Gender Pensions Gap.

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the outcomes of our analysis and high-level discussion on the gender pensions gap. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

Where we have expressed an opinion on the potential cause of the gender pension gap or possible resolution it should be treated only as that. This is a complex area with various factors and underlying issues.

The analysis is based on the membership data that has been submitted by the fund as at 31 March 2024.

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Meeting:	Pension Board
Date:	07/04/2025
Title:	Connecting to the Pension Dashboard
Purpose:	For information only
Author:	Meirion Jones, Pensions Manager

1. Introduction

This report outlines the Gwynedd Pension Fund's progress and plans for connecting to the Pension Dashboard. The Pension Dashboard will allow members to view their pension information in one place, enhancing transparency and engagement with their retirement planning.

2. Timetable for Connection

The Department for Work and Pensions (DWP) has set a staged timetable for connecting to the Pension Dashboard. The key dates are as follows:

- **August 2024:** Initial connection phase for volunteer participants.
- **April 2025:** Wider industry connection begins.
- **31 October 2025:** All LGPS funds must connect to the pension dashboard ecosystem.
- **31 October 2026:** Final deadline for all occupational pension schemes and personal and stakeholder pension providers to be connected.

We are committed to adhering to this timetable and will ensure that all necessary steps are taken to meet them.

3. Selection of ISP Provider

In order to connect to the dashboard, it is essential that an Integrated Service Provider (ISP) is selected. An ISP for the Pensions Dashboard Programme (PDP) acts as a bridge, connecting pension schemes and providers to the central digital architecture, ensuring data is securely and compliantly shared with members.

We are pleased to announce that we have selected **Heywood Pension Technologies** as our ISP. Heywood Pension Technologies is renowned for its secure and compliant solutions, ensuring a seamless connection to the Pension Dashboard. Additionally, as the provider of our Altair Administration software, Heywood Pension Technologies makes connecting to the ISP effortless.

Connecting the dashboard will be completed in two phases:

- **Phase 1:** Initial Setup and Testing
- **Phase 2:** PDP Onboarding

We are currently in the midst of Phase 1, and everything appears to be functioning correctly. This phase is expected to conclude on Friday, April 11, 2025.

While the date for Phase 2 has not yet been set, we hope to schedule it for the summer to ensure we are well-connected ahead of the October 31, 2025 deadline.

4. AVC Providers

In addition to our main pension scheme, we are working with our Additional Voluntary Contribution (AVC) providers to ensure their data is also connected to the Pension Dashboard. This involves coordinating with each AVC provider to confirm their connection methods and readiness. The Pensions Administration Standards Association (PASA) has provided a checklist and toolkit to assist with this process.

5. Conclusion

Connecting to the Pension Dashboard is a significant step forward in enhancing the service we provide to our members. With Heywood Pension Technologies as our ISP and a clear timetable in place, we are confident in our ability to meet the requirements and deadlines set out by the DWP. We will continue to update the Board on our progress and any developments in this project.