Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSIONS COMMITTEE

Date and Time

2.00 pm, MONDAY, 7TH JULY, 2025

Location

Virtual Meeting

NOTE

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

Contact Point

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(DISTRIBUTED 30/06/25)

PENSIONS COMMITTEE

MEMBERSHIP (9)

Plaid Cymru (4)

Councillors

Iwan Huws   Elin Hywel   Ioan Thomas

R Medwyn Hughes

Independent (2)

Councillors

John Pughe Roberts   John Brynmor Hughes

Lib / Lab (1)

Councillor Stephen Churchman

Co-opted Members (2)

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

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

8. EXCLUSION OF PRESS AND PUBLIC

The Chairman shall propose that the press and public be excluded from the meeting during the discussion on the following items due to the likely disclosure of exempt information as defined in Paragraph 14 of Schedule 12A of the Local Government act 1972 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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

9. ROBECO ENGAGEMENT SERVICE - ENGAGEMENT REPORT 1.10.24 - 31.12.24

To note the content of the report

(copy for Committee Members only)

PENSIONS COMMITTEE 12-06-25

Attendance:

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

Officers:

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

1. ELECTION OF CHAIR

It was resolved to re-elect Councillor Elin Hywel as Chair of this Committee for 2025/26

2. ELECTION OF VICE-CHAIR

It was resolved to elect Councillor John Pughe Roberts as Vice-chair of this Committee for 2025/26

3. APOLOGIES

Apologies were received from Councillor Stephen Churchman, Councillor John Brynmor Hughes and Councillor Elin Hywel

4. DECLARATION OF PERSONAL INTEREST

None to note

5. URGENT ITEMS

None to note

6. MINUTES

The Chair accepted the minutes of the meeting held on 17 March 2025 as a true record.

7. WALES PENSION PARTNERSHIP (WPP) BUSINESS PLAN

A report was submitted by the Investment Manager asking the Committee to approve the Wales Pension Partnership's revised Business Plan. It was reported that the Business Plan had been approved by the Joint Governance Committee in March 2025, but had now been amended to highlight the Project Snowdon enabling and design costs, where approval was received at its meeting on 4 June 2025. It was elaborated that the Plan would require approval from the individual Committees within the Partnership.

It was noted that the Partnership created an annual Business Plan for a three-year period and the main purpose was:

- To explain the background and governance structure

- To highlight the priorities and objectives over the next three years
- To present the Partnership's plans and policies
- To outline the financial budget
- To summarise the WPP's investments and performance objectives

The members thanked the officer for the report.

It was proposed and seconded to approve the Business Plan.

RESOLVED

To approve the Wales Pension Partnership Revised Business Plan 2025-2028

8. LGPS: 'FIT FOR THE FUTURE' – THE WPP'S SUBMISSION TO GOVERNMENT

A joint report was submitted by the Head of Finance and the Investment Manager.

Members were reminded, in accordance with the requirements of the 'Fit for the Future' consultation launched in November 2024, that the eight LGPS pools established nationally were invited to present a business case which outlined how they would meet the Government's required criteria. It was noted that the Government had outlined a range of proposals to strengthen the work of managing LGPS investments in three key fields, which included reforming LGPS assets funds, promoting LGPS investment in local areas and regions in the UK, and strengthening the governance of the LGPS Administering Authorities and the LGPS funds.

During the consultation, the basic question was raised as to whether the WPP would consider establishing an independent company or join with another LGPS in England. It was reported that the WPP had concluded that what was best for all direct and wider stakeholders in Wales was to go forward to build its own IMCo. and retain its independence as a pool with the eight LGPSs in Wales as the sole stakeholders and clients.

The WPP business case was submitted to the Government in February 2025 and in April 2025, the encouraging news was received that the Government had approved the WPP business case, with Government officers requesting that the WPP continued to implement its plans and continued to inform the Government of the progress. It was noted that two pools in England, Brunel and ACCESS, had been unsuccessful in presenting their business case and the basic AA had now invited them to try to join another pool.

It was elaborated, in order to satisfy the Government's challenging deadlines, that an FCA application would need to be presented to establish a WPP IMCo. soon. It was noted that the FCA requirements stated that the entity applying for the authority (i.e. WPP IMCo.) had to be incorporated before presenting the FCA application and the holders of some Senior Management (SMF) posts, including the Chief Executive Officer, had to be identified and included in the application.

Reference was made to the next steps of the process which included establishing a Board with a representation of shareholders (which would replace the Joint Committee) and during the summer 2025, there would be a need to register the company, ensuring compliance with the FCA requirements.

It was considered that forming a WPP IMCo. would be a once in a generation opportunity to create an independent LGPS Investment Company for the benefit of all stakeholders of the 22 local authorities in Wales, which would continue to invest for its members and protect LGPS pensions, and also have the opportunity to continue with its role investing locally across Wales and the rest of the UK, working with Councils, Corporate Joint Committees, the Development Bank of Wales, the British Business Bank and the Welsh Government, promoting economic growth, providing employment, protecting clean energy and improving the country's wider infrastructure, for the benefit of the people of Wales.

The members thanked the officer for the report.

In response to the consultation and discussions about appointing a 'qualified independent member' and whether that referred to a member qualified in finance, it was noted that no further details had been received. However, it was elaborated that the holders of some Senior Management Function posts, including the Chief Executive Officer, would have to be specifically named within the formal application to the FCA for the FCA to check and assess that they were suitable for the role.

In response to a question regarding the costs of establishing a company and whether the budget and job descriptions had been completed, it was noted that a budget of approximately £5 million more than the current costs would be set. It was also noted that there would be an intention to employ 15 - 18 officers by 1 April 2026. More details would be shared as the process progressed.

In response to an observation regarding why there was a need to adapt the situation when what already existed was successful, it was noted that the change responded to the requirements of the Westminster Government and there was no choice in the matter.

- Concern was expressed about the risk of losing the Hymans expertise
- The administrative costs were much higher than the current costs – the salaries were likely to be beyond the Local Government pay scales

It was proposed and seconded to recommend that the Full Council approves the LGPS Submission to the Government.

RESOLVED:

To accept the report.
To recommend that the Full Council (at its meeting on 3 July 2025):

1. **Notes the WPP Fit for the Future Business Case (Appendix 3, Appendix 4 and section 4)**
2. **Approves the formation of a corporate entity wholly owned by the WPP Administering Authorities to be the WPP Investment Management Company (IMCo.) and all other actions necessary to submit an application to the Financial Conduct Authority (FCA) for the authorisation of the IMCo. including but not limited to the selection and recruitment of Senior Management Function (SMF) roles as required by the FCA and the preparation and submission of the application to the FCA (Section 5).**
3. **Approves the revised WPP Business Plan and budget 2025/28 which includes design/enabling costs for Project Snowdon (Appendix 5 and Section 6) 5 - 10 11 - 27 28 - 124**
4. **Delegates the S151 Officer the right, in consultation with the Pension Fund Committee Chair, to progress Project Snowdon alongside WPP Administering Authorities (AAs) in line with the Government timetable within the approved budget.**
5. **Delegates the final approval of the final formal documentation required for IMCo. to be operational, described as "Go Live Work" as outlined in Section 7, to the Pension Fund Committee to give effect to the WPP Fit for the Future Business Case.**

9. LGPS POOLING SYMPOSIUM CONFERENCE 2025

A verbal update was received from Councillor Iwan Huws who had attended the conference in May 2025.

It was reported that pooling was the main matter under discussion in the conference, which focused on how the pooling of local authority funds continued to evolve and what this would mean for the future. It was noted that the timing was interesting given the response to the Fit for the Future Consultation. It was highlighted that the Business Wales case received significant praise and everyone who was associated with the work was congratulated, detailing the good collaboration. It was noted that the conference had been a good opportunity for attendees to network and share best practices, as well as a good educational opportunity for members.

RESOLVED

To accept and note the information.

10. INVEST IN WALES CONFERENCE

A verbal update was provided by Councillor Goronwy Edwards who had attended the conference in April 2025, as well as Councillor Elin Hywel and the Head of Finance.

It was noted that although there was a lot of discussions about investing in Wales, it seemed that it was the social impact that was being promoted instead of receiving full information about financial investment opportunities in Wales. Reference was made to the town centres regeneration opportunities and constructing houses, but mainly, there was a sense that Wales was a country of small businesses and therefore there was a need to encourage support for these businesses to develop.

RESOLVED

To accept and note the information.

The meeting commenced at 14:30 and ended at 15:15

MEETING	**PENSIONS COMMITTEE**
DATE	**7 JULY 2025**
TITLE	**WALES PENSION PARTNERSHIP UPDATE**
PURPOSE	**To receive and note a quarterly update from Wales Pension Partnership**
RECOMMENDATION	**RECEIVE AND NOTE THE INFORMATION**
AUTHOR	**DELYTH JONES-THOMAS, INVESTMENT MANAGER**

1. INTRODUCTION

This is a regular report which provides the members of the Pensions Committee with an update on the work undertaken by the Wales Pension Partnership (WPP) on behalf of the eight LGPS funds in Wales.

The WPP is now well established, with Waystone as its operator to provide FCA regulated services and Russell Investments who provide investment management solutions to the WPP on all listed assets. Northern Trust are the appointed global custodian and depositary. Hymans Robertson are the governance and oversight advisor and Robeco provide voting and engagement services to the WPP in accordance with its stewardship responsibilities and commitments.

2. JGC QUARTERLY UPDATE

The WPP's decision making body, the Joint Governance Committee (JGC), last met formally on 12th March 2025. The host authority has provided a summary of the items discussed at that meeting which is attached as Appendix 1 to this report. The 2024/25 Business Plan was reviewed and this can be seen in Appendix 2.

The Training Plan for 2025/26 was submitted and approved. This Training Plan has been devised to support the current training of the Gwynedd Pension Fund and will be applicable to the Wales Pension Partnership's pooling activities. Training sessions will be held quarterly as usual with further details in Appendix 3. The Business Plan 2025-28 (Appendix 4) has also been submitted which has been approved by the JGC and the Gwynedd Pension Fund Committee. Finally, another regular item introduced was the Risk Register, and the risks during this quarter were Governance and Regulation.

3. OPERATOR UPDATE

A copy of the latest quarterly update from the operator is attached under Appendix 5.

The update provides a snapshot of the full range of WPP investment sub-funds as at 31st December 2024.

Gwynedd Pension Fund currently has exposure to eight of the eleven sub-funds and as of 31st December 2024, these were as follows:

- **Global Opportunities - £451.6m**
- **Global Growth- £444.4m**
- **Emerging Markets - £63.0m**
- **Global Passive - £464.0m**
- **Multi Asset Credit - £235.2m**
- **Absolute Return Bond- £399.7m**
- **Global Credit Fund - £232.6m**
- **Sustainable Equity Fund- £336.5m**

4. PERFORMANCE REPORTS AS AT 31st DECEMBER 2024.

The performance reports can be seen in Appendix 6.

Global equities rose in sterling terms in the fourth quarter but fixed income markets lagged. US equities powered global equities higher following the US election result. Positive sentiment was fuelled by optimism that President-elect Trump's policies, including tax cuts and tariffs, would be business-friendly. Europe was the laggard, impacted by a weak economic outlook and political uncertainty in Germany and France. Asia ex Japan and emerging markets (EM) also underperformed. In fixed income, long yields rose on central bank caution over further rate cuts. The Federal Reserve (Fed) and the European Central Bank (ECB) both lowered rates by 25 basis points (bps) twice, while the Bank of Canada made two 50 bps cuts. The Bank of England (BoE) cut rates by 25 bps in November but left them unchanged in December.

The performance of the sub funds that Gwynedd Pension Fund invests in are monitored by officers, and as part of the quarterly investment review by Hymans Robertson and no concerns have been raised. Russell Investments also continuously assess the managers within their portfolio and will reduce, increase or eliminate their holdings to try and enhance the sub- fund's long- term performance.

5. PRIVATE MARKETS UPDATE

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

6. PRIVATE CREDIT

Russell Investments was appointed as PPC's Private Credit Distributor in March 2022 and the investment programme was launched in April 2023. Russell Investments provided an update on the progress on the Private Credit fund included in Appendix 7.

7. LGPS: FIT FOR THE FUTURE

The Prosiect yr Wyddfa report which was recently approved by the Gwynedd Pensions Committee was presented to the Full Council on July 3rd. The Full Council were asked to:

1. Note the Wales Pension Partnership Fit for the Future Business Case.

2. Approve the formation of a corporate entity wholly owned by the WPP Administering Authorities (AAs) to be the WPP Investment Management Company (IMCo.) and all other actions necessary to submit an application to the Financial Conduct Authority (FCA) for the authorisation of the company including but not limited to the selection and recruitment of Senior Management Function (SMF) roles as required by the FCA and the preparation and submission of the application to the FCA.

3. Approve the revised WPP Business Plan & budget 2025/28 which includes design/enabling costs for Project yr Wyddfa.

4. Delegate the S151 Officer in consultation with the Chair of the Pensions Committee to progress Project yr Wyddfa alongside WPP Administering Authorities (AAs) in line with the Government timetable within the approved budget.

5. Delegate the final approval of the final formal documentation required for IMCo. to be operational, described as "Go Live Work" to The Pension Fund Committee to give effect to The WPP Fit for the Future Business Case.

Feedback will be given to the Pensions Committee from the Full Council meeting.

8. RECOMMENDATION

To receive and note the information.

Wales Pension Partnership (WPP) - JGC Update

JGC meeting date: Wednesday 12 March 2025

Location: Hybrid meeting, hosted by Swansea

Chair: Cllr Elwyn Williams, Chair of the Dyfed Pension Fund

Agenda item	Detail
Apologies	Apologies received from Osian Richards, Scheme Member Representative
Host Authority update	Anthony Parnell of the Host Authority provided an update in relation to work that has been completed since the last JGC meeting and WPP's next steps / priorities. Anthony mentioned that following the procurement processes and JGC approval in December 2024, Hymans Robertson have been re-appointed as WPP's Oversight Advisor and Robeco re-appointed as WPP's Voting & Engagement Provider. Rachel Barrack of Hymans provided an update in relation to Responsible Investment. The WPP has published its first TCFD report, covering the period to end March 2024, which can be found on the WPP website (link below). Forthcoming JGC dates: • 16 July 2025 – virtual via Zoom • 17 September 2025 – Hybrid, hosted by Torfaen • 8 December 2025 – virtual via Zoom • 10 March 2026 – Hybrid, hosted by Cardiff Anthony presented the 2024/25 Business Plan update as at 31 December 2024 (Attachment 1).
Training Plan 2025/26	Anthony Parnell of the Host Authority presented the 2025/26 WPP Training Plan. This training plan is devised to supplement existing Constituent Authority training and will be relevant to the WPP's pooling activities. The 2025/26 training sessions will be held quarterly and will cover the following topics:

	• Product Knowledge • Stewardship • Responsible Investment • Pooling Consultation & Regulatory Requirements The JGC approved the 2025/26 Training Plan (Attachment 2)
Business Plan 2025-2028	A WPP business plan has been drafted in line with Section 6 of the Inter Authority Agreement. The purpose of the business plan is to: • Explain the background and governance structure of the WPP • Outline the priorities and objectives of the WPP over the next three years • Introduce the WPP's policies and plans • Outline the financial budget for the relevant Business Plan period • Summarise the WPP's Investments & Performance Objectives Anthony Parnell of the Host Authority presented the 2025-28 WPP Business Plan (Attachment 3) which was approved by the JGC. The Business Plan has now been sent to all eight Constituent Authorities for their written approval.
Risk Register Q1 2025 Review	The OWG is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the JGC on a quarterly basis. The OWG has a dedicated Risk Sub-Group to take ownership of the Risk Register and quarterly reviews of the document. During Q1 2025, a review was undertaken of some of the risks within the Governance and Regulation section of the Risk Register, risks G1 to G7 and also risk G15. Hymans presented the updated section of the Risk Register which was approved by the JGC. The Risk Register has been uploaded on the WPP website. The next review will take place in Q2 2025 and will focus on the remaining risks within the Governance & Regulation Risks section.
Operator Update	Waystone presented their quarterly update report as at 31 December 2024 (Attachment 4). This provides an update on WPP's sub funds and corporate and engagement activity.

Performance Reports as at 31 December 2024	Russell Investments presented a Q4 2024 performance summary paper (Attachment 5) summarising the performance of each individual ACS sub fund for the quarter ending 31 December 2024.
Private Markets update – Private Credit	Russell Investments were appointed WPP's Private Credit Allocator in March 2022, and the Private Credit Investment programme was launched in April 2023. Russell Investments provided a Private Credit progress update (Attachment 6).
LGPS: Fit for the future – WPP's Submission to Government	Included in the LGPS: Fit for the Future consultation, published 14 November 2024, was a request that each pool submits a proposal, in addition to the consultation response, setting out how it would deliver the proposed pooling model and complete the transfer of all assets, including legacy assets. A proposed plan was presented and approved by the JGC (Attachment 7).
Exempt Items – the following items were discussed during the non-public part of the meeting.	
Responsible Investment and Climate Risk reports	Each quarter, Hymans Robertson produce quarterly Responsible Investment & Climate Risk Reports for the WPP's sub funds. For Q4 2024 (quarter ending 31 December 2024), the Sterling Credit, Global Credit and Global Government Bond reports were produced. Hymans presented the reports to the JGC members.
Robeco Engagement Report – Q4 2024	In March 2020, Robeco was appointed as WPP's Voting & Engagement Provider to undertake Voting and Engagement functions on behalf of the WPP. Robeco commenced their engagement service in April 2020, and they have provided an engagement report for Q4 2024. The engagement theme chosen for this quarter was Acceleration to Paris.

Webcast link for the 12 March 2025 JGC meeting below:

[Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 12th March, 2025, 10.00 am]

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

Next meeting:

- Tuesday 16 July 2025 – Virtual meeting, via Zoom

Wales Pension Partnership Business Plan 2024-2025 Q3 Review (April to December 2024)

Governance

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

Ongoing Sub-Fund development

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

Operator Services

Work to be completed	Completed	Comments
• Complete Operator contract procurement process and implement new operator contract	Yes	
• Operator and Sub-Fund governance Oversight	Ongoing	

Investments and Reporting

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

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

Communication and Training

Work to be completed	Completed	Comments
• Formulation of the WPP's Annual Responsible Investment Progress Report	Yes	Report presented at the July 2024 JGC and published on website
• Formulation of the WPP's annual training plan	**Yes**	**2025/26 training plan being taken to the March 2025 JGC for approval**
• Formulation of the WPP's Annual Update	Yes	2023/24 Annual Update published in August 2024
• Formulation of the WPP's Annual Report	**Yes**	**2023/24 Annual Report published in December 2024**

Resources, budget and fees

Work to be completed	Completed	Comments
• Annual review of resources and capacity	**Yes**	**Reviewed when formulating the 2025/26 budget**
• Formulation of Annual WPP Budget	**Yes**	**Formulated and included in the 2025-28 Business Plan**
• Review and Monitoring of Operator / external provider fees	Ongoing	

Training Plan

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

	Completed	Comments
• WPP Pooled Investments	Yes	18 June 2024
• Overview of cyber security and consideration for WPP	Yes	18 June 2024
• Policies – Responsible Investment Policy	Yes	18 October 2024
• Policies – Climate Policy	Yes	18 October 2024
• Policies – Stewardship Policy	Yes	18 October 2024
• RI – Net Zero journey planning	Yes	28 November 2024
• RI – Climate Metrics	Yes	28 November 2024
• Progress of other LGPS pools & Collaboration Opportunities		Scheduled for 24 March 2025
• Any new regulatory / guidance developments		Scheduled for 24 March 2025

Budget

2024-2025 Budget Monitoring Report:

	Budget 2024 – 2025 £000	Forecast 2024 – 2025 £000	Variances 2024 – 2025 £000
Host Authority *	231	187	44
External Advisors *	1,411	1,212	199
Project Snowdon *	0	421	(421)
TOTAL to be recharged	**1,642**	**1,820**	**(178)**
Operator Services **	40,734	39,922	812
Allocator Services **	7,006	7,094	(88)
TOTAL to be deducted from the NAV	**47,740**	**47,016**	**724**

**Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

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

Equity Sub-Funds

- ***Global Growth Fund***
  Managed by: Russell Investments
- ***Global Opportunities Fund***
  Managed by: Russell Investments
- ***UK Opportunities Fund***
  Managed by: Russell Investments
- ***Emerging Markets Fund***
  Managed by: Russell Investments
- ***Sustainable Active Equity Fund***
  Managed by: Russell Investments

Fixed Income Sub-Funds

- ***Absolute Return Bond Fund***
  Managed by: Russell Investments
- ***Global Government Bond Fund***
  Managed by: Russell Investments
- ***Multi-Asset Credit Fund***
  Managed by: Russell Investments
- ***Global Credit Fund***
  Managed by: Russell Investments
- ***UK Credit Fund***
  Managed by: Waystone Management (UK) Ltd

Private Markets

- ***Infrastructure – closed ended***
  Managed by: GCM Grosvenor
- ***Infrastructure – open ended***
  Managed by: CBRE, IFM and Octopus
- ***Private Credit***
  Managed by: Russell Investments
- ***Private Equity***
  Managed by: Schroders Capital

Wales Pension Partnership

https://www.walespensionpartnership.org/

Wales Pension Partnership Training Plan 2025/26

Background and Introduction

It is best practice for WPP personnel 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.

The WPP's training plan is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

WPP personnel should obtain a degree of knowledge and understanding that ensures they are able to carry out their duties associated with the WPP.

WPP personnel should also be aware of the WPP's framework, beliefs, polices, governance matrix, the decision-making process and decision logging process.

New WPP personnel must conduct formal introductory training to reach the level of knowledge set out above. Following any introductory training, personnel are expected to maintain their understanding of items set out above, completing any additional training as necessary.

To aid WPP personnel, the Host Authority will arrange quarterly training sessions which will cover major areas such as investments, administration, regulation requirements, government guidance and market developments. Please note that the Host Authority will maintain a training plan log which will keep a record of all the training WPP personnel have completed to date and the training that is due to take place in the foreseeable future.

The WPP's training events will primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

The WPP has put in place a dedicated Training Policy, this can be found of the WPP website, the policy provides additional detail on how the WPP approaches training and development.

Individual Training

It is important that individuals have an 'appropriate' level of knowledge and understanding of the activities relevant to their duties within the WPP.

It is best practice for individuals to review their own knowledge and understanding at least annually and undertake further learning for any areas that are identified as requiring further attention or development.

2025/26 Training

We have set out below a list of training topics which the Host Authority will arrange during the 2025/26 financial year. The topics outlined below are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG').

Topic	Date *
Product Knowledge	
• Private Credit and Infrastructure asset classes	Q1 April – June 2025
• Local / Impact investments within the Private Market asset classes	
Stewardship	
• Voting & Engagement	Q2 July – September 2025
• Stewardship code and reporting requirements	
Responsible Investment (RI)	
• Biodiversity and Natural Capital	Q3 October – December 2025
• Climate Scenarios and Fiduciary Duty	
Pooling Consultation & Regulatory Requirements	
• Pooling Consultation	Q4 January – March 2026
• Any new regulatory / guidance developments	

* Please note that these are estimated dates and they may be subject to change

Wales Pension Partnership

Business Plan

2025-2028

Contents

Introduction

This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for, 2025/26, 2026/27 and 2027/28. The business plan is constantly monitored and is formally reviewed and agreed every year. The purpose of the business plan is to:

- Explain the background and governance structure of the WPP
- Outline the priorities and objectives of the WPP over the next three years
- Outline the financial budget for the relevant Business Plan period
- Summarise the WPP's Investments & Performance Objectives

About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Waystone Management (UK) Limited (Waystone) and they have partnered with Russell Investments to deliver effective investment management solutions with the aim of achieving strong net of fee performance for all the Constituent Authorities. We have a shared vision and agreement on the means and pace at which this vision will be achieved.

In response to the "Fit for the Future" consultation announced in November 2024, WPP has established a project to explore and implement the governance and business requirements for WPP to conform with the government guidelines, this project is known as Project Snowdon.

The eight LGPS Funds (Constituent Authorities) of the Wales Pension Partnership are:

- Dyfed Pension Fund (Carmarthenshire County Council)
- City and County of Swansea Pension Fund (Swansea Council)
- Cardiff & Vale of Glamorgan Pension Fund (City of Cardiff Council)
- Clwyd Pension Fund (Flintshire County Council)
- Gwynedd Pension Fund (Cyngor Gwynedd)
- Powys Pension Fund (Powys County Council)
- Rhondda Cynon Taf (RCT) Pension Fund (Rhondda Cynon Taff County Borough Council)
- Greater Gwent (Torfaen) Pension Fund (Torfaen County Borough Council)

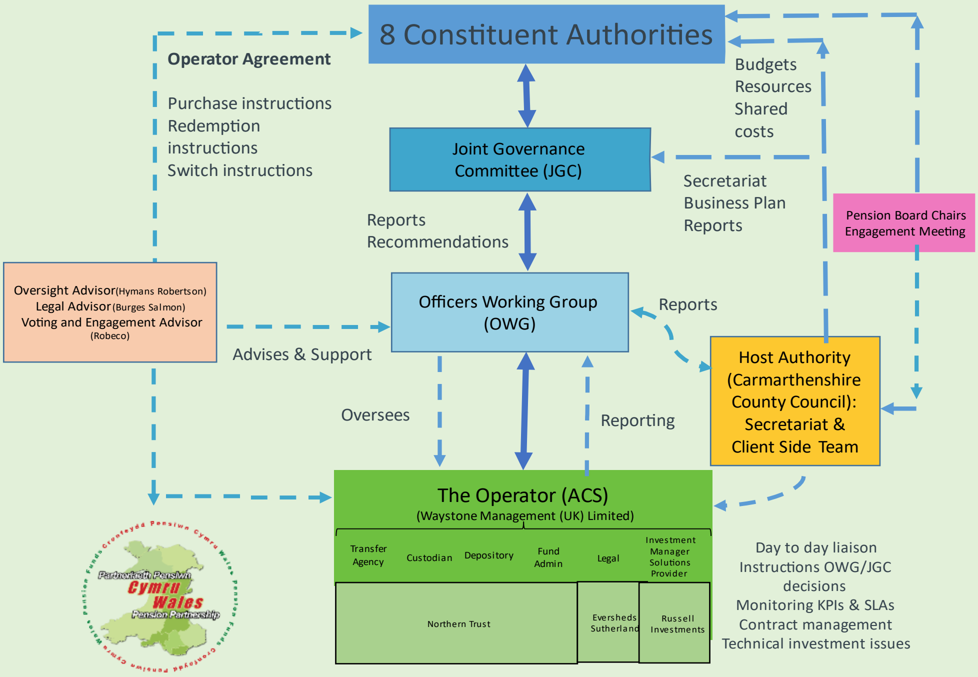
Governance

The WPP is responsible for ensuring that its business is conducted in accordance with regulation and guidance. We must also ensure that: public money is safeguarded and properly accounted for, used economically, efficiently and effectively to ensure value for money. We also strive for continuous improvement and to conform with industry best practice.

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

- Deliver on its objectives
- Be flexible and adaptive
- Demonstrate its commitment to the highest standards of governance
- Meet the needs of its stakeholders
- Foster collaboration and communication within the WPP
- Be transparent
- Be cost effective

The diagram below shows WPP's governance structure:



The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving this Business Plan, which outlines the WPP's budget and workplan, as well at its beliefs and objectives. The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised respectively of elected councillors, scheme member representative and officer representatives from the Constituent Authorities.

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP ensures the meetings of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers are also made publicly available. Local Pension Board Chairs engagement meetings are also held regularly as a means of fostering stakeholder engagement. The WPP recognises the importance of all of its stakeholders to reflect this the WPP has put in place an Engagement Protocol Framework, this is carried out via the following engagement mechanisms:

Engagement mechanisms	Frequency
Strategic Relationship Review meeting	Bi-Annual
JGC Engagement	Quarterly
Manager Performance Meetings/ Calls	Quarterly
Training Events	Quarterly
OWG Engagement	Quarterly
Bi-Weekly Meetings	Every 2 Weeks
Pension Fund Committees	Annual
Manager Engagement Days	Annual
Member Communications	Annual
Pension Board Chairs Engagement	Bi-Annual
Engagement via the website & LinkedIn	Continuous

Risk Management

The Wales Pension Partnership ('WPP') recognises that it faces numerous risks which, if left unmanaged, can limit the WPP's ability to meet its objectives and to act in the best interest of its stakeholders and beneficiaries. However, the WPP also understands that some risks cannot be fully mitigated and that in these instances' risks need to be embraced through active and effective management.

Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without warning. To reflect this belief, the WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to risk. The extent to which the WPP is able to effectively balance risk and return will depend on the success of its Risk Policy. It is critical that prior to making decisions the WPP understands the associated risks and considers the means by which these risks could be managed.

The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives. The WPP's Business Plan is an additional means through which the WPP will give special recognition to risks that pose a material threat to the delivery of its objectives and the actions required to manage these risks.

During the course of this business plan the WPP will seek to develop mechanisms, frameworks and process for managing the following key risks:

- The service delivery and performance of its Operator
- Ongoing performance of investment managers
- The robustness of the WPP governance structure
- Risk associated with Responsible Investment

The WPP is well aware of the threat posed by cyber security breaches and the importance of data security. Carmarthenshire County Council, as the Host Authority for the WPP, has a robust framework in place to ensure the security of its network and information systems. The Council also has a detailed Cyber Incident Response Plan, which outlines procedures for preparing, identifying, restricting, and responding to cyber incidents, ensuring business continuity and the preservation of evidence. The Constituent Authorities retain responsibility for individual member data for their respective LGPS Pension Funds.

Objectives

The WPP is proud to represent the eight Constituent Authorities and recognises its duty to ensure the needs and requirements of all stakeholders are met. The WPP, through consultation with all eight Constituent Authorities, has formulated a list of primary objectives these can be summarised as follows:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical)
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees
- To put in place robust governance arrangements to oversee the Pool’s activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers
- To embed the delivery of long-term, sustainable investment outcomes into decision making, through capital allocation, the ongoing scrutiny of asset managers, and the exercise of the rights and responsibilities that arise as asset owners.

The eight Constituent Authorities recognise that their strength derives from their shared beliefs and their ability to work together to deliver on their unified objectives for the benefit of all WPP stakeholders.

Beliefs

The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented
- Good governance should lead to superior outcomes for the WPP's stakeholders
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders
- Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of broader Environmental, Social and Governance issues, should result in better outcomes for the WPP's stakeholders
- Effective internal and external communication is vital to achieving the WPP's objectives
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise
- Fee and cost transparency will aid decision making and improve stakeholder outcomes
- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve
- Flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

Policies

The WPP believes that good governance should lead to superior outcomes for the WPP's stakeholders. In recognition of this belief, the WPP, in consultation with the Constituent Authorities, has developed a robust governance structure and framework and a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP and the Constituent Authorities, to:

The WPP's key policies, registers and plans are listed below and can be found on the WPP website.

The WPP's policies are reviewed on a regular basis and the WPP will continually assess whether any additional policies, registers or plans are required. The policies play a vital role in the WPP's governance arrangements and have been formulated with the sole purpose of providing a codified framework which will ensure that the WPP achieves its objectives in an effective and transparent means.

Work Plan

The table below shows key priorities and objectives that the WPP aims to complete over the next three years. The workplan has been broken down into a number of key sections which are all vital to the continued success of the WPP

- **Governance** - The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework and carry out ongoing reviews of its existing governance documents and structure.

- **Ongoing Investment Programme developments** – To date the WPP has pooled c74% of its assets and a number of other Investment Programmes are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.

- **Operator Services** - The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers is crucial.

- **Investment Reporting** - The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities. The WPP will continue to deliver on its reporting requirements covering areas such as investment performance, risk, Stewardship activities, Responsible Investment and Climate, and will develop further reporting, as and when required.

- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.

- **Resources, Budget and Fees** - The WPP recognises that insufficient resources pose a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2025 - 2026	2026 - 2027	2027 - 2028
Governance			
Legal Services provider procurement process	✔		
Delivery of Project Snowdon	✔	✔	
Annual review of WPP's policies and plans	✔	✔	✔
Quarterly reviews of the Risk Register	✔	✔	✔
Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes	✔	✔	✔
Ongoing Investment Programme Developments			
Launch the real estate investment programme	✔		
Launch additional Private Market vintages	✔	✔	✔
Consideration of WPP's UK, local / impact opportunities and requirements	✔	✔	✔

Evolution of existing Equity, Fixed Income and Passive Funds	✔	✔	✔
Consult with CAs on need for further investment programmes, and develop as required	✔	✔	✔
Operator Services			
Operator and Sub-Fund governance Oversight	✔	✔	✔
Investment Reporting			
Develop & Implement Private Markets reporting	✔		
Stewardship Code reporting	✔	✔	✔
Ongoing development, implementation and reporting of all stewardship activities	✔	✔	✔
Climate-related / TCFD reporting	✔	✔	✔
Nature-related / TNFD reporting	✔	✔	✔
Ongoing communication and reporting of RI activity to all stakeholders	✔	✔	✔
On-going Sub-Fund responsible investment and climate risk reporting	✔	✔	✔
Annual performance review of WPP Sub-Funds	✔	✔	✔
On-going engagement with CA's regarding ESG standards and climate ambitions to meet evolving needs	✔	✔	✔
Communication and Training			
Formulation of WPP's Annual Responsible Investment Progress Report	✔	✔	✔
Formulation of WPP's Annual Training Plan	✔	✔	✔
Formulation of WPP's Annual Update	✔	✔	✔
Formulation of WPP's Annual Report	✔	✔	✔
Resources, Budget and Fees			
Annual review of resources and capacity	✔	✔	✔
Formulation of Annual WPP Budget	✔	✔	✔
Review and Monitoring of Operator / external provider fees	✔	✔	✔

Training Plan

It is best practice for WPP personnel 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.

The WPP's training plan is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

WPP personnel should obtain a degree of knowledge and understanding that ensures they are able to carry out their duties associated with the WPP. WPP personnel should also be aware of the WPP's framework, beliefs, polices, governance matrix, the decision-making process and decision logging process.

To aid WPP personnel, the Host Authority will arrange quarterly training sessions which will cover major areas such as investments, administration, regulation requirements, government guidance and market developments. The WPP's training events will primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

We have set out below a list of training topics which the Host Authority will arrange training for during the 2025/26 financial year. WPP's training topics are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG').

Product Knowledge:

- Private Credit and Infrastructure asset classes
- Local / Impact investments within the Private Market asset classes

Stewardship:

- Voting & Engagement
- Stewardship code and reporting requirements

Responsible Investment (RI):

- Biodiversity and Natural Capital
- Climate Scenarios and Fiduciary Duty

Pooling Consultation & Regulatory Requirements:

- Pooling Consultation
- Any new regulatory / guidance developments

Budget

The table below outlines the WPP's budget for the next three years.

	Forecast 2024-25 outturn	2025-26	2026-27	2027-28
	£'000	£'000	£'000	£'000
Host Authority *	187	241	247	253
External Advisors *	1,212	1,376	1,288	1,288
Project Snowdon (preparatory work) *	421	1,264	TBC	TBC
TOTAL to be recharged	**1,820**	**2,881**	**1,535**	**1,541**
Operator Services **	39,922	46,110	50,721	55,793
Allocator **	7,094	9,673	10,844	10,844
TOTAL to be deducted from the NAV	**47,016**	**55,783**	**61,565**	**66,637**

**Host Authority, External Advisor and Project Snowdon costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

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

Investments & Performance

The WPP's Constituent Authorities have total assets of circa £25bn (as at 31 March 2024). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies.

The OWG receives quarterly, six monthly and annual performance reports, the group reviews and challenges the performance of Investment Managers on behalf of the WPP. The WPP hosts annual manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee Members and WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at local level, this will include manager attendance at Pension Committees.

Hymans Robertson undertake a periodic review of all WPP sub-funds, and the results are presented to both the OWG and JGC. The existing sub-funds are outlined below.

Equity Sub-Funds

- ***Global Growth Fund*** — Managed by Russell Investments since November 2024
- ***Global Opportunities Fund*** — Managed by Russell Investments
- ***UK Opportunities Fund*** — Managed by Russell Investments
- ***Emerging Markets Fund*** — Managed by Russell Investments
- ***Sustainable Active Equity Fund*** — Managed by Russell Investments

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date	Review Date
Global Growth	MSCI ACWI ND	RCT, Dyfed, Gwynedd, Cardiff and Powys	Baillie Gifford, Pzena, Pinestone and Numeric	Feb 2019	Nov 2021
Global Opportunities	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT and Cardiff	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, Nissay, Intermede and Oaktree	Feb 2019	Planned for 2025
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Baillie Gifford, Ninety-One, J O Hambro, Liontrust and Fidelity	Sept 2019	Planned for 2025
Emerging Markets	MSCI Emerging Markets ND +1.5%	Cardiff, Gwynedd, Powys and Torfaen	Artisan, Bin Yuan, Barrow Hanley, Axiom, Numeric and Oaktree	Oct 2021	March 2024
Sustainable Active Equity	MSCI ACWI ND	Cardiff, Clwyd, Dyfed, Gwynedd, Powys, RCT, Swansea and Torfaen	Sparinvest, Mirova, Neuberger Berman and Wellington	June 2023	Planned for 2026

Fixed Income Sub-Funds

Absolute Return Bond Fund

Managed by Russell Investments

Global Government Bond Fund

Managed by Russell Investments

Multi-Asset Credit Fund

Managed by Russell Investments

Global Credit Fund

Managed by Russell Investments

UK Credit Fund

Managed by Waystone Management (UK) Limited

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date	Review Date
Global Credit	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Gwynedd, Powys and Torfaen	Metlife, Fidelity, Coolabah and Robeco	July 2020	April 2023
Global Government	FTSE WGBI Index (GBP Hedged)	Cardiff and Torfaen	Bluebay and Colchester	July 2020	April 2023
Multi-Asset Credit	3 Month GBP SONIA plus 4%	Cardiff, Clwyd, Gwynedd, Powys, and Swansea	ICG, Man GLG, BlueBay, Barings and Voya	July 2020	March 2024
Absolute Return Bond Fund	3 Month GBP SONIA plus 2%	Gwynedd, Powys and Swansea	Wellington, Aegon, Oaktree and DNCA	Sept 2020	March 2024
UK Credit Fund	ICE BofA ML Eur-Stg plus 0.65%	RCT	Fidelity	July 2020	March 2024

Private Markets

Infrastructure – closed ended

Managed by GCM Grosvenor

Participating Funds: Clwyd, Dyfed, Gwynedd, Powys, RCT, Swansea and Torfaen

Infrastructure – open ended

Managed by CBRE, IFM and Octopus

Participating Funds: Cardiff, Gwynedd, Powys, Swansea, Torfaen

Private Credit

Managed by Russell Investments

Participating Funds: Cardiff, Clwyd, Dyfed Gwynedd, Powys, Swansea and Torfaen

Private Equity

Managed by Schroders Capital

Participating Funds: Cardiff, Clwyd, Gwynedd, Powys and Swansea

Contact Details

If you require further information about anything in or related to this business plan, please contact the Wales Pension Partnership:

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

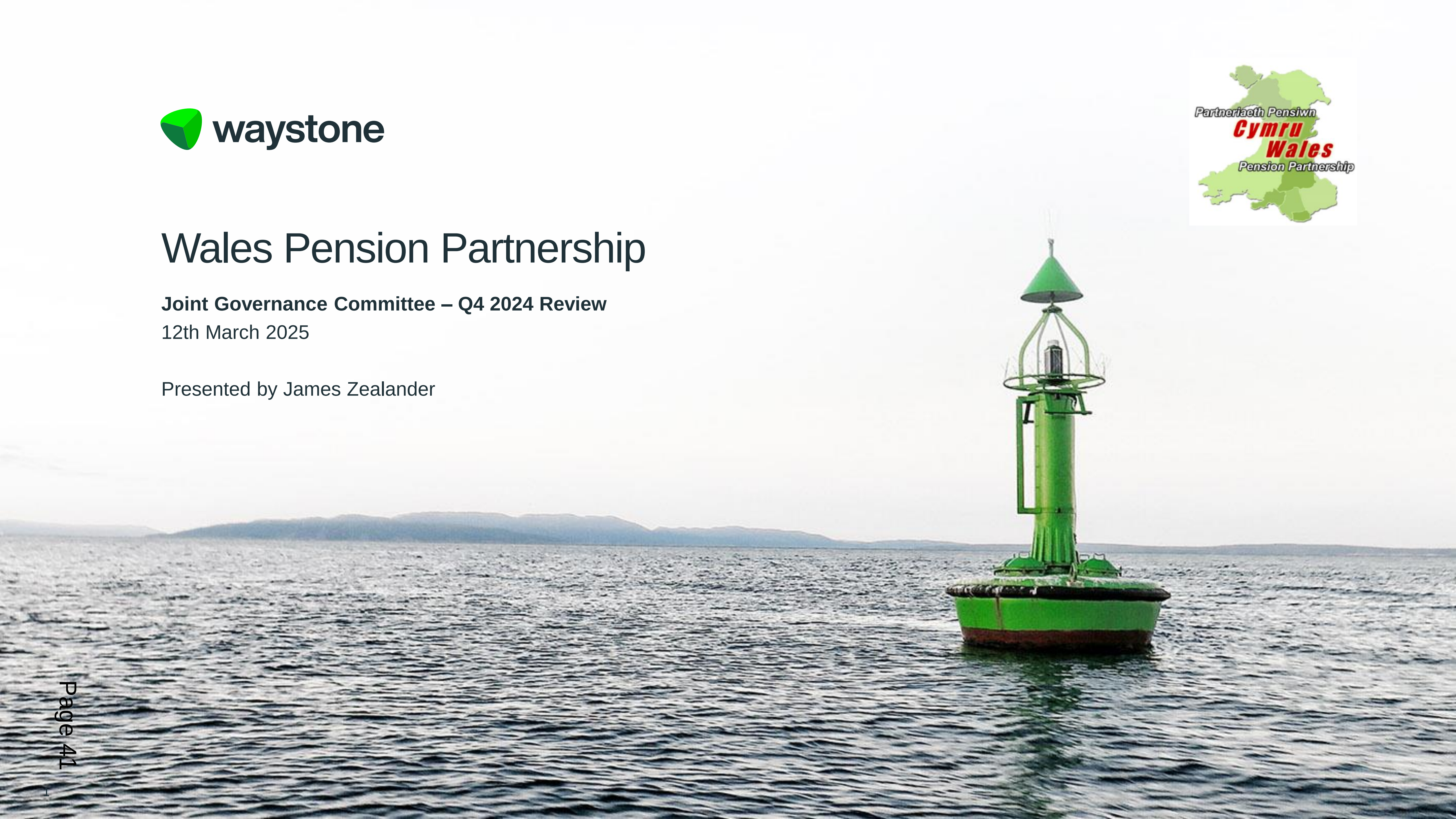
E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website can be found here:

https://www.walespensionpartnership.org/



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Partneriaeth Pensiwn Cymru Wales Pension Partnership

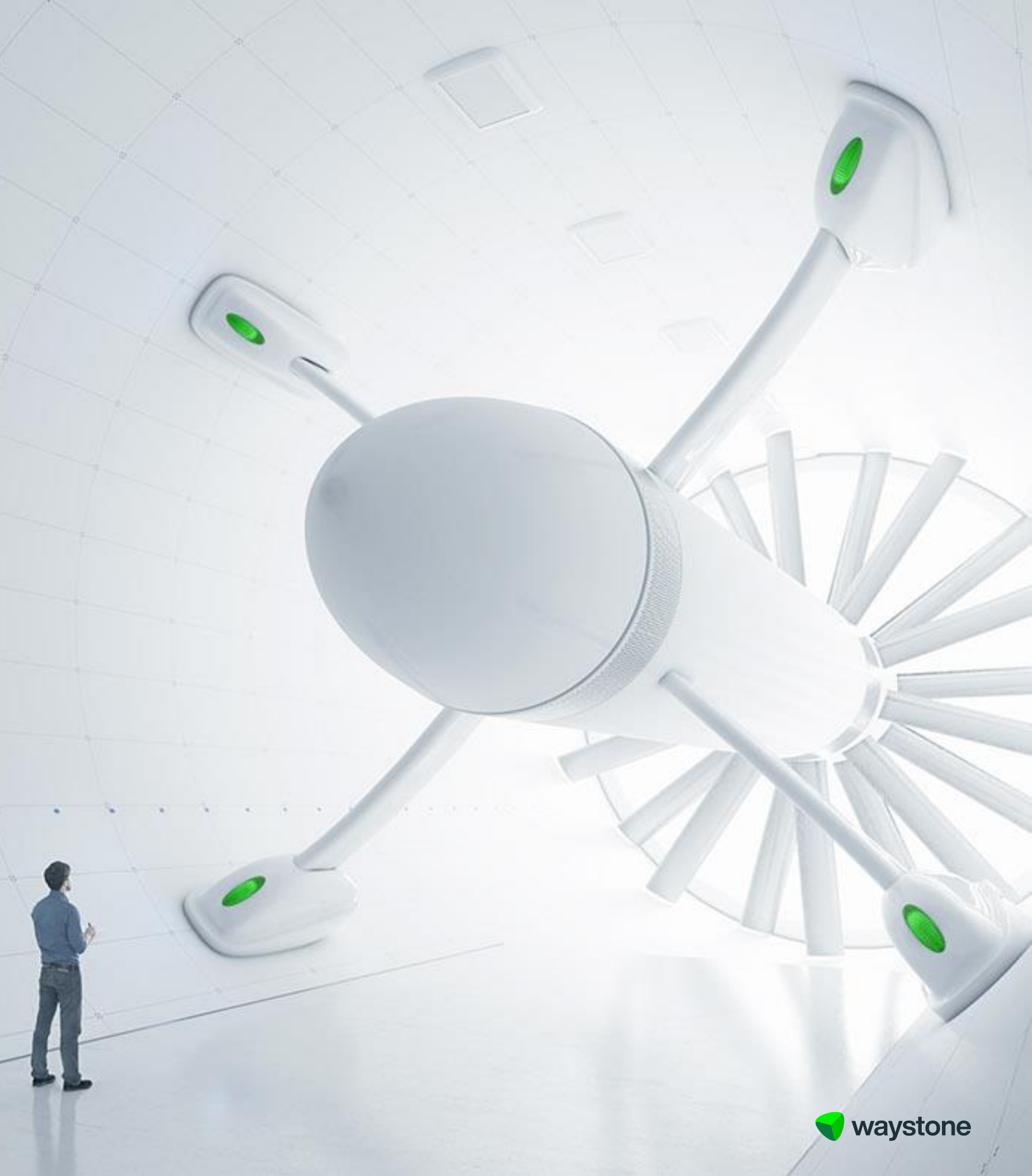
Wales Pension Partnership

Joint Governance Committee – Q4 2024 Review

12th March 2025

Presented by James Zealander

Agenda



Corporate Update

Waystone Management (UK) Limited (WMUK) oversees £100bn AUM across more than 80 Investment Managers and Sponsors comprising 236 funds. The total AUM of Waystone's global Authorised Corporate Director (ACD) and Management Company (ManCo) business is now in excess of £330bn.

This landmark achievement highlights WMUK's continued growth in the UK and further underscores the growing demand for independent ACDs/ManCos. The UK's investment landscape continues to evolve with growing complexity, meaning Asset Managers and Sponsors are increasingly turning to third-party specialists like WMUK to provide a scalable, cost-efficient, risk managed and compliant solution.

The Government Consultation 'LGPS Fit for the future' – WMUK is fully committed to working with WPP and have responded to the Consultation that was published. Five workstreams have been created to assist with the new proposed Operating Model that will come into effect in the Spring of 2026. Waystone Compliance Solutions (WCS) is assisting WPP with obtaining the necessary approvals.

We are pleased to announce Pervaiz Panjwani has joined Waystone as Chief Product Officer. Pervaiz will form part of the Executive Leadership Committee and will be based in London.

With over 30 years of experience in investor services and banking, Pervaiz will be responsible for leading Waystone's product strategy globally. His focus will be on driving product development and market competitiveness, including pricing, data and digital innovation. Pervaiz will also lead on integration across our three product lines and geographies, ultimately enhancing our clients' experience and driving business growth.

Prior to joining Waystone, Pervaiz had a long-standing career at Citi, where he held several global and regional senior roles in product, operations, sales and relationship management in asset servicing. This included Co-Global Head of Funds Services where he was responsible for a large global team across 20+ funds domiciles. He played a key role in defining Citi's global funds strategy and winning and executing significant large asset management mandates across multi-product portfolios including ETFs, Middle Office, Transfer Agency, Accounting and Depository.

Following recent integrations and our continued focus on product and service excellence for our clients in 2025, Pervaiz's appointment comes at a time for Waystone that with his expertise, will help build on the incredible momentum achieved to date and support Waystone in its responsible growth journey.

Compliance Update

The table below details recent regulatory compliance developments that are relevant to WMUK. Featured items are gathered from a variety of sources including consultation papers, press releases and speeches.

A full regulatory update is issued to The Host Authority on monthly basis but can also be obtained by signing up to the Waystone Website. UK/EU updates Archives - Waystone Compliance

Title	Timing	WMUK Impact	WPP Impact	Status
SDR investment labels: FCA publishes additional pre-contractual disclosure examples	Immediate	Medium	Medium	
FCA publishes consultation on some amendments to the anti-greenwashing rule and SDR	Immediate	Medium	Medium	
Sustainable Finance Package - Mansion House	Immediate	To Note	To Note	
Chancellor sets out plans for financial services in first Mansion House speech	Immediate	To Note	To Note	
Mansion House and UK Pensions Reform	Immediate	High	High	

Following the Chancellor's Mansion House Speech, HMT and DWP have published several documents relating to the Pensions Investment Review:

The report sets out the initial findings of phase one of the review and confirms that a final report will be published next Spring:

- Wide support and agreement that scale leads to economies and efficiencies, as well as greater expertise and diversification.
- Clear evidence that larger consolidated schemes are more able to invest in more productive asset classes.
- Wide variation in member outcomes and limited diversity in how pension providers can and do invest remains in DC market.
- Many schemes are either not making use of scale, or are not of sufficient scale, to seek better returns in productive assets.
- The DC market is not operating effectively, with an excessive focus on low costs at the expense of higher-risk/higher return asset classes, with negative consequences for scheme members and for investment in the economy.
- Pooling in LGPS has delivered some benefits to date, but the Government's required degree of consolidation has not yet been achieved and a stronger and consistent approach to pooling is needed.
- Where pension schemes are managing private market portfolios, they tend to operate a significantly higher domestic weighting than in more liquid asset classes.
- The government is concerned that UK pension funds are investing significantly less in the domestic economy than overseas counterparts.
- At this stage there are no specific recommendations in relation to UK investment, beyond those outlined in the LGPS consultation relating to local investments.
- The Review will consider whether further interventions may be needed to ensure that pension reforms are benefiting UK.

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Relationship Overview

Relationship Overview

Investment Manager	Wales Pension Partnership	**AUM** (as at 31 December 2024)	£13,401,386,793	**Product Suite**	ACS – UK
Contract Start Date	December 2017	**Contract Expiry**	December 2029 (with further 2-year extension provision)	**Tenure of Relationship**	7 years

Fund Range

Wales Pension Partnership Sub-Fund Range

Equities

WS WPP Global Growth Fund
WS WPP Global Opportunities Equities Fund
WS Wales PP UK Opportunities Fund
WS Wales PP Emerging Markets Equity Fund
WS Wales PP Sustainable Active Equity Fund

Fixed Income

WS Wales PP Multi Asset Credit Fund
WS Wales PP Global Credit Fund
WS Wales PP Global Government Bond Fund
WS Wales PP Absolute Return Bond Fund
WS Wales PP Sterling Credit Fund

WPP Sub Fund Values

AUM

Fund	AUM (£)*
Equities	
WS WPP Global Growth Fund	£3,703,328,443
WS WPP Global Opportunities Equities Fund	£3,474,246,261
WS Wales PP UK Opportunities Fund	£758,315,572
WS Wales PP Emerging Markets Equity Fund	£273,743,417
WS Wales PP Sustainable Active Equity Fund	£1,602,593,170
Fixed Income	
WS Wales PP Multi Asset Credit Fund	£ 839,933,781
WS Wales PP Global Credit Fund	£1,011,398,718
WS Wales PP Global Government Bond Fund	£492,776,127
WS Wales PP Absolute Return Bond Fund	£ 525,898,648
WS Wales PP Sterling Credit Fund	£719,152,656
Total	**£13,401,386,793**

* As at 31 December 2024

WPP Sub Fund Values & Percentage Ownership*

Fund name	Gwynedd	Powys	Clwyd	Swansea	Cardiff	Torfaen	RCT	Dyfed	Sub Fund Total
Equities									
WS WPP Global Growth Fund	£444,399,413 (12%)	£74,066,569 (2%)			£185,166,422 (5%)		£1,814,630,937 (49%)	£1,185,065,102 (32%)	£3,703,328,443 (100%)
WS WPP Global Opportunities Equities Fund	£451,652,014 (13%)			£1,215,986,191 (35%)	£590,621,864 (17%)	£694,849,252 (20%)	£521,136,939 (15%)		£3,474,246,261 (100%)
WS Wales PP UK Opportunities Fund					£159,246,270 (21%)	£599,069,302 (79%)			£758,315,572 (100%)
WS Wales PP Emerging Markets Equity Fund	£62,960,986 (23%)	£16,424,605 (6%)			£120,447,103 (44%)	£73,910,723 (27%)			£273,743,417 (100%)
WS Wales PP Sustainable Active Equity Fund	£336,544,566 (21%)	£80,129,659 (5%)	£384,622,361 (24%)	£160,259,317 (10%)	£144,233,385 (9%)	£176,285,249 (11%)	£128,207,454 (8%)	£192,311,180 (12%)	£1,602,593,170 (100%)
Fixed Income									
WS Wales PP Multi Asset Credit Fund	£235,181,459 (28%)	£33,597,351 (4%)	£335,973,512 (40%)	£67,194,702 (8%)	£167,986,756 (20%)				£ 839,933,781 (100%)
WS Wales PP Global Credit Fund	£232,621,705 (23%)	£30,341,962 (3%)			£151,709,808 (15%)	£262,963,667 (26%)		£333,761,577 (33%)	£1,011,398,718 (100%)
WS Wales PP Global Government Bond Fund					£236,532,541 (48%)	£256,243,586 (52%)			£492,776,127 (100%)
WS Wales PP Absolute Return Bond Fund	£399,682,972 (76%)	£73,625,811 (14%)		£52,589,865 (10%)					£ 525,898,648 (100%)
WS Wales PP Sterling Credit Fund							£719,152,656 (100%)		£719,152,656 (100%)
Constituent Authority Total	£2,163,043,115	£308,185,956	£720,595,873	£1,496,030,076	£1,755,944,150	£2,063,321,778	£3,183,127,986	£1,711,137,859	£13,401,386,793

* As at 31 December 2024

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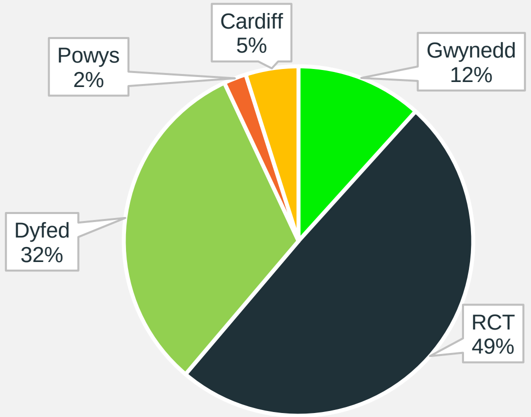
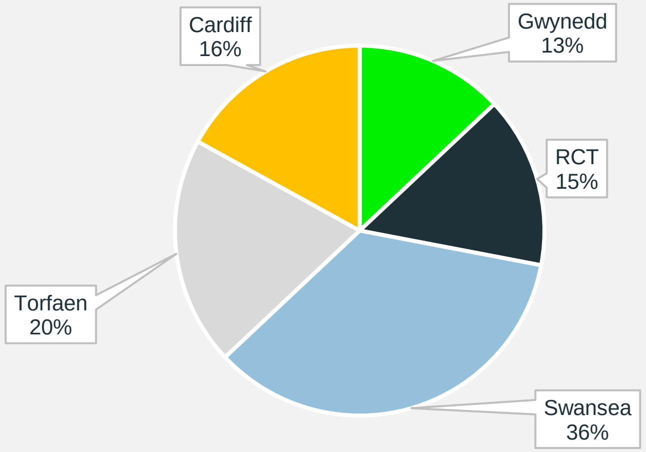
Fund Snapshot* – Equities

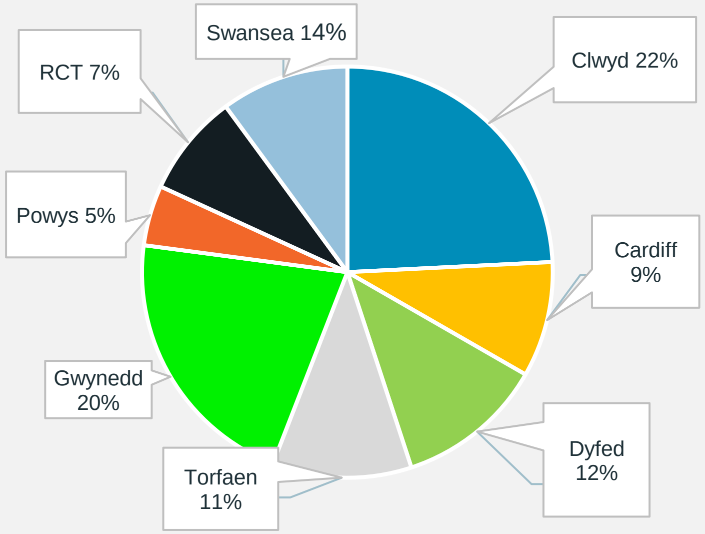
Global Growth



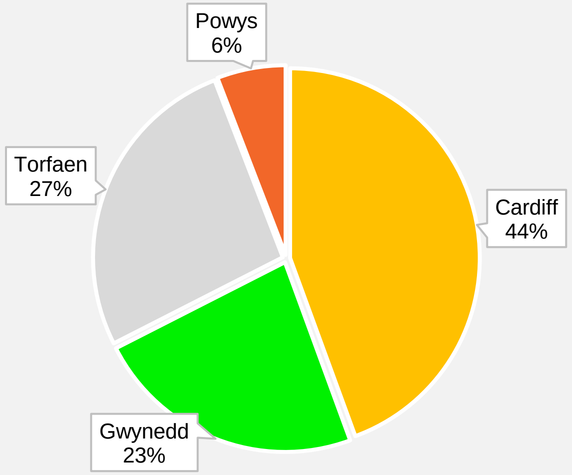
Global Opportunities



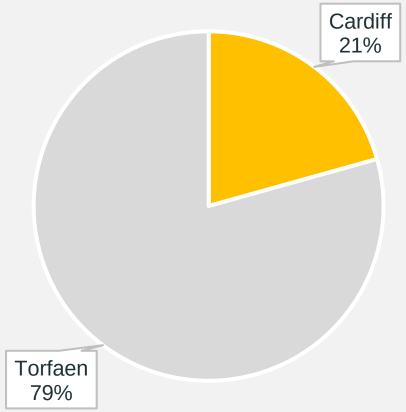
Sustainable Active Equity



Emerging Markets



UK Opportunities



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* As at 31 December 2024

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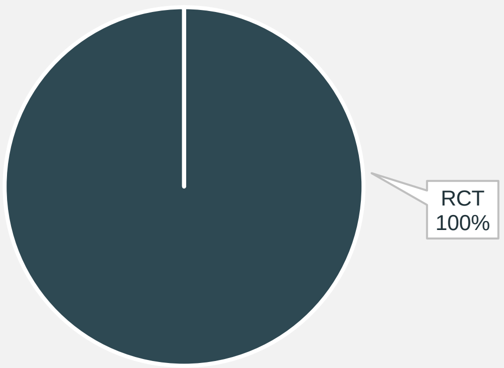
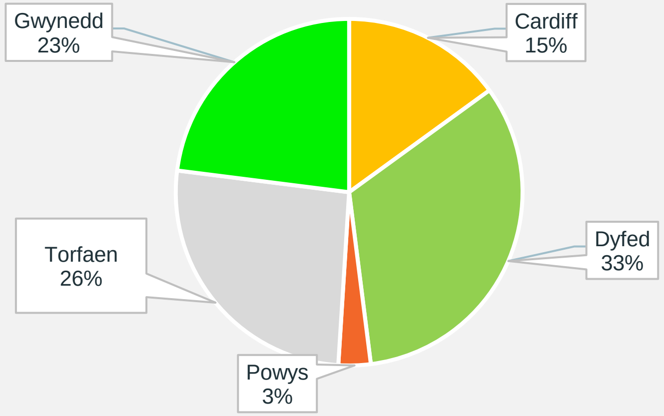
Fund Snapshot* - Fixed Income

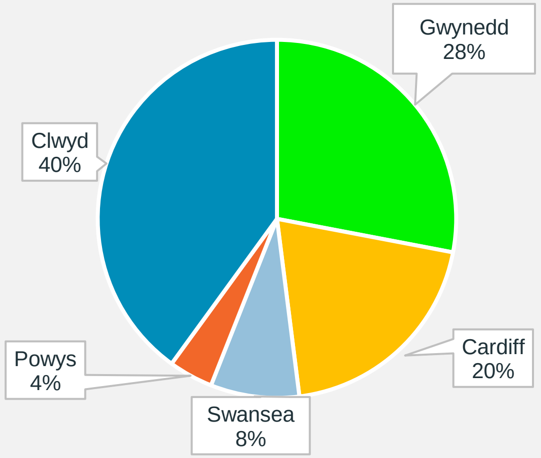
Sterling Credit



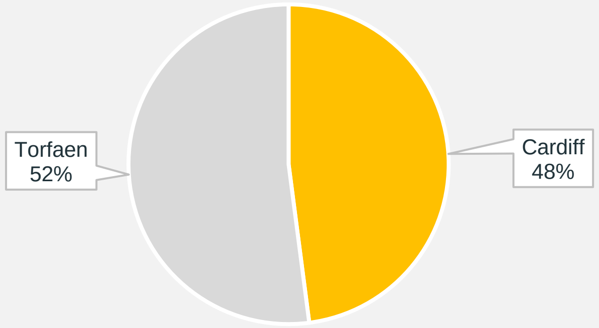
Global Credit



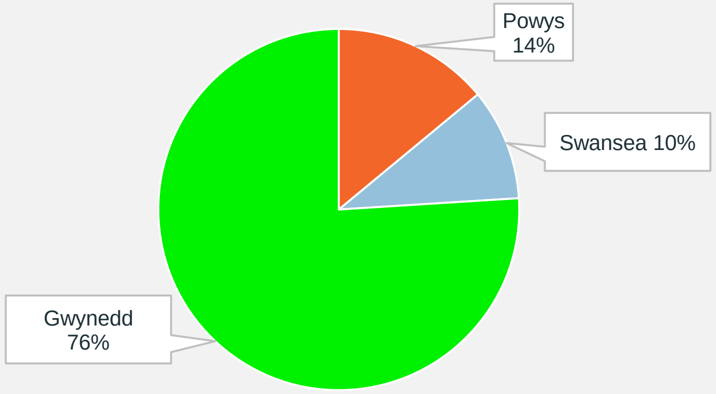
Multi Asset Credit



Global Gov. Bond



Absolute Return Bond



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* As at 31 December 2024

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Initiatives

Key Achievements & Updates

Global Growth completed transition to Russell Investment on 4 November 2024

New Agreement agreed, effective 23 December 2024

Project Snowdon – 5 workstreams created

Fund Launches/Wind ups & Changes

	Overview	Status	Details	Owner
Sub Fund Manager Update	WS Wales PP Global Credit Fund - Change of Sub Manager, removing Western, replacing with Coolabah	Ongoing	• Western's weight reduced to c.1% of the sub-fund and proceeds moved to the other managers in the sub-fund, Fidelity, MetLife and Robeco, as well as lesser allocations to the sub-fund's liquidity reserve. • This event is the culmination of RI's continuous manager review process in which they were already working towards replacement options for Western. • The recent events with SEC have sped up this process. • Change delayed due to Depositary requiring additional due diligence on RI's selection of Coolabah. • Expected approval, February 2025.	RI/WMUK
Sub Fund Manager Update	WS Wales PP Absolute Return Bond Fund - Change of Sub Manager, removing Insight, replacing with Oaktree and DNCA.	Ongoing	• RI's decision to replace Insight in the Absolute Return Bond fund follows an extensive review of Insight's strategy and the broader manager universe. • Oaktree and DNCA were identified due to their higher conviction, more specialised focus in credit and rates/fx markets, respectively. Introducing Oaktree at a 15% weight and DNCA at a 24% weight into the fund. • This would also reduce the weight to the incumbent managers, Aegon and Wellington, with whom the sub-fund was more concentrated following Putnam's removal last year. • Change delayed due to Depositary requiring additional due diligence on RI's selection of DCNA. • Expected approval, February 2025.	RI/WMUK

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Initiatives continued…

Fund Launches/Wind ups & Changes

	Overview	Status	Details	Owner
Sub Fund Manager Update	Addition of Investment Manager for the WS Wales PP Emerging Markets Equity Fund	Ongoing	• Proposed Manager change, in relation to the WS Wales PP Emerging Markets Equity Fund. • This would be an addition to the current line up as opposed to a swap to add Sands Capital at a 6% strategic target weight. • A high conviction in this strategy, RI believe it will diversify the growth exposure in the fund. This would also modestly reduce the weight to the incumbent managers, and RI believe it will improve the risk/return profile of the fund. • With WPP for approval.	RI/WMUK

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Market Updates

	Activity	Status	Commentary
Russia / Ukraine	Impact to ACS sub-funds holding Russian companies	Ongoing	WMUK continue to monitor the situation and will advise Constituent Authorities of any developments. WMUK's Fair Value Pricing Committee regularly discuss this, and assets are still priced accordingly. There are no Russian holdings in any of the WPP funds.
	Activity	**Status**	**Commentary**
Middle East	Impact to ACS sub-funds holding Israeli companies	Ongoing	Currently 3 securities held in direct Israeli companies across two sub funds; Global Opportunities Fund - 2 companies with 0.21% exposure. Global Government Bond Fund – 1 company with 0.07% Total value of approx. £8.2m. Situation currently being monitored as part of the BAU oversight process. Figures from end of December 2024.

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Oversight – Third Party Monitoring

Q4 2024

Third Party Provider	Reporting Period	Sub Fund	Matters Raised	Status
Northern Trust				
Transfer Agency	Q4 2024	All	Consumer Duty review completed Q4 2024. Review undertaken on all dealing and processing functions by NT.	Complete
Fund Administration	Q4 2024	All	No scheduled visits in Q4 2024.	N/A
Due Diligence Visits - Northern Trust	Q4 2024	All	No scheduled visits in Q4 2024	N/A
Russell Investments				
Due Diligence Visits	Q4 2024	All	No scheduled visits in Q4 2024	N/A

Oversight – Third Party Monitoring

2025 Plan

Third Party Provider	Reporting Period	Sub Fund	Location	Status
Northern Trust				
Transfer Agency	2025	All	Onsite, London – September 2025	N/A
Fund Administration	2025	All	Onsite, London – May 2025	N/A
Price Analysis	2025	All	Onsite, Limerick – May 2025	N/A
Other 'Party' Questionnaire	2025	All	Questionnaire – February 2025	To commence
IT Security Questionnaire	2025	All	Questionnaire – March 2025	N/A
Annual Due Diligence	2025	All	Questionnaire – June 2025	N/A
Russell Investments				
Annual Due Diligence	2025	All	Onsite, London - 3 February 2025	To commence

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WMUK Engagement

Key Q4 and future WPP Engagement

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

- OWG 5 November 2024
- JGC 10 December 2024

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

- OWG 12 Feb 2025
- WPP JGC 12 March 2025

Waystone attendance at Strategic Relationship Review:

- 7 January 2025

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

- Powys Pension Meeting - 13 December 2024

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

- Rhonda Pension Meeting – 26 March 2025

WPP Pension Board Chairs Engagement meeting

- None at Present

Other meetings in period

- Host Authority update – occurs bi-weekly

Other meetings in next quarter

- Host Authority update – occurs bi-weekly
- Conference Attendances to be confirmed

Meeting Schedule

Executive Review	Frequency	Objective
	– Bi-annual – Next: July 2025	– Ensure strategic alignment – Mutual review of business and strategic goals, priorities and objectives

Attendees	
WPP ▪ Chris Moore, Anthony Parnell & Two Section 151 / Deputy Section 151 officers	**Waystone Management (UK) Limited** – Karl Midl, Country Head, UK and CEO, Waystone Management UK – Rachel Wheeler, Global Product Head – Regulated Fund Solutions

Joint Governance Committee Meetings	Frequency	Objective
	– Quarterly – Next: 12 March 2025	– Key metrics – Pertinent matters – Strategic deliverables

Attendees	
WPP ▪ Joint Governance Committee (JGC)	**Waystone Management (UK) Limited** – Karl Midl, Country Head, UK and CEO, Waystone Management UK – Richard Thornton, Head of Relationship Management, Asset Owners – James Zealander, Senior Relationship Manager – Russell Investments

Officers Working Group Meetings	Frequency	Objective
	– Quarterly – Next: 12 Feb 2025	– Identify and deliver on opportunities to improve and expand the relationship – Provide update on open projects or issues – Monthly KPI Review (Data supplied quarterly)

Attendees	

WPP
• Officers Working Group (OWG)
	Waystone Management (UK) Limited
	– James Zealander, Senior Relationship Manager
	– Richard Thornton, Head of Relationship Management, Asset Owners
	– Heidi Robinson, Relationship Manager
	– Ad-hoc Waystone attendance from functional departmentsl (as required):
	    - Chief Investment Officer
	    - Head of Product
	    - Head of Compliance
	    - Head of Oversight
	- Russell Investment

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Meeting Schedule continued

Host Authority Update	Frequency	Objective
	– Bi-weekly	– Regular Host Authority – WMUK to discuss deliverables and business updates

Attendees

WPP

- Anthony Parnell
- Tracey Williams

Waystone Management (UK) Limited

- Richard Thornton, Head of Relationship Management, Asset Owners
- James Zealander, Senior Relationship Manager
- Heidi Robinson, Relationship Manager
- Client Service Manager (as required)

Pension Fund Committees	Frequency	Objective
	– Annual	– General update on the ACS and planned initiatives

Attendees

WPP

- Individual Pension Fund Committee meetings

Waystone Management (UK) Limited

- Richard Thornton, Head of Relationship Management, Asset Owners
- James Zealander, Senior Relationship Manager
- Heidi Robinson, Relationship Manager
- Russell Investments

Pension Board Engagement	Frequency	Objective
	– Bi-Annual	– General update on the ACS and planned initiatives

Attendees

WPP

- Chairpersons of the Individual Pension Boards
- Host Authority

Waystone Management (UK) Limited

- Waystone Relationship Team
- Russell Investment

Manager Engagement Days	Frequency	Objective
	– Annual	– Open day for presentations on strategy and performance (with IM)

Attendees

WPP

- Open to all involved parties with WPP

Waystone Management (UK) Limited

- Waystone Relationship Team including Exec Team
- Northern Trust
- Russell Investments and other Investment Managers
- Other consultants as required (e.g. bFinance/Hymans)

Appendix 1
Waystone Group

Waystone is the leading provider of institutional governance, administration, distribution and compliance services to the global asset management industry.

Partnering with a diverse range of clients worldwide including asset managers, institutional investors and investment funds, Waystone builds and supports investment structures and strategies.

What distinguishes Waystone is our seamless blend of people, expertise, technology and scale to provide our clients with tailored solutions and quality service so they can focus on managing their investment goals with confidence.

Waystone – In Numbers

AUM: €375bn

AUA: €252bn

1,700+

PEOPLE BASED IN

27

LOCATIONS WORLDWIDE

GLOBAL BUSINESS

WITH

18

REGULATORY LICENSES
IN KEY JURISDICTIONS

20+ YEARS OF EXPERIENCE

& AWARD-WINNING EXPERTISE
SPANNING ALL DISCIPLINES

Our recent awards include Best Regulatory and Compliance Advisory Firm, Best Outsourced Management Company, Best Administrator, and Best UCITS Platform

REGULATED FUNDS SOLUTIONS

- Management Company & Governance services
  - **~1600 Funds** with a total **€365bn AUM**

ADMINISTRATION SOLUTIONS

- Fund Administration & Accounting Solutions
- **~1750 Funds / SPVs** with a total **€91bn AUA**

COMPLIANCE SOLUTIONS

- Compliance consultancy services & outsourced CCO & CFO functions to both Asset Managers and Investment Funds
  - **750 active engagements globally**

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Waystone Corporate History

1997
Cayman Islands Monetary Authority Establishes Investment Services Distribution

2000
DMS Founded

2008
Ireland Office Opens

2010
Hong Kong Office Opens

2011
New York Office Opens

2012
Luxembourg Office Opens

2013
London Office Opens

Launch of International Tax Compliance Group

2014
Launch of AIF Management Company UCITS Management Company and AIF Platform solutions

2015
Launch of Structured Finance Group

2017
Singapore Office Opens

Launch of US Regulatory Compliance Services

2018
Launch of Aviation Corporation Services

2019
DMS Governance Acquires Host Capital Limited

2019
Cashel Office Opens

2020
The DMS Group acquires Oligo Swiss Fund services

The DMS Group, MDO and Montlake create a leading global governance and third-party management company

2021
Acquisition of Azienda Financial Services

2021
Waystone Launched

Waystone announces new investor: Montagu Private Equity

Waystone Compliance Solutions launches

2022
Waystone **ETFs** launches

2022
KBA joins the Waystone Group

Centaur joins the Waystone Group

T. Bailey joins the Waystone Group

2023
Link Fund Solutions joins the Waystone Group

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Waystone - Core Products by Location

Regulated Fund Solutions	Administration Solutions	Global Compliance Solutions
Ireland Manco/AIFM MiFID IM MiFID Distribution Support Market Access Solutions Distribution Advisory	**Ireland** Administration & Corporate Services	**UK, Ireland, Luxembourg** Compliance Services & Regulatory Advisory Manco Support Outsourced Compliance Officer Cyber Security / Data Protection Solutions
Luxembourg Manco/AIFM	**Luxembourg** Administration & Corporate Services	**U.S.** Compliance Services & Regulatory Advisory
UK ACD AIFM	**UK** Administration & Transfer Agency	**APAC** Compliance Services & Regulatory Advisory
Cayman Manco/AIFM Fund Governance Economic Substance	**Cayman** Administration & Corporate Services	**Middle East** Compliance Services & Regulatory Advisory
Switzerland Swiss Rep	**Bermuda / Canada / U.S.** Administration	

Global Capability Centres
Cashel, Leeds, Philippines, India

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UK Expertise – Largest UK Independent ACD

c.£100bn AUM	c.44% market share	75+ IM partners	236+ Funds

	UK open-ended funds	UK alternative funds
Services	• Independent Authorised Corporate Director • ISA Plan Manager • Risk & Performance • Distribution Solutions • Transfer Agency • Delegated Fund Admin • Tax Services • Document Production	• Independent Alternative Investment Fund Manager • Transfer Agency • Fund Administration • Tax Services • Document Production • Company Secretarial
Fund Structures	• UCITS • NURS • QIS • PAIF • ACS • LTAF	• Investment Companies • VCT • REITs • Limited Partnerships • ICC & PCC

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Product Suite

Service	Ireland	Luxembourg	UK	Cayman	North America	EU Passport/ Switzerland	APAC/UAE*
AIFM, UCITS ManCo, ACD	•	•	•	•		•	
Hosted Fund Platforms	•	•		•			
Investment Management Services Full Service, Middle Office Trade Execution, Share Class Hedging, CPO	•	•	•	•	•		
Distribution Solutions	•	•	•	•	•	•	•
Exchange Traded Funds	•	•					
Director Services/Board Support/Fund Governance Solutions	•	•	•	•	•		•
Corporate Secretarial Services	•	•	•	•	•		•
Regulatory Reporting Annex IV, Form PF, Form PQR, Solvency II, KIIDs, PRIIPs	•	•	•	•	•		•

*UAE Management Company & Distribution Support availability anticipated H1 2025

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Product Suite continued

Service	Ireland	Luxembourg	UK	Cayman	North America	EU Passport/ Switzerland	APAC/UAE
Fund passporting / Registration Service	•	•	•	•	•	•	•
Valuation Services	•	•	•	•	•		•
Registered office / Domiciliation / European Agent / Swiss Rep	•	•	•	•		•	
Fund Administration Fund Accounting and Investor Servicing	•	•	•	•	•		•
Special Purpose Vehicles / Structured Finance / Aviation Leasing	•	•	•	•	•	•	•
Compliance Services, Cyber and Data Protection Advisory	•	•	•	•	•		•
AML Services	•	•	•	•	•		•
Depositary Lite				•			

Thank you

Relationship Team

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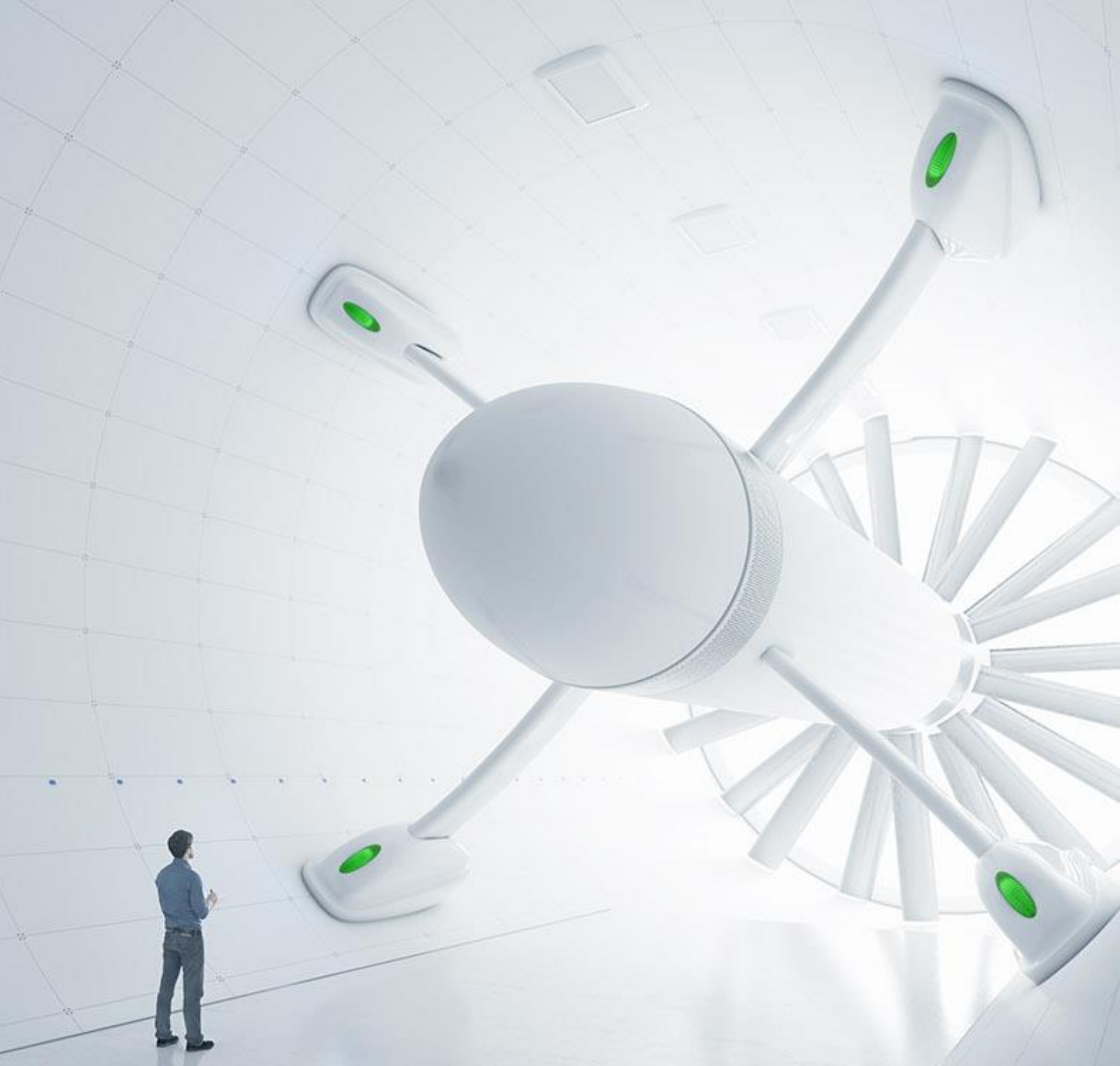
Role: Head of Relationship Management, Asset Owners
Number: +44 (0) 7765 220277
Email: Richard.Thornton@waystone.com



Executive Contact

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Email: karl.midl@waystone.com

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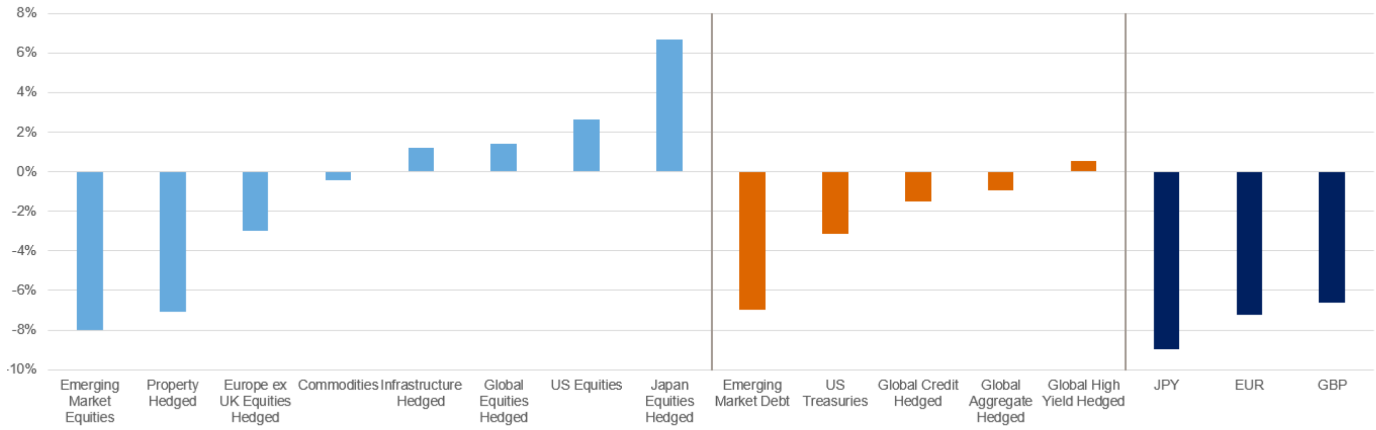
JGC - WPP Performance Summary Q4 2024

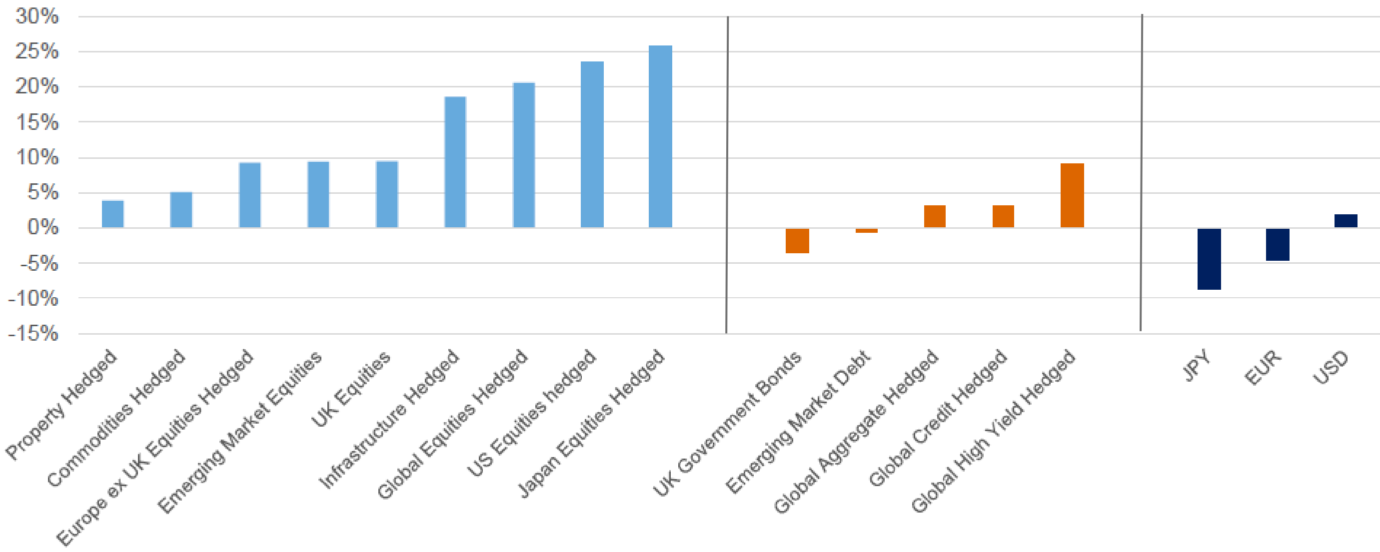
Global Market Commentary

Global equities rose in sterling terms in the fourth quarter but fixed income markets lagged. US equities powered global equities higher following the US election result. Positive sentiment was fuelled by optimism that President-elect Trump's policies, including tax cuts and tariffs, would be business-friendly. Europe was the laggard, impacted by a weak economic outlook and political uncertainty in Germany and France. Asia ex Japan and emerging markets (EM) also underperformed. In fixed income, long yields rose on central bank caution over further rate cuts. The Federal Reserve (Fed) and the European Central Bank (ECB) both lowered rates by 25 basis points (bps) twice, while the Bank of Canada made two 50-bps cuts. The Bank of England (BoE) cut rates by 25 bps in November but left them unchanged in December.

Asset class performance – Quarter to Date (December) 2024



Asset class performance – Year to Date (December) 2024



This document is prepared for officers of the WPP based on performance from Northern Trust. Inception dates are based on the starting NAV for the sub-fund. Inception dates (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Benchmarks : Global equity hedged (MSCI World ACWI), UK equity (FTSE All Share), US equity hedged (Russell 1000 Net GBPH), Europe ex UK equity (MSCI Europe ex UK Equity Net GBPH), Japan equity (TOPIX Net GBPH), Emerging equity (MSCI Emerging Markets Net), Global HY bonds (BofAML Global High Yield 2% Constrained Index), EMD LC (JP Morgan GBI-EM Global Diversified Index), Global credit hedged (Bloomberg Barclays Global Aggregate Credit Index), Global aggregate hedged (Bloomberg Barclays Global Aggregate Bond Index GBPH), UK Government Bonds (ICEBofAML UK Gilts All Stocks (GB), Property hedged (FTSEEPRA Nareit Dev Re GBP)

Global Growth Equity Fund:

	Three Months	1 Year	3 Year	5 Year	Since Inception
Gross	4.1	13.6	5.0	9.2	10.6
Net	4.0	13.2	4.6	8.7	10.2
MSCI AC World Index Net*	4.3	17.6	7.6	10.9	12.0
Excess returns (gross)	-0.2	-4.0	-2.6	-1.7	-1.4
Excess returns (Net)	-0.3	-4.4	-3.0	-2.2	-1.8

Inception Date: 31st January 2019
Source: Northern Trust as of 31 December 2024
Benchmark: MSCI AC World Net Total Return Index GBP

***Figures include a performance holiday in November 2024 around the transition of the Fund.**
Objective: The sub-fund aims to achieve a long-term capital appreciation, net of fees.
Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

For December, the first complete month since Russell inception on 18th November 2024, the Fund registered negative absolute returns and finished behind the benchmark on a relative basis. The Fund's tilt to small caps was a headwind. Its value exposure was also unrewarded. In sectors, an overweight to and stock selection within health care was a notable detractor. This included overweights to CVS Health Corp and Novo Nordisk. Although an overweight to consumer discretionary was helpful, stock selection was unrewarded (underweight Tesla, Amazon). Underweight exposure to and stock selection within information technology was also unhelpful (underweight Broadcom, Apple) albeit an overweight to chipmaker TSMC contributed positively. Underweight exposure to energy was effective as this was among the worst-performing sectors in the period. This included underweights to Exxon Mobil and Chevron. Elsewhere, an overweight to Alphabet within communication services was beneficial.

Global Opportunities Equity Fund:

	Three Months	1 Year	3 Year	5 Year	Since Inception
Gross	5.4	18.2	9.0	11.9	13.0
Net	5.3	17.9	8.7	11.6	12.7
MSCI AC World Index Net	6.0	19.6	8.2	11.3	12.3
Excess returns (gross)	-0.6	-1.4	0.8	0.6	0.7
Excess returns (Net)	-0.7	-1.7	0.5	0.3	0.4

Inception Date: COB 31st January 2019
Source: Northern Trust as of 31 December 2024
Benchmark: MSCI AC World Net Total Return Index GBP
Objective: The sub-fund aims to achieve long-term capital appreciation, net of fees.
Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The Fund registered positive absolute returns over the fourth quarter but finished behind the benchmark on a relative basis. Throughout the quarter the Fund's tilt to small caps was unrewarded, in contrast to the previous quarter. In sectors, stock selection within financials was detrimental (overweight Commerzbank). Overweight exposure to materials, the worst-performing sector, was also punished, including an overweight to miner Antofagasta. In health care, an overweight to the sector and stock selection detracted (overweight HCA Healthcare, Elevance Health) although an underweight to Novo Nordisk was helpful. Stock selection within consumer discretionary was negative (underweight Tesla, Amazon). Underweight exposure to information technology was also ineffective (underweight Broadcom, Nvidia, Apple).

However, the negative impact was partly offset by overweights to TSMC and Topcon, which contributed positively. In industrials, overweights to United Airlines and Delta Airlines were beneficial. Underweight exposure to utilities was also effective as this underperformed most other sectors.

Sustainable Active Equity Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	2.9	14.3	-	13.7
Net	2.9	13.9	-	13.3
MSCI AC World Index Net	6.0	19.6	-	19.0
Excess returns (gross)	-3.1	-5.3	-	-5.3
Excess returns (Net)	-3.1	-5.7	-	-5.7

Inception Date: COB 23rd June 2023
Source: Northern Trust as of 31 December 2024
Benchmark: MSCI AC World Net Total Return Index GBP
Objective: The sub-fund aims to achieve a total return (the combination of income and capital growth) of the equivalent of the MSCI AC World Net Total Return Index GBP plus 1.5% per annum, net of fees, over a rolling five year period.

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The Fund registered a positive absolute return of 2.9% over the quarter but underperformed the benchmark on a relative basis. All markets recorded losses over the period except the US where equities were propelled by Donald Trump's unexpectedly decisive victory in the US presidential election and growth was the best-performing style over the quarter. Within this market environment, the Fund's tilt towards low volatility stocks was unfavourable. In terms of sectors, stock selection within technology (underweight Apple) and consumer discretionary (underweight Tesla) detracted. An overweight to and selection within health care (overweight Novo Nordisk, Danaher Corporation) was also unhelpful.

However, overweights to financial firms Visa, Jefferies and Mitsubishi Ufj Financial Group contributed positively. In terms of managers, Neuberger Berman was the best-performing manager, although it still returned negative excess returns. Meanwhile, Mirova lagged the most.

EM Market Commentary

Despite a positive overall performance for 2024, Emerging Markets ended the year on a negative note. Investors evaluated the potential impact of US trade tariffs on select stocks and countries under Donald Trump, who won the US presidential election during the period. Further strength in the US dollar (USD) was an additional headwind as expectations for future Federal Reserve rate cuts were recalibrated. Numerous EM countries took monetary policy action during the period.

Brazil ended the quarter and year as one of the weakest-performing countries. The real remained under pressure and investors remained unconvinced at the feasibility of the government's latest cost-cutting plan. South Korea suffered from wider concerns of US trade tensions, a depreciation in the won and continued weak performance from the technology sector. India returned some of its early-year performance. China marginally outperformed the benchmark return. Stocks initially benefitted from hopes of further government stimulus. However, the latest round of measures, which included a significant fiscal package for local governments to restructure debts, fell short of expectations. Trump's tariff threats also weighed on investor sentiment.

EM Equity Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	0.6	9.8	0.5	-0.5
Net	0.4	9.4	0.1	-0.9
MSCI Emerging Market Index	-1.5	9.4	0.7	-0.4
Excess returns (gross)	2.1	0.4	-0.2	-0.1
Excess returns (Net)	1.9	0.0	-0.6	-0.5

Inception Date: COB 20th October 2021
Source: Northern Trust as of 31 December 2024
Benchmark: MSCI Emerging Markets Index Net
Objective: To achieve capital appreciation, the equivalent of the MSCI Emerging Market Index Net plus 1.5% per annum, over any five year period, after all costs and charges have been taken.

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The Fund outperformed this quarter. Within the Emerging Market environment, the Fund benefitted from positive exposure to momentum, although the modest tilt away from large caps was a slight headwind. Effective stock selection underpinned outperformance. This was strong within Taiwan (overweight Bizlink Holding, MediaTek), South Korea (underweight Samsung Electronics and POSCO,) as well as India and the UAE. Negative stock selection within China (underweight state-owned enterprises in financials, real estate) weighed on relative returns.

Country allocation detracted on aggregate, as an overweight to Brazil and underweight to Taiwan did not suit the market environment. This was partially mitigated by positive contribution from an underweight to India and overweight to the UAE.

In terms of managers, Numeric added to its strong 2024 outperformance via its positive exposure to momentum. Axiom's and Artisan's tilts towards growth helped them outperform the benchmark. Barrow Hanley and Bin Yuan underperformed, whilst Oaktree was the weakest-performing strategy as their stock-selection within China weighed on relative returns.

UK Market Commentary

UK equities lagged global equities but outperformed Europe, Asia ex Japan, and emerging markets. Within the region, financials was the best-performing sector while materials lagged. Early in the quarter there was good news on inflation which fell below the BoE's target to a three-year low of 1.7% YoY in September, down from August's 2.2%. Later in October the Labour's government's first budget proved to be ambitious in scale, including £40 billion of tax rises and £30 billion of extra borrowing to fund the Chancellor's spending plans. The BoE governor warned that the budget would lift inflation by just under half a percentage point at its peak.

The central bank's caution on further rate cuts appeared justified by fresh data that showed headline inflation rose to a six-month high of 2.3% YoY in October and increased further in November to 2.6%. Core inflation was 3.5% YoY in November, up from 3.3%. Meanwhile, pay growth (excluding bonuses) rose to 5.2% YoY in the three months to October, accelerating from 4.4%. In further bad news for the government, the economy contracted by 0.1% in October versus expectations of 0.1% growth and was flat over the quarter. Retail sales disappointed, rising 0.5% YoY in November, well below October's 2.0% increase and the 1.0% rise expected. In further evidence of a slowing economy the manufacturing PMI weakened, and new factory orders plummeted to a four-year low in December according to the Confederation of British Industry. However, there was better news in services activity, which rose above expectations in December's preliminary PMI reading.

UK Opportunities Equity Fund:

	Three Months	1 Year	3 Year	5 Years	Since Inception
Gross	0.3	10.7	4.8	4.3	5.5
Net	0.2	10.4	4.4	3.9	5.1
FTSE All Share	-0.4	9.5	5.8	4.8	5.5
Excess returns (gross)	0.6	1.2	-1.0	-0.5	0.0
Excess returns (Net)	0.6	0.9	-1.4	-0.9	-0.4

Inception Date: COB 23rd September 2019
Source: Northern Trust as of 31 December 2024
Benchmark: FTSE All Share Index
Objective: The Sub-fund aims to achieve long-term capital appreciation, net of fees.
Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

Within the market environment, the Fund finished ahead of the benchmark over the quarter. Factor positioning detracted overall, with large capitalisation stocks outperforming small cap names. Sector allocation was positive on aggregate, particularly the underweights to both materials and health care. However, this was slightly mitigated by negative stock selection.

Effective selection within the consumer discretionary sector was a key contributor, with exposure to Games Workshop, Burberry Group and Dowlais Group all contributing at the stock level. Stock selection was weakest within the information technology and industrials sectors which weighed on additional outperformance.

In terms of managers, Fidelity was the only manager to underperform this quarter driven by their underweight to financials. J O Hambro's and Ninety One's tilt towards value helped the outperform in the final quarter of the year, whilst Baillie Gifford's growth positioning and selection within consumer discretionary were key contributors to excess returns.

Fixed Income Market Commentary

Government yields rose as central banks became more cautious in their interest rate decision-making. The US presidential election outcome and the anticipated impact of the incoming administration's policies was a major driver of performance. The economic outlook and political uncertainty also impacted market sentiment, particularly in Europe. The Federal Reserve (Fed) and the European Central Bank (ECB) both lowered interest rates by 25 basis points (bps) twice while the Bank of England cut rates by 25 bps in November but left them unchanged in December. The 10-year benchmark US Treasury yield rose 79 bps to 4.57%, grinding higher towards quarter-end. The benchmark 10-year UK gilt yield rose 57 bps to 4.57%. Elsewhere, the yield on the 10-year German bund rose 25 bps to 2.37%.

Credit spreads narrowed over the period. As in the previous quarter, high yield (HY) credit outperformed investment grade (IG). European HY spreads tightened the most (-36 bps to 309), with global HY not far behind (-35 bps to 329). US HY spread tightening was more modest (-8 bps to 287). In the IG market, UK credit was the best performer, with spreads narrowing 18 bps to 80. This compares to European HY spreads which narrowed by 13 bps to 89 and global IG (-10 bps to 82). As with US HY, US IG spread tightening was more limited (-7 bps to 77). Hard currency emerging market debt (EMD) outperformed local currency EMD, mainly due to the strengthening US dollar. The JPM EMBI Global Index rose by 4.8% while the JP Morgan GBI-EM Global Diversified Index was 0.4% lower over the fourth quarter.

Global Government Bond Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	-3.1	0.1	-2.0	-1.6
Net	-3.2	-0.1	-2.2	-1.9
FTSE World Gvt Bond Index (GBP Hedged)	-1.2	2.0	-2.4	-2.2
Excess returns (gross)	-1.9	-1.9	0.4	0.6
Excess returns (Net)	-2.0	-2.1	0.2	0.3

Inception Date: COB 30th July 2020
Source: Northern Trust as of 31 December 2024
Benchmark: FTSE World Government Bond Index (GBP Hedged)
Objective: The Sub-fund aims to achieve total return (the combination of income and growth), in excess of the FTSE World Government Bond Index (GBP Hedged), over any five year period, after all costs and charges have been taken.

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The Fund underperformed. Positioning in emerging market countries weighed on relative returns this period. An underweight to rates within China and overweight to Brazil were key detractors, while the overweight to Mexico was a further negative. An overweight to 5-year core European bonds and overweight to Norwegian rates were also unrewarded. However, underweight exposure to Japanese rates and longer-dated US Treasuries contributed positively this quarter.

In terms of managers, RBC underperformed due to an underweight to European rates and an overweight to rates in Brazil. Colchester also underperformed due to overweight of Mexican rates and an underweight of rates in China.

Global Credit Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	-1.4	3.6	-2.4	-1.2
Net	-1.4	3.5	-2.6	-1.4
Bloomberg Barclays Global Agg Credit Index (GBP Hedged)	-1.6	3.1	-2.1	-1.2
Excess returns (gross)	0.2	0.5	-0.3	0.0
Excess returns (Net)	0.2	0.4	-0.5	-0.2

Inception Date: COB 27th July 2020
Source: Northern Trust as of 31 December 2024
Benchmark: Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)
Objective: The Sub-fund aims to achieve a total return (the combination of income and growth), in excess of the Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged), over any five-year period, after all costs and charges have been taken.

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The Fund overperformed over the final quarter of the year driven by the Fund's overweight exposure to European high yield and investment grade credit as spreads tightened the most in this region. Allocations to investment grade in other markets were also helpful. In US credit, an underweight to investment grade industrials detracted although this was partly offset by allocations to investment grade financials, which was positive. An overweight to US high yield financials also helped. Positioning in the UK and Canada detracted due to underweight exposure to investment grade credit. Exposure to hard currency emerging market debt was negative due to underweights to investment grade in Asia, Latin America and the Middle East. However, the impact was somewhat mitigated by an underweight to investment grade in Europe, which was beneficial. Elsewhere, underweight exposure to sovereign debt in Spain detracted, as in the previous quarter.

In terms of managers, Robeco and MetLife outperformed whereas Fidelity underperformed largely due to rates positioning by being overweight 10-year German bunds.

Multi Asset Credit Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	-0.7	7.8	1.9	3.4
Net	-0.8	7.5	1.6	3.0
3 Month GBP SONIA + 4%	2.2	9.5	8.0	6.7

Inception Date: COB 27th July 2020
Source: Northern Trust as of 31 December 2024
Objective: To achieve a total return (the combination of income and capital growth), the equivalent of the 3 Month GBP SONIA + 4%, over any five year period, after all costs and charges have been taken. We have not shown excess return as this is a target.

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The Fund recorded a negative return in the fourth quarter.The Fund's positive contributions from credit were offset by negative impacts from rates and currency positioning. In rates, allocations to US Treasuries detracted despite overweights to one and two-year issues contributing positively. Underweight exposure to one-year UK gilts also detracted. In currencies, although an overweight to UK sterling was effective this was counterbalanced by an underweight to the US dollar and the euro. In credit, the overweight to European high yield (particularly industrials) was beneficial (RBC UK (BlueBay), ICG). An overweight to investment grade in the region also helped.

In US credit, overweights to high yield financials and industrials were rewarded (RBC UK (BlueBay). An overweight to UK high yield financials and industrials was also additive. Exposure to US securitised credit was effective largely due to securitised credit specialist Voya's overweights to agency credit risk transfers, the top-performing segment, although positive contributions in securitised credit were broad-based. Apart from Voya, RBC UK (BlueBay) and ICG recorded positive absolute returns while Barings and Man GLG registered negative absolute returns.

Absolute Return Bond Strategy Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	2.9	8.7	5.6	4.4
Net	2.8	8.7	5.5	4.1
3 Month GBP SONIA + 2%	1.7	7.4	5.9	4.7

Inception Date: COB 30th September 2020
Source: Northern Trust as of 31 December 2024
Objective: To achieve a total return (the combination of income and capital growth), the equivalent of the 3 month GBP SONIA plus 2%, over any five year period, after all costs and charges have been taken. we have not shown excess return as this is a target.

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The WPP Absolute Return Bond Fund returned 2.9% relative to its target return of SONIA +2%, which returned 1.7%. Within the environment, all three underlying manager strategies added to their positive 2024 performance. The larger allocation to Wellington was rewarded as it ended the quarter as the best-performing strategy.

Overall, the Fund benefitted from short duration positions to core bond markets including the US, UK and Japan. Insight's duration positioning weighed on performance this period. Yield curve positioning was mixed, as Wellington benefitted from its European curve steepener while Insight suffered from its US curve steepener. Credit strategies contributed as spreads continued to tighten. Currency positioning was also positive and included short positions in the Canadian dollar, New Zealand dollar, Swiss franc and Swedish krona.

Sterling Credit Fund:

	Three Months	1 Year	3 Year	Since Inception
Gross	-0.7	2.5	-2.1	-1.2
Net	-0.7	2.4	-2.2	-1.3
ICE Bank of America Merrill Lynch Euro-Sterling Index plus 0.65%	-0.3	2.4	-2.5	-1.5

Inception Date: COB 27th July 2020
Source: Northern Trust as of 31 December 2024
Benchmark: ICE Bank of America Merrill Lynch Euro-Sterling Index Plus 0.65%.
Objective: The sub-fund aims to achieve a total return (the combination of income and capital growth), the equivalent of the ICE Bank of America Merrill Lynch Euro Sterling Index plus 0.65% each year, over any three year period after all costs and charges have been taken.

Inception date is based starting NAV for the sub-fund. This inception date (and therefore performance) may differ from the investment manager, who typically takes over following a transition period.

Overall Fund Commentary

The portfolio posted negative returns and underperformed the index over the quarter. Both duration and credit positioning detracted from performance while coupon income added value. Adverse positioning across the sterling duration weighed on returns.

The rise in yields aligned with global trends as inflation expectations were revised upwards. However, in the UK, this increase was amplified by apprehensions regarding the fiscal policies introduced by the new government in its Autumn Budget. Meanwhile, favourable positioning across the US dollar duration enhanced gains.

Within credit, the overweight stance in banks & brokers and insurance supported returns while underweight stance in tech & communications detracted from returns. The Fund's structural underweight position in Quasi supra including KFW and SNCF Reseau also weighed on returns. Meanwhile, an overweight position in insurance names such as RL Finance and New York Life Global supported returns.

RUSSELL INVESTMENTS

WPP GLOBAL PRIVATE CREDIT – VINTAGE I & II

Keith Brakebill, CFA
SENIOR PORTFOLIO MANAGER, PRIVATE CREDIT

Aidan Quinn, CFA
SENIOR DIRECTOR, EMEA CLIENT TEAM

WPP Private Credit Vintage I has been deployed and the market remains positive for Vintage II

THE SUCCESS OF VINTAGE I

- ✓ Successfully deployed capital as per the WPP requirements
- ✓ Delivered a significant allocation to Impact

OPPORTUNITY SET FOR PRIVATE CREDIT CONTINUES TO GROW

- ✓ Private credit remains a compelling asset class
- ✓ The structure WPP have put in place will allow us to tilt towards the attractive sectors of the market

INCREASED FOCUS ON LOCAL IMPACT INVESTMENTS

- ✓ Vintage I set the foundations for a programme into local (Wales) investments
- ✓ Vintage II will build on these foundations, and further establish the Welsh private credit ecosystem

Source: Russell Investments. The above statements are opinion and/or may be subjective.

WPP Global Private Credit LP Vintage 1

Golden moment for Private Credit

PROVIDES DIVERSIFIED EXPOSURE TO EIGHT SPECIALIST STRATEGIES	OPEN-ARCHITECTURE APPROACH UTILISING A FULL SPECTRUM OF CAPABILITIES	TAILORED TO THE WPP'S SUSTAINABILITY PREFERENCES

KEY OBJECTIVES:

8% - 11%
NET IRR TARGET
GBP-hedged

6% - 8%
NET YIELD TARGET
GBP-hedged

8 yrs
FUND TERM
From the end of the commitment period*

2 yrs
COMMITMENT PERIOD

£163 MN
CARDIFF AND VALE OF GLAMORGAN PENSION FUND

£50 MN
CLWYD PENSION FUND

£110 MN
GWYNEDD PENSION FUND

£49 MN
POWYS PENSION FUND

£20 MN
CITY AND COUNTY OF SWANSEA PENSION FUND

£150 MN
GREATER GWENT (TORFAEN) PENSION FUND

£150 MN
DYFED PENSION FUND

£696 MN
TOTAL

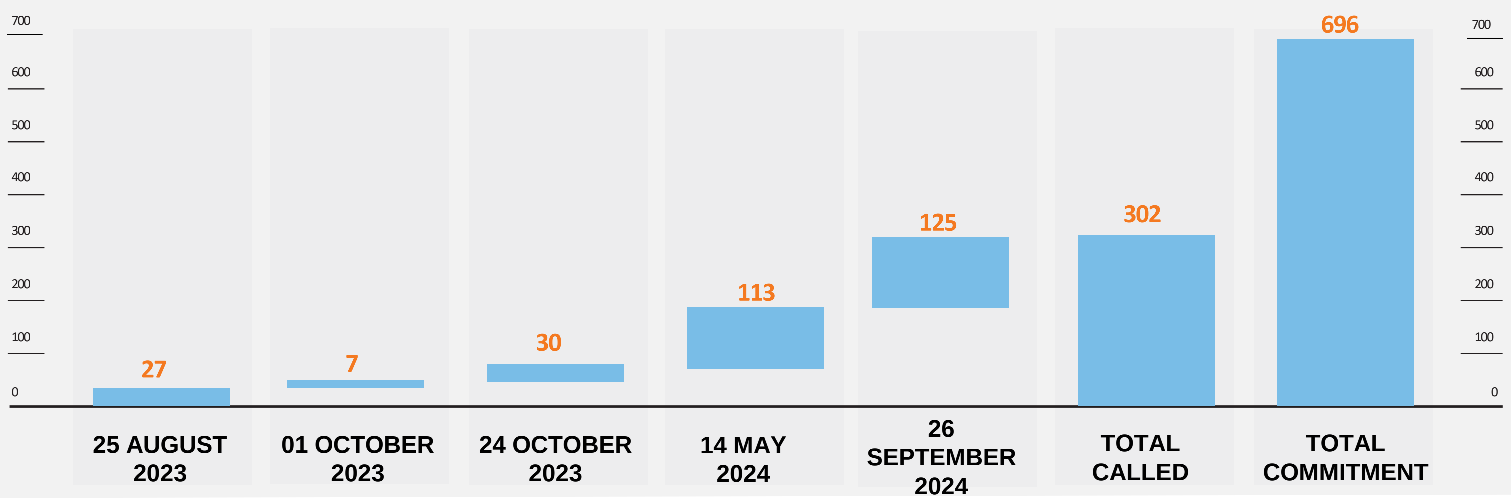
GP COMMITMENT ALONGSIDE THE WPP OF UP TO 1% OF TOTAL COMMITMENT

Source: Russell Investments as at 31/12/2024. Any forecast, projection or target is indicative and not guaranteed in any way.
Internal rate of return (IRR) is the discount rate that makes the net present value of all cash flows (both positive and negative) equal to zero for a specific project or investment.
*Plus two, one-year extensions at the gp's discretion but any additional extensions will be subject to majority approval of investors.

VINTAGE I UPDATE

Vintage I Deployment progress

CAPITAL CALLED VS TOTAL COMMITTED (£MN):



CAPITAL CALL FORECAST:

Fund In (£m)	Life to Date		2025		2026		2027		Balance	
	D/Down	Distrub	D/Down	Distrub	D/Down	Distrub	D/Down	Distrub	D/Down	Distrub
£696 Total Commitment	302	0	249	108	69	182	12	151	3	367

- Managers are calling capital as expected.
- Capital call activity to continue in-line with expectations through 2024
- Majority of commitment to be called by 2026

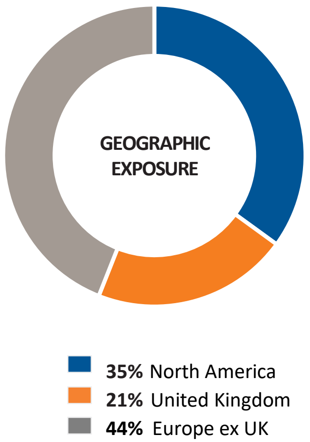
Source: Russell Investments as at 31 December 2024
The value of investments and their income can fall and rise and is not guaranteed. You may not get back the amount originally invested.

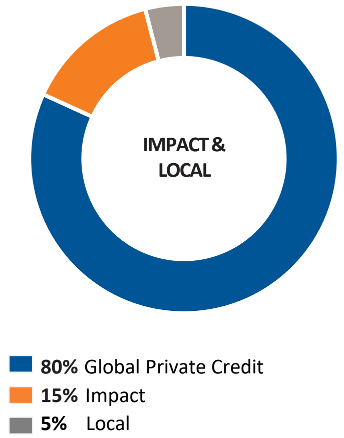
Based on commitments and cash flows through December 2024

FUND DETAIL

Objective: The Fund aims to provide a diversified exposure to eight highly rated specialist strategies. The Fund seeks to invest the majority of its commitments in senior and subordinated debt transactions of small to mid-sized companies globally as well as real estate and infrastructure projects commensurate with meeting the overall return objective of the mandate.

Net IRR Target*	8-11%
Net Yield Target*	6-8%
Committed Capital	£696mn in Vintage I
Participating authorities	7





PORTFOLIO BREAKDOWN

Fund	DD complete?	Capital committed	Capital called	Strategy / Focus	Geography	Portfolio weight	Expected IRR**	ESG	Impact
Hamilton Lane DC	Yes	$255m	$125.4m	Diversified	Global	29%	7-9%	✓	—
BX Green Credit III	Yes	$63m	$15.2m	Impact / Energy	Global	7%	9-13%	✓	✓
Pemberton Strategic Credit III	Yes	£78m	£80.2m	Diversified	Europe	11%	13-16%	✓	—
LOIM Sustainable PC	Yes	$66m	$59.7m	Impact / Diversified	Global	7%	14-18%	✓	✓
Ares Capital Europe VI	Yes	£90m	£23.4m	Diversified	Europe	13%	8-12%	✓	—
HIG Bayside Credit Opportunities VII	Yes	£80m	£24.0m	Diversified	Europe	11%	14-18%	✓	—
Capital Four Private Debt V	Yes	£55m	£23.7m	Diversified	Europe	8%	9-11%	✓	—
Starwood European RE Debt II	Yes	£75m	£28.7m	Real Estate	Europe	11%	8-12%	✓	—
Pluto UK RE Debt VIII / Wales Sleeve	Yes	£30m	—	Real Estate	UK	4%	8-11%	✓	✓
9 Managers	**—**	**£715m**	**£340.2m**	**Diversified**	**Global**	**—**	**9-13%**	**—**	**—**

Source: Russell Investments as of 31 December 2024. For illustrative purposes only. Any reference to specific money managers should not be taken as a recommendation. Any forecast, projection or target is indicative only and not guaranteed in any way. The return target is net of the underlying manager's fees. Fund term is the weighted average of investments.
*Returns are GBP-Hedged

CASE STUDY

U.K. private hire car service

CORPORATE TERM LOAN

The Company

Third largest operator in the UK taxi market after Uber and Bolt

Balanced business between B2B and B2C with half of bookings via phone rather than app/web

The Investment

Sponsors seeking capital to continue M&A growth strategy

£188m 1st lien debt + £15m equity

4.7x leverage and 39% LTV at closing

S+6.75%	2.75%	NC1/1	7 years
Coupon	Origination Fee	Prepay Fees	Term to Maturity

Source: Confidential manager, Russell Investments. For illustrative purposes only. Information as of January 2025. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. See Important Information for additional case study disclosures.

Sustainable investing case study

aspen POWER

- Developer of **community solar & storage assets** serving **non-single-family housing and low-to-moderate income** (LMI) households
- Community solar is a powerful tool for **~80% of US residents unable to install on-site solar**, and it is the **fastest growing segment of US solar industry**
- Aspen has the dual mission of **accelerating and democratizing decarbonization**. Its community solar program allows residents to **receive credits on their electricity bills** from the renewable energy produced by their solar projects
- Aspen has developed and acquired **260+ MW of solar capacity**, enabling the avoidance of greenhouse gas emissions equivalent to the annual energy use of 41,000 homes

Key Terms

Term	3-year 1st lien senior secured notes
Facility	USD 30 million; borrowing base
Collateral	Secured by all assets, including contracted asset sale revenue from leading institutional asset manager
LTV	<50%
Eligible uses	• Purchase solar equipment • Costs to acquire projects & commence construction
Cash control	All revenue deposited into collateral account

CLIC® Assessment

CLIC® pillar	Identified Impact	SDG alignment
Circular.	• Land & ecosystems protection • Recycling & reusing of materials	13, 12
Lean.	• Grid reliability and resiliency • Efficient & affordable distributed solar resources	13, 12
Inclusive.	• Clean energy access for LMI households • Reduction on energy expenses	7, 10
Clean.	• GHG emissions avoided through clean energy • Clean energy storage increasing reliability	7, 13

EU Taxonomy Alignment

Economic Activity	Production of Electricity from Solar PV
Substantial contribution	Climate change mitigation & adaptation
Taxonomy Alignment	✓

Sustainability KPIs

Sustainability Metric	Unit	2022	2023
Scope 1	tCO2e	0.6	0.0
Scope 2	tCO2e	2.7	11.68
Renewable energy capacity generated and enabled	MWh	14,731	319,589
Households with new access to clean energy	#	1,685	2,749
Client savings premium enabled	%	10	10
Board of director's diversity ratio	%	33	29

Impact

Environmental impact:

- **266 MW** capacity for clean energy[1]
- **Over 334 thousand MWh** of locally-produced clean electricity[2]
- Equivalent to **~23.7 thousand tons** of CO_2e emissions avoided[2]

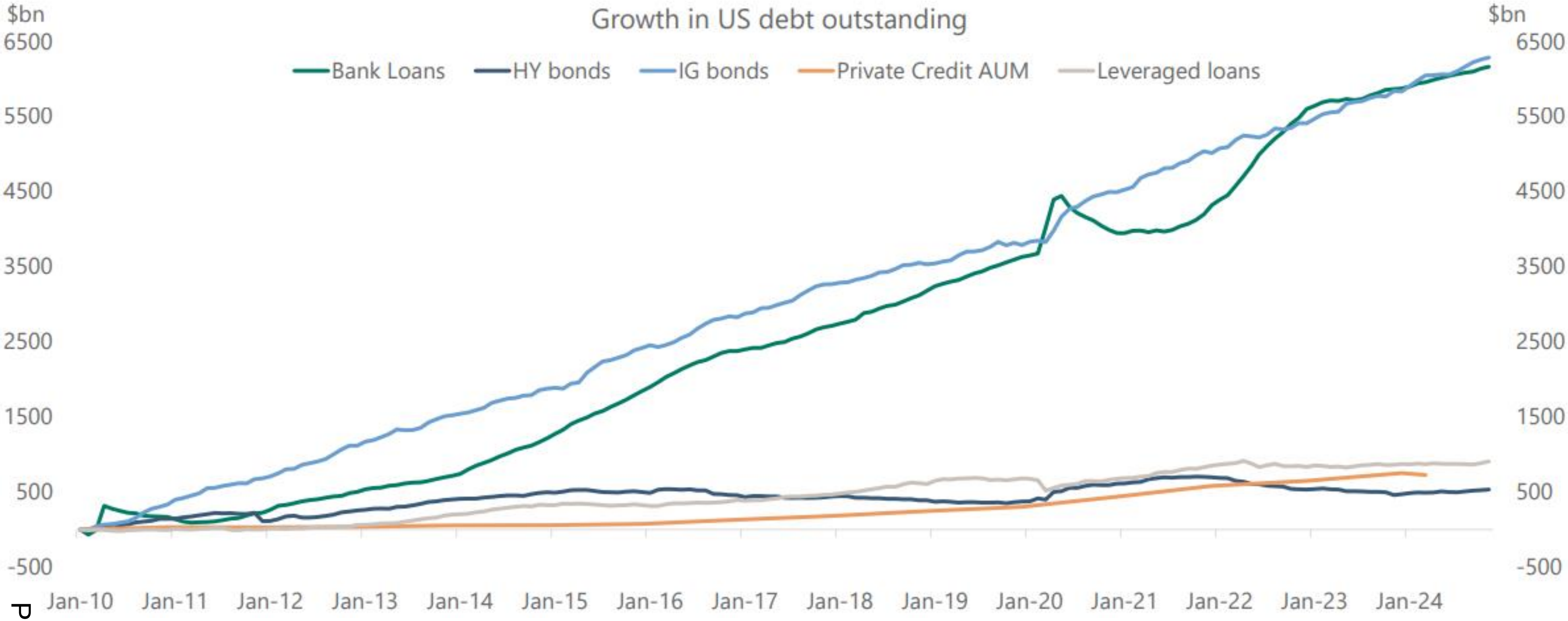
Social impact:

- **4,434 households** provided with new access to clean energy[2]
- **10%** average cost savings in electricity for customers
- **68 quality new jobs** created in 2023

[1] As of May 2024. [2] Including the 2022 and 2023 reporting period.

MARKET UPDATE

Putting the growth of private credit in context



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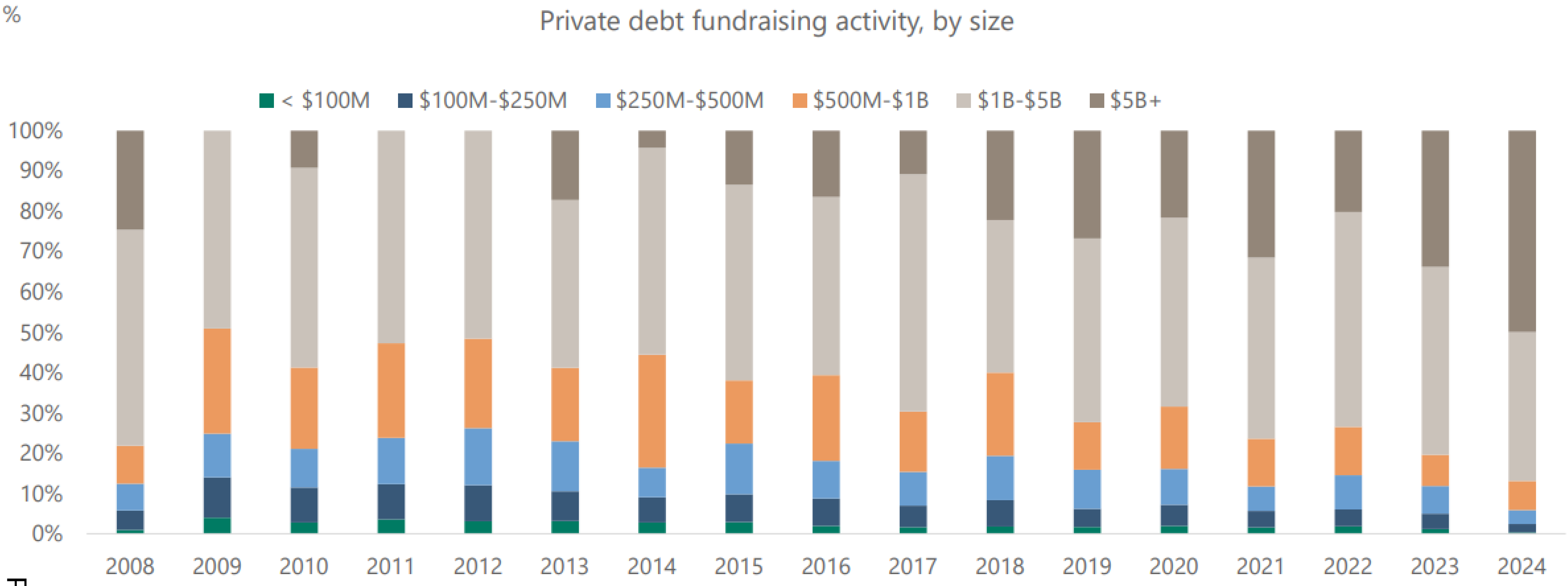
Sources: Federal Reserve Bank, ICE BAML, Bloomberg and Apollo.

The largest funds are increasing dominating fundraising



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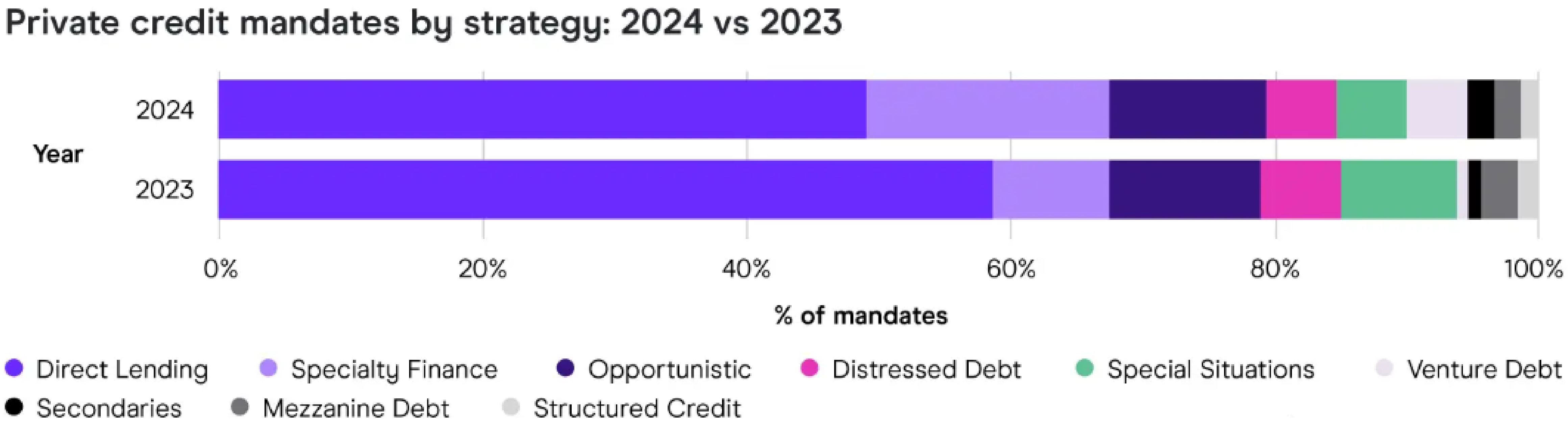
Sources: PitchBook, Apollo data as of 30 September 2024

Specialty finance and special situations grow



Source: With Intelligence

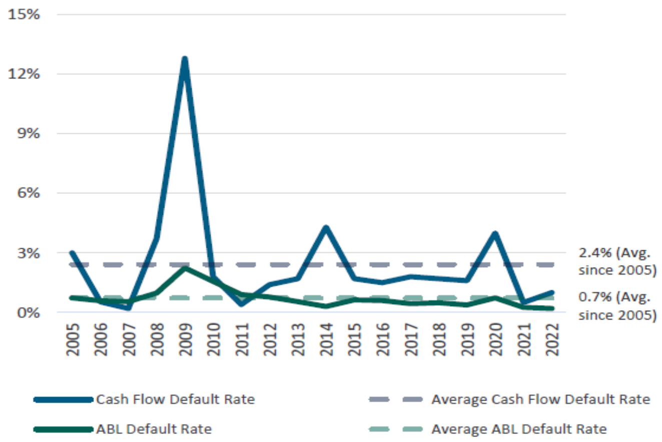
Attractive opportunity set in a segment with less competition

Companies in this segment have fewer options when it comes to traditional financing solutions

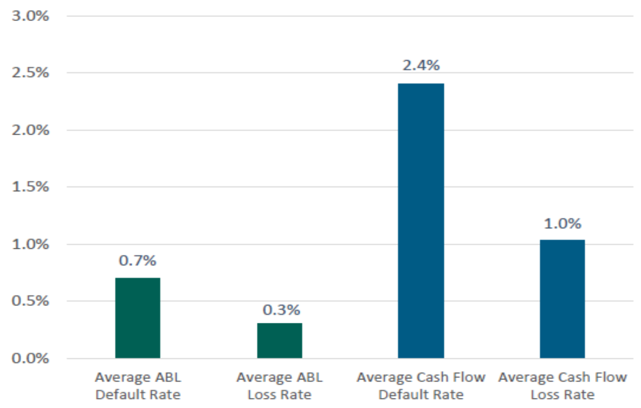
These borrowers typically have:

- Collateral based on hard assets including equipment or finished inventory
- Often volatile cash flows
- Traditional financing solutions do not meet 100% of the firm's capital needs and AB loans are just now starting to fill the gap from lack of bank lending

ANNUAL DEFAULT RATES: ASSET-BASED LOANS VS. CASH FLOW LOANS[1,2]



AVERAGE DEFAULT & LOSS RATES: ASSET-BASED LOANS VS. CASH FLOW LOANS[3]



Please reference information in the disclosures which refer to the indices.

1. Cash flow default rate reflects the Morningstar LSTA Leveraged Loan Index Default Ratio since 2005 at December 31st of each year. Latest annual data available as of December 31, 2022.
2. Asset-based loan default rate reflects the average non-accrual rate of each year for the Asset-based Lending Index maintained by the Federal Reserve Board of Governors. Latest annual data available as of December 31, 2022.
3. Asset-based loan average loss rate reflects the average gross write-offs of the Asset-based Lending Index since 2005, calculated by dividing total gross write-offs by total loans outstanding. Data maintained by the Federal Reserve Board of Governors. Cash flow loss rate reflects the Cliffwater Direct Lending Index ("CDLI") Middle Market Debt Realized Credit Loss Rate since 2005 at December 31st of each year. Latest annual data available as of December 31, 2022.

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Source: SLR CAPITAL PARTNERS

VINTAGE II

Launch Timeline

October 2024	Mid-December 2024	1 April 2025
Legal work on the fund structure (SLP) has started.	**Soft commitments from Authorities required, with formal commitments confirmed around February 2025.**	**In order to support the Authorities' commitment programmes, we intend to launch Vintage II on or around this date (~two years after the launch of Vintage I).**

- It is important that we understand the requirements for all Authorities, as we seek to design and build a new vintage building on the success of the last.
- We are proud to have delivered exposure to globally diversified high conviction private credit strategies, impact orientated private credit and now local private credit opportunities. All of these will remain key themes to be discussed with you for Vintage II.

Thoughts and Considerations

Vintage II will likely lean more heavily into asset-based lending

Determining the appropriate mix of local, impact and global private credit

Allowing for greater extension flexibility with LP consent for evergreen funds (like Pluto)

Russell Investments is ready to offer updated commitment pacing analysis

Model portfolio

FUND DETAIL

Objective: The Fund aims to provide a diversified exposure to eight highly rated specialist strategies. The Fund seeks to invest the majority of its commitments in senior and subordinated debt transactions of small to mid-sized companies globally as well as real estate and infrastructure projects commensurate with meeting the overall return objective of the mandate.

Net IRR Target*	8-11%
Net Yield Target*	6-8%
Participating authorities	7

PORTFOLIO BREAKDOWN

Fund	DD complete?	Strategy / Focus	Geography	Portfolio weight	Expected net IRR	ESG	Impact
Hamilton Lane DC	Yes	Corporate - DL	Global	15%	7-10%	✓	
Manager 1 – US Asset-Based Lender	No	Asset-Based	US	15%	14-18%	✓	
Manager 2 – Global Credit and Royalties	No	Special Situations	Global	10%	10-15%	✓	
Manager 3 – Global Asset-Based Finance	Yes	Asset-Based	Global	20%	10-15%	✓	
Manager 4 – US Commercial Real Estate	No	Distressed - RE	US	10%	14-18%	✓	
Manager 5 – Sustainable Infrastructure Debt	No	Asset-Based	US	10%	10-15%	✓	✓
Manager 6 – Sustainable Infrastructure Debt	No	Asset-Based	Europe	10%	8-12%	✓	✓
Pluto UK RE Debt VIII / Wales Sleeve	Yes	Real Estate	UK	10%	8-10%	✓	✓
8 Managers	—	Diversified	Global	—	10-14%	—	

Source: Russell Investments as of September 2024. For illustrative purposes only. Any reference to specific money managers should not be taken as a recommendation. Any forecast, projection or target is indicative only and not guaranteed in any way. Return target is net of underlying managers' fees. Fund term is the weighted average of investments. *

SUSTAINABILITY, IMPACT AND NET ZERO FOR WPP PRIVATE CREDIT

SUSTAINABLE INVESTING PIPELINE

What is currently high on the research agenda

FUND	STRATEGY	GEOGRAPHY	NET RETURN	STRATEGY DESCRIPTION
Manager 1	Asset-Based	Europe	8-12%	Flexible credit strategy focused on lending to sustainable projects across infrastructure, renewables and real estate.
Manager 2	Asset-Based	UK	12-13%	Asset based lending to UK SMEs for specialist equipment across renewable and recycling sectors
Manager 3	Asset-Based	US	10-15%	Senior and mezzanine finance for energy transition and sustainable infrastructure projects. Concentrated strategy with a major of deal non-sponsored.
Manager 4	Asset-Based	Global	10-13%	Diverse portfolio of renewable energy investments. Financing development, acquisition, construction, and management of renewable power plants and battery storage assets. Provides asset backed financings backed by renewable energy, energy efficiency, sustainability, and energy transition projects, and originates solar ABS
Manager 5	Corporate -DL	Europe	8-10%	Industry-agnostic sustainable investing - focused on resource efficiency and sustainability
Manager 6	Venture Debt	US	14-18%	Venture debt strategy focused on technology solutions to support climate impact

Source: Russell Investments as of December 2024. For illustrative purposes only. Any reference to specific money managers should not be taken as a recommendation. Any forecast, projection or target is indicative only and not guaranteed in any way. Return target is net of underlying managers' fees. Fund term is the weighted average of investments. *

A menu of impact options

	SOCIAL IMPACT		ENVIRONMENTAL IMPACT	
IMPACT THEME	SOCIAL / AFFORDABLE HOUSING	HEALTH AND WELLBEING	CLEAN ENERGY	ENERGY AND RESOURCE EFFICIENCY
PRIMARY IMPACT UN SDG	10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES	3 GOOD HEALTH AND WELL-BEING	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION	13 CLIMATE ACTION; 7 AFFORDABLE AND CLEAN ENERGY
SECONDARY IMPACT UN SDG	1 NO POVERTY; 10 REDUCED INEQUALITIES	10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES	6 CLEAN WATER AND SANITATION; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	6 CLEAN WATER AND SANITATION; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
GP EXAMPLES	Pluto	Orbimed, Hayfin	LOIM, AB Carval, Fundamental Solar	Aptimus, Ambienta, Windsail

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Source: Russell Investments and United Nations Sustainable Goals.

Progress on multiple fronts

ROBUST NET ZERO FRAMEWORK

1

IMPACT STRATEGIES

1 Vintage 1 included two dedicated climate impact strategies accounting for almost 15% commitments

2 We anticipate incorporating a higher % of such strategies in vintage 2

2

NET ZERO MANAGERS

1 Russell Investments' research is incorporating a more explicit net zero alignment component of its sustainability assessment of managers to be selected for WPP

2 Net zero aligned funds remain limited at this stage but will monitor for greater adoption and opportunities to increase our allocation to aligned funds

3

REPORTING TRANSPARENCY

1 Russell Investments is engaging with its underlying managers to report on relevant emissions metrics annually with increasing coverage going forward

2 Russell Investments will provide annual roll up reports that display emissions metrics and coverage for the total WPP portfolio

APPENDIX

CASE STUDY

Pluto UK Real Estate Debt Fund VIII

BIRMINGHAM ROYAL ANGUS

Description

- ✓ Development loan financed the conversion of a Birmingham hotel into apartments
- ✓ The project was completed in January 2024 and is currently being let up with an anticipated exit date early in 2025

£12.2m	12.3%	47.6%
Development Loan	Current Gross IRR	Loan to Value

Source: Russell Investments. For illustrative purposes only. Information as of September 2024. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. See Important Information for additional case study disclosures.

CASE STUDY

Capital Four Private Debt V

CREATORS OF THE OUTSIDE WORLD (CROWD)

Description

- ✓ Dutch provider of bicycle infrastructure and street furniture
- ✓ The company anticipates steady growth driven by government incentives to support zero emission transportation and the firm's strong history of results in tender processes.
- ✓ The deal financed an LBO of the company by one of the leading energy transition private equity sponsors.

€68.5m	E+6.75%	38%
Senior Loan	Spread/Margin	Loan to Value



Source: Russell Investments. For illustrative purposes only. Information as of September 2024. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. See Important Information for additional case study disclosures.

CASE STUDY

HIG Bayside Opportunity Fund VII

ICELAND

Description

- ✓ Iceland is a Wales-based UK value supermarket company specialising in frozen foods.
- ✓ The company's bonds came under pressure amid rising energy costs, UK macroeconomic headwinds and a rush to liquidity in GBP markets broadly in 2022.
- ✓ In 2H23, the company refinanced and bought back the 2025 maturity, with demand coming from the newly reopened CLO market.

£22m	**45.8%**	**1.5x**
Secondary bond purchase	Realized Gross IRR	Realized Gross MOIC

Source: Russell Investments. For illustrative purposes only. Information as of September 2024. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. See Important Information for additional case study disclosures.

CASE STUDY

Ares Capital Europe VI

PARKDEAN RESORTS

Description

- ✓ Parkdean Resorts is a leading operator of holiday parks in the UK with substantial freehold or long leaseback property assets.
- ✓ Ares, formerly a second lien lender, stepped up to refinance a 2024 maturity into a unitranche loan alongside a £50m equity injection from the sponsor bringing leverage down to 5.3x.

£550m	11.45%	3.50%
First lien loan	All-in yield	Upfront Fee/OID

Source: Russell Investments. For illustrative purposes only. Information as of September 2024. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. See Important Information for additional case study disclosures.

CASE STUDY

Starwood European RE Debt Finance II

MORRISONS SALE & LEASEBACK

Description

- ✓ The fund provided a loan to asset manager ICG to finance the purchase of 7 as a part of a sale-leaseback transaction with WM Morrisons.
- ✓ The 7 properties are all on 15-year or more leases to Morrisons with our loan maturing in 2028.
- ✓ At the time of closing, ICG’s sale-leaseback funds had a history of collecting all tenant rents with no defaults.

£138m	13.5%	53.9%
First lien loan	All-in yield	Loan-to-Value

Source: Russell Investments. For illustrative purposes only. Information as of September 2024. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. See Important Information for additional case study disclosures.

THANK YOU!

ANY QUESTIONS?

Important information (UK)

For ECPs only

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Internal rate of return (IRR) is the discount rate that makes the Net Present Value (NPV) of all cash flows (both positive and negative) equal to zero for a specific project or investment. IRR is typically used for calculating performance of private equity funds. IRR can to overestimate the potential returns of a project or future investment by making the NPV equal to zero.

Any forecast, projection or target is indicative only and not guaranteed in any way. IRR represents the return on investments reduced by all fees and expenses, including investment management fees, administrative fees and other costs of the underlying funds.

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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

Contents

Appendices

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
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
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
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

- The product generating the most savings was the Global Opportunities fund.
- 8 out of 9 (89%) of products/sleeves delivered savings in the past year to Partner Funds.
- 8 out of 8 (100%) of Partner Funds saved by investing through the pool.

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, Schroders 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).

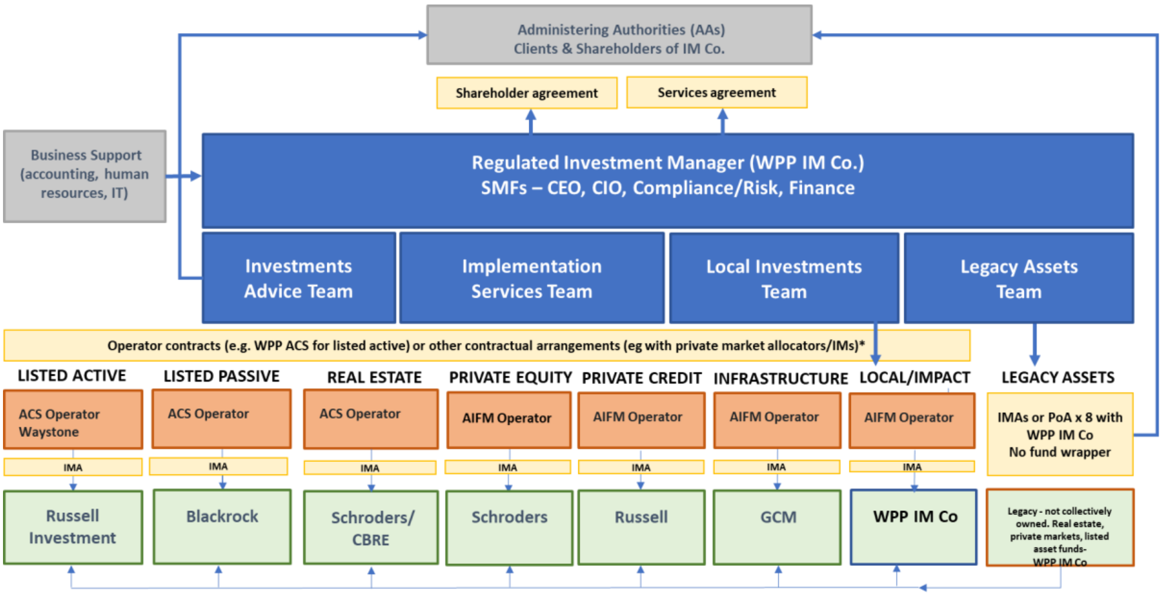
4.2 Government's proposed new Pool Operating Model requirements

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	• 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	• 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	• WPP IM Co Advice Team • SAA recommendations for AA decision etc
4) Local Investment capability	• 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	• 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.



*For private markets funds, allocators / IMs put in place any required investment vehicle operator

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 3rd 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 (*we are assuming more granular than government template with clear definitions of asset categories*)
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	• 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)	• 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	• 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	• 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 • *Currently Northern Trust is the service provider and the Stock-lending Agreement is between NT, the ACS Fund Operator (Waystone) and the ACS Fund.*
Training	• 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)

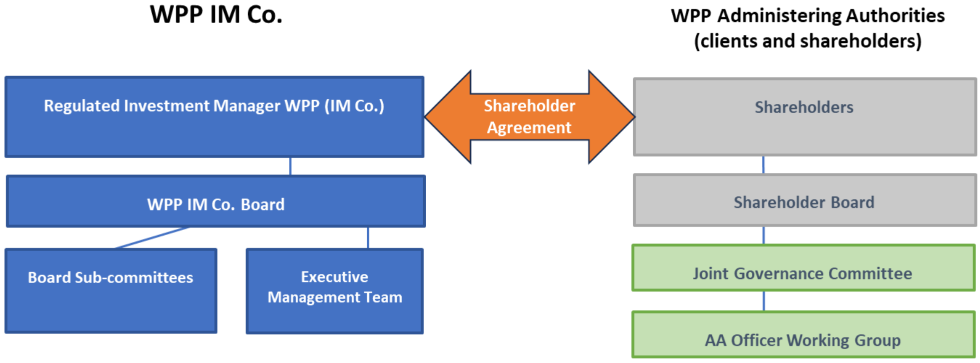
We intend to establish a “Shareholder Board” (elected councillors and S151 officers) to make decisions in respect of “Reserved Matters” under the Shareholder Agreement.

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 3rd 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
• Identify all required roles • Agree priority hires (CEO, CRO) • Prepare role descriptions • Engage search agency • Design selection process • Start search	• Identify candidates for SMF roles (start with CEO/CRO) • Offer and confirmation of acceptance	• Other hires progress in parallel with FCA authorisation	• Onboarding first wave of staff • Working on set up and testing of systems, controls and processes	• 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 • **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 • 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 • **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 • 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/Da	SMF Ref	Role	Headcou	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/Da	SMF Ref	Role	Headcou	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		
Milestone	Owner	Other resources	Start Date	Due Date	Dependencies	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Main Milestones																				
Stakeholder Engagement & Governance																				
Identification of Key Stakeholders	Tracey Williams	Hymans Robertson, Burges Salmon	Wed 22/01/25	Ongoing	Engagement of all stakeholders listed															
Communiction Plan	Tracey Williams	Hymans Robertson, Burges Salmon	Wed 22/01/25	Ongoing	Established stakeholder plan and current communication policy															
Governance Sign Off Structure	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																				
Draft Business Case	Jeffrey Dong	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	Mon 27/01/25	Fri 14/02/25	Input from other workstreams is provided - IM Co.Build & FCA Authorisation															
Review of Business Case	Jeffrey Dong	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	Fri 14/02/25	Fri 28/02/25	Establish governance process for approval before submission															
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)															
Outcome of submission	Jeffrey Dong		Mon 03/03/25	Mon 31/03/25	Unsure of the timeline for response by govenement															
FCA Authorisation																				
Application production	Anthony Parnell	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, 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.															
SMF roles in place	Anthony Parnell	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, 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															
Business Plan finalised	Anthony Parnell	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, 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.															
Day One plans in place	Anthony Parnell	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, 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 sapproval.															
Submit application	Anthony Parnell	Hymans Robertson, Waystone Compliance Solutions, FCA Case Officer	Sun 01/06/25	Thu 31/07/25	All information needs to be provided by all parties before the submission date, including time for review and governance approval.															
Authorisation	Anthony Parnell	Hymans Robertson, Waystone Compliance Solutions, 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															
IM Co. Build																				
Target Operating Model Finalise	Alex Bull	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	Mon 27/01/25	Fri 28/02/25	Government response to business case could influence the structure of TOM.															
IM Co. setup	Alex Bull	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	Mon 03/03/25	Mon 30/06/25	Information required for this application still be be decided and form will need governance approval before submission to Companies House															
Resourcing & remuneration	Alex Bull	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	Mon 03/03/25	Tue 31/03/26	Business Case approval and governance approval required before this process can begin															
Establish Investment Advice Services	Alex Bull	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	Mon 03/03/25	Wed 31/12/25	Representing plans set out in Business Case															
Establish Investment Implementation Services	Alex Bull	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	Mon 03/03/25	Wed 31/12/25	Representing plans set out in Business Case															
Establish Investment Legacy Asset Services	Alex Bull	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	Mon 03/03/25	Wed 31/12/25	Working with the Asset Transition workstream															
Establish Local / Impact Investment team	Alex Bull	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	Mon 03/03/25	Tue 31/03/26	Working with the Asset Transition workstream															
Implementation and operational readiness	Alex Bull	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	Tue 01/07/25	Tue 31/03/26	Governance approval and all tasks completed before proceeding															
In house investment management plan in place	Alex Bull	Hymans Robertson, Russell Investments, Burges Salmon			Input from work being done in the IM Co. workstream, Governance approval process															
Go Live	Alex Bull	Hymans Robertson, Waystone Compliance Solutions, Burges Salmon, Russell Investments	TBC	TBC	Governance approval and audit?															
Asset Transition																				
Identify legacy assets	Phil Latham	Hymans Robertson, Russell Investments, Burges Salmon	Mon 27/01/25	Fri 28/02/25																
Plan for management of assets under new IM Co.	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															
Transfer of assets	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	**PENSIONS COMMITTEE**
DATE	**7TH JULY 2025**
TITLE	**GWYNEDD PENSION FUND'S DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025**
PURPOSE	**To receive and note –** • **Draft Statement of Accounts**
RECOMMENDATION	**Receive the information**
AUTHOR	**DELYTH JONES- THOMAS, INVESTMENT MANAGER**

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1. INTRODUCTION

This report introduces the statutory Statement of Accounts for the 2023/24 financial year, which provides details of the Pension Fund's financial activities during the year which ended on 31 March 2025.

The document in Appendix A is the draft Statements of Accounts in the statutory format.

2. AUDIT BY AUDIT WALES

The draft accounts here are currently subject to audit by Audit Wales. It is possible that some changes will be necessary before a final version is submitted for approval

3. RECOMMENDATION

The Pensions Committee is asked to receive and note the Pension Fund Statement of Accounts (subject to audit) for 2024/25.

Gwynedd Pension Fund

STATEMENT OF ACCOUNTS 2024/25

NARRATIVE REPORT

Introduction

Gwynedd Pension Fund's accounts and notes for the year 2024/25 are presented here on pages 5 to 44.

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

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

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

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

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

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

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

An Actuarial Valuation is required every three years to establish the level of assets available to pay pensions now and in the future. The most recent valuation was at 31 March 2022 and any changes to employers' contributions was made from 1 April 2023 onwards for three years. The next valuation will be at 31 March 2025 and any changes to employers' contributions will be effective from 1 April 2026 onwards.

Further information relating to the accounts is available from:

Delyth Jones-Thomas
Investment Manager
01286 679128
delythwynjonesthomas@gwynedd.llyw.cymru

Finance Department
Cyngor Gwynedd
Council Offices
Caernarfon
Gwynedd
LL55 1SH

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE PENSION FUND'S RESPONSIBILITIES

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

THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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

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

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Pension Fund at 31 March 2025 and the Pension Fund's income and expenditure for the year then ended.

27 June 2025

Dewi Morgan CPFA

Head of Finance, Cyngor Gwynedd

GWYNEDD PENSION FUND ACCOUNTS

THE FUND ACCOUNT

31 March 2024 £'000		Notes	31 March 2025 £'000
	Dealings with members, employers and others directly involved in the Fund		
94,278	Contributions	7	101,760
3	Other income	8	3
8,575	Transfers in from other pension funds	9	9,156
102,856			**110,919**
(82,931)	Benefits	10	(94,520)
(5,068)	Payments to and on account of leavers	11	(7,870)
(87,999)			**(102,390)**
14,857	**Net additions/ (withdrawals) from dealings with members**		**8,529**
(15,042)	Management expenses	12	**(18,282)**
(185)	**Net additions/ (withdrawals) including fund management expenses**		**(9,753)**
	Returns on investments		
47,956	Investment income	13	65,847
260,095	Profit and losses on disposal of investments and changes in the market value of investments	14	105,626
308,051	**Net returns on investments**		**171,473**
307,866	**Net Increase/ (Decrease) in the net assets available for benefits during the year**		**161,720**
2,762,129	**Opening net assets of the scheme**		**3,069,995**
3,069,995	**Closing net assets of the scheme**		**3,231,715**

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

NET ASSETS STATEMENT

31 March 2024 £'000		Notes	31 March 2025 £'000
3,036,264	Investment assets	14	3,192,243
499	Cash deposits	14	1,546
(333)	Investment liabilities	14	(642)
3,036,430	**Total net investments**		**3,193,147**
37,723	Current assets	20	42,580
(4,158)	Current liabilities	21	(4,012)
3,069,995	**Net assets of the fund available to fund benefits at the end of the reporting period**		**3,231,715**

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

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE 1 – DESCRIPTION OF FUND

The Gwynedd Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Cygnor Gwynedd.

a) General

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

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

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

b) Membership

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

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

NOTE 1 – DESCRIPTION OF FUND (continued)

The following bodies are active employers within the Pension Fund:

Scheduled Bodies	
Cyngor Gwynedd	Snowdonia National Park Authority
Conwy County Borough Council	Bryn Elian School
Isle of Anglesey County Council	Emrys ap Iwan School
Police and Crime Commissioner for North Wales	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
GwE	North and Mid Wales Trunk Road Agency
North Wales Economic Ambition Board	
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	Conwy Town Council
Llanfairfechan Town Council	Llanrwst Town Council
Llanfair Mathafarn Eithaf Town Council (since 01/08/2024)	
Admission Bodies	
Adult Learning Wales	North Wales Society for the Blind
Adferiad Recovery	Community and Voluntary Support Conwy
Holyhead Joint Burial Committee	Careers Wales North West
Cwmni'r Fran Wen	Mantell Gwynedd
Menter Môn	Medrwn Môn
Community Admission Bodies	
Cartrefi Conwy	Adra
Byw'n Iach	
Transferee Admission Bodies	
ABM Catering	A E & A T Lewis
Kingdom Services Group	Chartwells

NOTE 1 – DESCRIPTION OF FUND (continued)

Membership details are set out below:

	31 March 2024	31 March 2025
Number of employers	46	47
Number of employees in scheme		
County Council	15,236	15,220
Other employers	4,112	4,160
Total	**19,348**	**19,380**
Number of pensioners		
County Council	10,194	10,711
Other employers	2,310	2,500
Total	**12,504**	**13,211**
Deferred pensioners		
County Council	12,093	12,420
Other employers	2,326	2,406
Total	**14,419**	**14,826**
Unclaimed benefits		
County Council	3,473	4,055
Other employers	533	628
Total	**4,006**	**4,683**
Undecided Leavers		
County Council	2,738	1,604
Other employers	300	188
Total	**3,038**	**1,792**
Total number of members in pension scheme	**53,315**	**53,892**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 2.75% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employer contributions are set based on triennial actuarial funding valuations. The valuation relating to this year was at 31 March 2022. The employer contribution rates range from 0.0% to 31.8% of pensionable pay.

NOTE 1 – DESCRIPTION OF FUND (continued)

d) Benefits

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

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

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

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

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

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

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its position at year-end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2024/25.

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

a) Contribution Income

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

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

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

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

b) Transfers to and from other schemes

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds including property

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

iv) Movement in the net market value of investments

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund account – expense items

d) Benefits payable

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

e) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

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

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

f) Taxation

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets statement

g) Financial assets

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

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

h) Foreign currency transactions

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

i) Cash and cash equivalents

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

j) Financial liabilities

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

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

k) Actuarial present value of promised retirement benefits

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

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Additional voluntary contributions

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

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

m) Contingent assets and contingent liabilities

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

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

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity, private credit and infrastructure investments

The fair value of private equity, private credit and infrastructure investments are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities, private credit and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2025 was £413.0 million (£267.2 million at 31 March 2024).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pension depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and return on fund assets. Hymans Robertson is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Private equity, private credit and infrastructure	Private equity, private credit and infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines (December 2018). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity, private credit and infrastructure investments in the financial statements are £413.0 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE REPORTING DATE

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

NOTE 7 – CONTRIBUTIONS RECEIVED

By category

2023/24 £'000		2024/25 £'000
23,500	Employees' contributions	24,831
	Employers' contributions:	
70,948	• Normal contributions	76,844
(170)	• Other*	85
70,778	**Total employers' contributions**	**76,929**
94,278	**Total contributions receivable**	**101,760**

By type of employer

2023/24 £'000		2024/25 £'000
30,331	Cyngor Gwynedd	32,503
58,497	Other scheduled bodies	63,001
1,799	Admission bodies	1,872
3,269	Community admission bodies	3,691
151	Transferee admission bodies	150
403	Resolution bodies	458
(172)	Closed funds**	85
94,278		**101,760**

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

** Closed funds – this relates to an exit credit payment following cessation of an employer in the fund. The employer was previously an admission body but is now a closed fund.

NOTE 8 – OTHER INCOME

2023/24 £'000		2024/25 £'000
2	Interest on deferred contributions	0
1	Income from divorce calculations	3
3		**3**

NOTE 9 – TRANSFERS IN FROM OTHER PENSION FUNDS

2023/24 £'000		2024/25 £'000
8,575	Individual transfers	9,156
8,575		**9,156**

NOTE 10 - BENEFITS PAID

By category

2023/24		2024/25
£'000		**£'000**
62,931	Pensions	70,063
16,841	Commutation and lump sum retirement benefits	21,597
3,159	Lump sum death benefits	2,860
82,931		**94,520**

By type of employer

2023/24		2024/25
£'000		**£'000**
25,340	Cyngor Gwynedd	28,742
40,911	Other scheduled bodies	48,151
1,671	Admission bodies	2,085
1,916	Community admission bodies	2,417
50	Transferee admission bodies	56
189	Resolution bodies	133
12,854	Closed funds	12,936
82,931		**94,520**

NOTE 11 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2023/24		2024/25
£'000		**£'000**
271	Refunds to members leaving service	209
(1)	Payments for members joining state scheme	0
4,798	Individual transfers	7,661
5,068		**7,870**

.

NOTE 12 – MANAGEMENT EXPENSES

2023/24		2024/25
£'000		**£'000**
12,866	Investment management expenses	15,738
1,720	Administrative costs	1,988
456	Oversight and governance costs	556
15,042		**18,282**

NOTE 12a – INVESTMENT MANAGEMENT EXPENSES

2024/25	Management Fees	Transaction Costs	Total
	£'000	£'000	£'000
Pooled Funds			
Fixed Income	594	101	**695**
Equities	1,807	986	**2,793**
Other Investments			
Pooled Property	1,708	0	**1,708**
Private Credit	990	0	**990**
Private Equity	4,370	0	**4,370**
Infrastructure	4,763	88	**4,851**
	14,232	1,175	**15,407**
Custody Fees			**331**
Total			**15,738**

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

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

The WPP Global Growth, Global Opportunities, Sustainable Equity, Multi Asset Credit, Absolute Return Bond, Global Credit and Emerging Market funds are investments which are appointed via a manager of managers approach which have their own underlying fees. The return for this mandate are net of the underlying manager fees which is reflected in Note 14a within the 'Change in Market value'. For transparency, the fees in 2024/25 were £4,125,186 (£3,074,340 in 2023/24).

NOTE 12b- ADMINISTRATIVE COSTS

2023/24 £'000		2024/25 £'000
794	Direct employee costs	903
494	Other direct costs	648
432	Support services, including IT	437
1,720		**1,988**

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

NOTE 12c- OVERSIGHT AND GOVERNANCE COSTS

2023/24 £'000		2024/25 £'000
87	Actuarial fees	143
78	Investment consultancy fees	68
6	Performance monitoring service	47
43	External audit fees	44
16	Pensions Committee and Local Pension Board	13
226	Wales Pensions Partnership	241
456		**556**

NOTE 12d- WALES PENSION PARTNERSHIP

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

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

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

	2023/24 £'000	2024/25 £'000
Investment Management Expenses		
Fund Manager fees	3,193	5,624
Transaction costs	972	1,175
Custody fees	268	331
	4,433	**7,130**
Oversight and governance costs		
Running costs	226	241
Total	**4,659**	**7,371**

NOTE 13 – INVESTMENT INCOME

2023/24 £'000		2024/25 £'000
16,175	Fixed Income	28,082
20,964	Equities	20,417
750	Private Credit	1,252
880	Private Equity	2,408
765	Infrastructure	5,924
7,168	Pooled property investments	6,242
1,254	Interest on cash deposits	1,522
47,956	**Total before taxes**	**65,847**

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

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

NOTE 14 – INVESTMENTS

31 March 2024 £'000		31 March 2025 £'000
	Investment assets	
	Pooled Funds	
861,232	Fixed income	878,523
1,697,436	Equities	1,725,148
	Other Investments	
210,350	Pooled property investments	175,589
10,235	Private Credit	50,748
167,029	Private Equity	162,518
89,982	Infrastructure	199,717
3,036,264		**3,192,243**
499	Cash deposits	1,546
3,036,763	**Total investment assets**	**3,193,789**
	Investment liabilities	
(333)	Amounts payable for purchases	(642)
(333)	**Total investment liabilities**	**(642)**
3,036,430	**Net investment assets**	**3,193,147**

NOTE 14a – RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2024/25	Market value at 1 April 2024	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2025
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Pooled investments	2,558,668	59,499	(90,100)	75,604	2,603,671
Pooled property investments	210,350	3,980	(45,410)	6,669	175,589
Private credit	10,235	37,642	0	2,871	50,748
Private equity / infrastructure	257,011	118,878	(22,930)	9,276	362,235
	3,036,264	219,999	(158,440)	94,420	3,192,243
Cash deposits	499				1,546
Amounts payable for purchases of investments	(333)				(642)
Fees within pooled vehicles				11,206	
Net investment assets	**3,036,430**			**105,626**	**3,193,147**

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

NOTE 14b – ANALYSIS OF INVESTMENTS

Investments analysed by fund manager

Market Value at 31 March 2024 £'000	%		Market Value at 31 March 2025 £'000	%
2,118,741	69.8	Wales Pension Partnership	2,326,430	72.9
524,137	17.3	BlackRock	521,850	16.3
236,679	7.8	Partners Group	226,167	7.1
72,160	2.4	UBS	76,742	2.4
50,779	1.6	Lothbury	6,263	0.2
34,267	1.1	Threadneedle	36,337	1.1
3,036,763	**100.0**		**3,193,789**	**100.0**

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

Market Value at 31 March 2024 £'000	%		Market Value at 31 March 2025 £'000	%
434,566	14.2	WS Wales PP Global Opportunities Equity Fund	460,613	14.3
415,429	13.5	WS Wales PP Global Growth Fund	418,895	13.0
412,216	13.4	WS Wales PP Absolute Return Bond Fund	403,246	12.5
317,063	10.3	WS Wales PP Sustainable Active Equity Fund	317,658	9.8
267,131	8.7	Black Rock Aquila Life UK Equity Index Fund	294,958	9.1
226,013	7.4	WS Wales PP Multi Asset Credit Fund	241,859	7.5
223,004	7.3	WS Wales PP Global Credit Fund	233,417	7.2
203,363	6.6	Black Rock ACS World Low Carbon Fund	170,002	5.3

NOTE 14c – STOCK LENDING

The Fund's investment strategy permits stock lending subject to specific approval. The income earned by the fund through stock lending was £135,500 (£99,730 in 2023/24). Currently the Fund has total quoted equities of £44.7m on loan (£52.2m at 31 March 2024). These equities continue to be recognised in the Fund's financial statements. No liabilities are associated with the loaned assets.

NOTE 15 – FAIR VALUE- BASIS OF VALUATION

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

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

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

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

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

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

Description of Asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the Valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short- term nature of these financial instruments	Not required	Not required
Pooled investments- equity funds	Level 2	The 'NAV' (net asset value) is calculated based on the market value of the underlying assets	Evaluated price feeds	Not required
Pooled investments- fixed income	Level 2	The 'NAV' is calculated based on the market value of the underlying fixed income Securities	Evaluated price feeds	Not required
Pooled property funds	Level 3	Closing bid price where bid and offer prices are published; closing single price where single price is published	'NAV'- based set on a forward pricing basis	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	• EBITDA multiple • Revenue multiple • Discount for lack of marketability • Control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Infrastructure	Level 3	Valued using discounted cashflow techniques to generate a net present value	Discount rate and cashflow used in the models	Rate of inflation, interest, tax and foreign exchange
Private credit	Level 3	Valuation techniques are used in accordance with U.S. GAAP to measure fair value that is consistent with market approach and/or income approach, depending on the type of security and the circumstance.	Private investments are fair valued initially based upon transaction price excluding expenses. The market approach uses prices generated by market transactions involving identical or comparable securities. The income approach	Valuations could be affected by changes to expected cash flows or by differences between audited and unaudited accounts.

			uses valuation techniques to discount estimated future cash flows to present value.	

Sensitivity of assets valued at level 3

The values reported in the Level 3 valuations represent the most accurate estimation of the portfolio values as at 31 March 2025. Any subjectivity related to the investment value is incorporated into the valuation, and the sensitivity analysis can be seen in Note 17.

Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2024/25.

NOTE 15a – FAIR VALUE HIERARCHY

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

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

Values at 31 March 2025	**Quoted market price Level 1 £'000**	**Using observable inputs Level 2 £'000**	**With significant unobservable inputs Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss				
Fixed income	0	878,523	0	878,523
Equities	0	1,725,148	0	1,725,148
Pooled property investments	0	0	175,589	175,589
Private credit	0	0	50,748	50,748
Private equity	0	0	162,518	162,518
Infrastructure	0	0	199,717	199,717
Cash deposits	1,546	0	0	1,546
	1,546	**2,603,671**	**588,572**	**3,193,789**
Financial liabilities at fair value through profit and loss				
Payables for investment purchases	(642)	0	0	(642)
Total	**904**	**2,603,671**	**588,572**	**3,193,147**

NOTE 15a – FAIR VALUE HIERARCHY (CONTINUED)

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

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

	Market Value 1 April 2024 £'000	Transfers in/ out of Level 3 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains/ (losses) £'000	Realised (gains)/ losses £'000	Market Value 31 March 2025 £'000
Property	210,350	0	3,980	(45,410)	6,669	0	175,589
Private Credit	10,235	0	37,642	0	2,871	0	50,748
Private Equity	167,029	0	12,230	(7,646)	1,177	(10,272)	162,518
Infrastructure	89,982	0	106,648	(1,552)	8,099	(3,460)	199,717
Total Level 3	**477,596**	**0**	**160,500**	**(54,608)**	**18,816**	**(13,732)**	**588,572**

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

NOTE 16 - CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

As at 31 March 2024				As at 31 March 2025		
Fair value through profit and loss	**Assets at amortised cost**	**Liabilities at amortised cost**		**Fair value through profit and loss**	**Assets at amortised cost**	**Liabilities at amortised cost**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial assets			
2,558,668	0	0	Pooled investments	2,603,671	0	0
210,350	0	0	Pooled property investments	175,589	0	0
10,235	0	0	Private credit	50,748	0	0
167,029	0	0	Private equity	162,518	0	0
89,982	0	0	Infrastructure	199,717	0	0
0	31,650	0	Cash	0	36,963	0
0	6,572	0	Debtors	0	7,163	0
3,036,264	**38,222**	**0**		**3,192,243**	**44,126**	**0**
			Financial liabilities			
0	0	(4,491)	Creditors	0	0	(4,654)
0	**0**	**(4,491)**		**0**	**0**	**(4,654)**
3,036,264	**38,222**	**(4,491)**		**3,192,243**	**44,126**	**(4,654)**

NOTE 16a – NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2024		31 March 2025
Fair value		**Fair value**
£'000		**£'000**
	Financial assets	
249,348	Fair value through profit and loss	94,420
0	Loans and receivables	0
249,348	**Total financial assets**	**94,420**
	Financial liabilities	
0	Fair value through profit and loss	0
0	Financial liabilities at cost	0
0	**Total financial liabilities**	**0**
249,348	**Net financial assets**	**94,420**

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

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

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

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

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

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

The Fund manages these risks in two ways:

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

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2023/24 and 2024/25 reporting period.

Asset type	**Potential market movement (+/-)**	
	31 March 2024	**31 March 2025**
	%	%
UK Equities	16.0	16.3
Global Equities	16.7	18.6
Emerging Markets Equities	23.0	24.3
Private Equity	31.2	26.6
Corporate Bonds	7.0	6.5
Senior Loans (Sub investment grade)	8.8	7.6
Absolute Return Bonds	2.7	2.7
Infrastructure	13.6	14.5
Property	15.6	15.2
Diversified Credit	7.1	7.5
Cash	0.3	0.3
Total Fund	**10.7**	**11.6**

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

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

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

Asset type	Value as at 31 March 2025 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
UK Equities	294,958	16.3	343,036	246,880
Global Equities	1,367,167	18.6	1,621,460	1,112,874
Emerging Markets Equities	63,023	24.3	78,338	47,709
Private Equity*	162,518	26.6	205,748	119,288
Corporate Bonds	233,417	6.5	248,589	218,245
Senior Loans (sub investment grades)*	50,748	7.6	54,605	46,891
Absolute Return Bonds	403,247	2.7	414,134	392,359
Infrastructure*	199,717	14.5	228,676	170,758
Property*	175,588	15.2	202,278	148,899
Diversified Credit	241,859	6.3	257,097	226,622
Cash	36,963	0.3	37,073	36,851
Debtors and Creditors	2,510	0.0	2,510	2,510
Total assets available to pay Benefits	**3,231,715**		**3,693,544**	**2,769,886**
*Level 3 assets	588,571		691,307	485,836

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

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

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

The Fund's direct exposure to interest rate movements as at 31 March 2024 and 31 March 2025 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2024	As at 31 March 2025
	£'000	£'000
Cash and cash equivalents	31,151	35,417
Cash balances	499	1,546
Pooled Fixed Income	861,232	878,523
Total	**892,882**	**915,486**

Interest rate risk sensitivity analysis

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

Asset type	Carrying amount as at 31 March 2025	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	35,417	354	(354)
Cash balances	1,546	15	(15)
Pooled Fixed Income *	878,523	8,785	(8,785)
Total change in assets available	**915,486**	**9,154**	**(9,154)**

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

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

The average interest rate received on cash during the year was 5.07% amounting to interest of £1,087,938 for the year (average interest rate of 4.99% and interest income of £1,020,271 in 2023/24).

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

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

Currency risk

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

The Fund has made commitments to private equity and infrastructure in foreign currency (€69.1 million and US$30.4 million). These commitments are being drawn down on request from the investment manager over a number of years. The current commitments still outstanding are shown in Note 24. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the Fund is fully funded. The Fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

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

Currency risk – sensitivity analysis

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

The 1 year expected standard deviation for an individual currency as at 31 March 2025 is 9.1%. The equivalent rate for the year ended 31 March 2024 was 9.3%. This analysis assumes that all other variables, inparticular interest rates, remain constant.

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

The tables below show a breakdown of the Fund's exposure to individual currencies as at 31 March 2025 and at the end of the previous financial year:

Currency exposure - by asset type	Carrying amount as at 31 March 2025	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Global Equities	1,367,167	1,491,579	1,242,755
Emerging Markets Equities	63,023	68,758	57,288
Private Equity	162,518	177,307	147,729
Corporate Bonds	233,417	254,658	212,176
Senior Loans (sub investment grades)	50,748	55,366	46,130
Absolute Return Bonds	403,247	439,942	366,551
Infrastructure	199,717	217,891	181,543
Diversified Credit	241,859	263,869	219,851
Total change in assets available	**2,721,696**	**2,969,370**	**2,474,023**

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

b) Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

c) Liquidity risk

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

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

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

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

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2025 the value of illiquid assets was £589m, which represented 18.2% of the total Fund assets (31 March 2024: £478m, which represented 15.6% of the total Fund assets).

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

All financial liabilities at 31 March 2025 are due within one year as was the case at 31 March 2024.

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

NOTE 18 – FUNDING ARRANGEMENTS

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

Description of Funding Policy
The funding policy is set out in the Administering Authority's Funding Strategy Statement, dated March 2023.

In summary, the key funding principles are as follows:

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

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

NOTE 18 – FUNDING ARRANGEMENTS (continued)

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

Funding Position as at the Last Formal Funding Valuation

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

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

Principal Actuarial Assumptions and Method used to Value the Liabilities

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

Method

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

Assumptions

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

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

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

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

NOTE 18 – FUNDING ARRANGEMENTS (continued)

Mortality assumption	Male Years	Female Years
Current pensioners	21.1	24.0
Future pensioners (aged 45 at the 2022 valuation)	22.3	25.9

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

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

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

The actuarial present value of promised retirement benefits at 31 March 2024 and 2025 are shown below:

	31 March 2024 £m	31 March 2025 £m
Active members	1,140	1,004
Deferred members	381	314
Pensioners	842	735
Total	**2,363**	**2,053**

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022.

Assumptions used

The assumptions used are those adopted for the Administering Authority's IAS19 report as shown below and are different as at 31 March 2024 and 31 March 2025. The actuary estimates that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £405m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £5m.

Assumption	31 March 2024 %	31 March 2025 %
Pension increase rate	2.75	2.75
Salary increase rate	3.25	3.25
Discount rate	4.85	5.80

The life expectancy for the longevity assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male Years	Female Years
Current pensioners	20.7	23.7
Future pensioners (assumed to be aged 45 at the latest valuation date)	21.6	25.3

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the fund.

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

Sensitivity to the assumptions for the year ended 31 March 2025	Approximate increase to liabilities %	Approximate monetary amount £m
0.1% p.a. increase in the rate of CPI inflation	2	37
0.1% p.a. increase in the salary increase rate	0	2
0.1% p.a. decrease in the discount rate	2	39
1 year increase in member life expectancy	4	82

NOTE 20 – CURRENT ASSETS

31 March 2024 £'000		31 March 2025 £'000
930	Contributions due – employees	966
2,853	Contributions due – employers	3,004
2,789	Sundry debtors	3,193
6,572	**Total debtors**	**7,163**
31,151	Cash	35,417
37,723	**Total**	**42,580**

NOTE 21 – CURRENT LIABILITIES

31 March 2024 £'000		31 March 2025 £'000
2,781	Sundry creditors	2,215
1,377	Benefits payable	1,797
4,158	**Total**	**4,012**

NOTE 22 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The market value of the funds is stated below:

	Market value at 31 March 2024 £'000	Market value at 31 March 2025 £'000
Clerical Medical	5,596	5,852
Utmost Life	153	125
Standard Life	5	5
Total	**5,754**	**5,982**

AVC contributions were paid directly to the following manager:

	2023/24 £'000	2024/25 £'000
Clerical Medical	1,062	1,135
Total	**1,062**	**1,135**

NOTE 23 - RELATED PARTY TRANSACTIONS

Cyngor Gwynedd

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

The Council incurred costs of £1,787,170 (£1,606,596 in 2023/24) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also one of the largest employers of members of the Fund and contributed £32.5m to the Fund in 2024/25 (£30.33m in 2023/24). At the end of the year, the Council owed £1.12m to the Fund which was primarily in respect of interest paid on the Pension Fund's balances, and the Fund owed £1.8m to the Council which was primarily in respect of recharges to the Council for the administrative costs.

The Gwynedd Pension Fund has two bank accounts which are held as part of Cyngor Gwynedd's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Cyngor Gwynedd pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2024/25, the Fund received interest of £1,087,938 (£1,020,271 in 2023/24) from Cyngor Gwynedd.

Governance

There is one member of the Pensions Committee who is in receipt of pension benefits from the Gwynedd Pension Fund during 2024/25 (committee member J.B.Hughes). In addition, committee members S.W. Churchman, R.W.Williams, J.B.Hughes, I.Thomas, G.Edwards, J.P.Roberts, R.M.Hughes and E.Hywel and are active members of the Pension Fund. Committee member I.Huws is a deferred member of the pension fund.

Two members of the Pension Board were in receipt of pension benefits from the Gwynedd Pension Fund during 2024/25 (board members H.E.Jones and A.Deakin). In addition, Board members B.Roberts, O. Richards, N.Michael and S.E.Parry are active members of the Pension Fund.

Key Management Personnel

The key management personnel of the fund are the Head of Finance (s151), Chair of the Pensions Committee and Fund Director (until 30/06/2023).

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

2023/24 £'000		2024/25 £'000
36	Short-term benefits	31
6	Post-employment benefits	5
42		**36**

NOTE 24 - COMMITMENTS UNDER INVESTMENT CONTRACTS

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

	Total Commitments £'000	Commitment at 31 March 2024 £'000	Commitment at 31 March 2025 £'000
Schroders Capital WPP Global Private Equity I L.P	12,500	9,056	7,556
Schroders Capital WPP Global Private Equity II L.P	25,000	0	18,250
GCM WPP Global Infrastructure L.P	15,000	11,481	7,551
Capital Dynamics CEI (WPP), L.P	10,000	7,082	5,869
Octopus Renewables Infrastructure	34,500	24,824	0
Russell Investments WPP Global Private Credit L.P	110,000	99,927	62,286
IFM Global Infrastructure UK (GB) L.P	57,500	0	0
Total GBP	**264,500**	**152,370**	**101,512**
	€'000	**€'000**	**€'000**
Partners Group Direct 2006	20,000	0	0
Partners Group Global Value 2006	50,000	3,477	3,477
Partners Group Secondary 2008	15,000	1,960	1,960
Partners Group Global Value 2011	15,000	2,096	2,096
Partners Group Global Infrastructure 2012	40,000	7,019	3,419
Partners Group Direct 2012	12,000	1,181	1,181
Partners Group Global Value 2014	12,000	1,531	1,531
Partners Group Direct Equity 2016	50,000	2,826	2,826
Partners Group Global Value 2017	42,000	11,570	11,570
Partners Group Global Infrastructure 2018	28,000	4,631	4,631
Partners Group Direct Equity 2019	48,000	6,192	4,992
Partners Group Direct Infrastructure 2020	32,000	12,000	9,120
Partners Group Direct Equity V	30,000	25,586	22,279
Total Euros	**394,000**	**80,069**	**69,082**
	US$'000	**US$'000**	**US$'000**
Partners Group Emerging Markets 2011	7,000	1,082	1,082
Partners Group Secondary 2015	38,000	15,220	11,420
Partners Group Direct Infrastructure 2015	43,600	6,986	6,986
CBRE Global Infrastructure Fund (International) L.P	29,075	0	10,932
Total Dollars	**117,675**	**23,288**	**30,420**

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

NOTE 25 – CONTINGENT ASSETS

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

NOTE 26 – CONTINGENT LIABILITIES

There are no contingent liabilities identified.

NOTE 27 – IMPAIRMENT LOSSES

There are no impairment losses identified.

MEETING:	**PENSIONS COMMITTEE**
DATE:	**7 JULY 2025**
TITLE:	**GWYNEDD PENSION FUND AUDIT PLAN 2025**
PURPOSE:	**To accept the plan**
RECOMMENDATION:	**ACCEPT THE PLAN**
AUTHOR:	**DELYTH JONES-THOMAS, INVESTMENT MANAGER**

1. INTRODUCTION

The audit for the Gwynedd Pension Fund financial statements for year ending 31 March 2025 will be completed by Audit Wales. Please see the Audit Plan in Appendix 1.

2. AUDIT PLAN

The plan details the work to be performed by the auditors in order to fulfill their statutory duty by highlighting the main risks.

3. RECOMMENDATION

The Plan is accepted.

Archwilio Cymru
Audit Wales

Gwynedd Pension Fund – Audit Plan 2025

Audit year: 2024-25

Date issued: June 2025

Document reference: **4978A2025**

Contents

For further information, or if you require any of our publications in an alternative format and/or language, please contact us by telephone on 029 2032 0500, or email info@audit.wales.

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

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

Introduction

Adrian Crompton

Auditor General for Wales

I am pleased to share my 2025 Audit Plan. The Plan sets out how I will undertake your audit.

My audit team has developed the Plan following a structured and risk-based planning process, which will remain ongoing throughout the audit. My Code of Audit Practice provides further detail on how my audit and certain other functions are to be carried out by my auditors.

At the core of all our work is our commitment to maintaining the highest standards of professional integrity, objectivity, independence and audit quality. Our three lines of assurance model (page 14) sets out how we will ensure those standards of quality are met. Our latest annual quality report, Audit Quality Report 2024, provides more information about our audit quality arrangements.

My audit team will work constructively with your staff to understand the issues you are facing, ensure the audit process operates as smoothly as possible, and provide valuable insights about any areas for improvement.

My work programme, as outlined in this Plan, sits alongside other national audit work that may include coverage of your organisation.

Should you have any questions about your audit my audit team will be happy to discuss them with you. They will also keep you regularly updated as work progresses.

Our aims and ambitions

Our purpose

- Assure people that public money is being managed well
- Explain how that money is being spent
- Inspire the public sector to improve

Our vision

- Fully exploiting our unique perspective, expertise and depth of insight
- Strengthening our position as an authoritative, trusted and independent voice
- Increasing our visibility, influence, and relevance
- Being a model organisation for the public sector in Wales and beyond

Our areas of focus

- A strategic, dynamic, and high-quality audit programme
- A targeted and impactful approach to communications and influencing
- A culture and operating model that enables us to thrive

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

Financial audit work

Audit of financial statements

I am required to issue a report on your financial statements which includes an opinion on their 'truth and fairness' and whether the statements have been 'properly prepared'.

I will also report by exception on a number of matters which are set out in more detail in our Statement of Responsibilities.

I also have responsibility to receive questions and objections to the financial statements from local electors (additional fees will be charged for this work, if necessary).

There have been no limitations imposed on me in planning the scope of this audit.

Financial statements materiality

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material and correct misstatements, that is, those that might result in a reader of the accounts being misled. Materiality applies not only to financial misstatements, but also to disclosure requirements and adherence to the applicable accounting framework and law.

I set planning and performance materiality to:

- Determine the level of misstatement that could cause the user of the accounts to be misled.
- Assist in the scoping of our audit approach and resultant audit tests.
- Determine sample sizes.
- Assess the effect of known and likely misstatements in the financial statements.
- Report to those charged with governance any unadjusted misstatements above a trivial level, our reporting threshold.

The levels at which I judge such misstatements to be material is set out below.

Planning materiality

represents 1% of gross assets based upon 2023/24 audited financial statements/draft financial statements.

£30.745m

Reporting threshold (trivial)

represents 5% of materiality.

£1.537m

There is one area of the accounts that may be of more importance to the user of the accounts, and we have set a lower materiality level for the disclosure:

Related party disclosures – key management personnel

£1,000

My audit team will assess materiality levels throughout the audit.

Significant financial statements risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other International Standard on Auditing (ISAs). The ISAs require us to focus more attention on these significant risks.

Risk of management override

The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].

Our planned response

My audit team will:

- test the appropriateness of journal entries and other adjustments made in preparing the financial statements;
- review accounting estimates for bias; and
- evaluate the rationale for any significant transactions outside the normal course of business.

Other areas of focus

I set out below other identified risks of material misstatement which, although not determined to be significant risks as above, I would like to bring to your attention.

Investment asset valuations

The investment asset balance contains £3,036 million of investments (fixed income, equity, property, private credit, private equity and infrastructure) which are complex to value and there is subjectivity in their valuation.

There is therefore a risk that the investment balances are materially misstated.

Our planned response

My audit team will:

- agree the valuations to appropriate supporting documentation;
- review 'control assurance' reports from the relevant fund managers; and
- evaluate the risk of residual material misstatement and the need for additional audit procedures.

Related party disclosures

The financial statements must disclose any related party relationships along with the transactions and balances between the Gwynedd Pension Fund and the other body/party.

The Gwynedd Pension Fund has many relationships that could be considered a related party. Many are well known for example, participating employers as contributors.

However, where related party relationships arise via individual officer or member relationships, there is likely to be less transparency regarding these relationships. These transactions are of high interest and are considered to be material by their nature.

There is a risk of material misstatement due to incomplete or inaccurate disclosures, even where these are of relatively low value.

Our planned response

My audit team will:

- review the Gwynedd Pension Fund's process for identifying related party relationships and associated transactions and balances;
- undertake procedures to confirm the completeness of related party relationships; and
- ensure disclosures are complete, accurate, consistent with evidence and are in accordance with accounting requirements.

Financial statements audit timetable

Below is a timetable showing the key stages of the audit and our key audit deliverables that we will provide to you.

Exhibit 1: Financial statements audit timetable

Planning **April – June 2025**	Planning meeting High level risk assessment procedures Fraud risk assessment Accounting estimates planning IT environment risk assessment Indicative audit fee Audit Plan
Fieldwork **September – October 2025**	Update risk assessment Audit of financial statements to include narrative report and annual governance statement Complete audit testing Evaluate audit findings Audit closure meeting
Reporting **October – November 2025**	Audit of Accounts Report Recommendations for improvement Present findings to those charged with governance Auditor General certification

Other statutory audit functions

In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. The Public Audit (Wales) Act 2004 sets out these responsibilities:

- Section 30 Inspection of documents and questions at audit; and
- Section 31 Right to make objections at audit.

As this work is reactive, I have made no allowance in the fee below. If I do receive questions and objections, my auditors will discuss the potential impact on audit fees with the Head of Finance.

Audit fee

In January 2025 we published our 2025-26 Fee Scheme following approval by the Senedd Finance Committee which details the average increase to fee rates of 1.7%.

The actual fee that any individual audited body will pay depends not just on our fee rates but on the quantum of work and the skill mix required.

Your fee is exclusive of VAT.

Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without my auditors first discussing them with the Head of Finance.

Your estimated audit fee: £43,835 (2023-24 £43,102)

I base my audit fee on the following assumptions:

- The agreed audit deliverables set out the expected working paper requirements to support the financial statements and include timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

Audit team

My audit team will continue to work and engage remotely using technology, but some on-site audit work will continue where it is appropriate to do so.

Audited bodies have a responsibility to ensure the safety and wellbeing of Audit Wales staff when they are on your premises.

The main members of my team, together with their contact details, are summarised in **Exhibit 2**.

Exhibit 2: My local audit team

Engagement Lead	Matthew Edwards matthew.edwards@audit.wales
Audit Manager	Yvonne Thomas yvonne.thomas@audit.wales
Senior Auditor	Osian Roberts osian.roberts@audit.wales

There are two potential conflict of interest that I need to bring to your attention:

- The Audit Manager has friends and relatives who contribute to or receive a pension from the Gwynedd Pension Fund.
- The Senior Auditor has a relative who contributes to the Gwynedd Pension Fund.

Safeguards have been put in place to mitigate any independence risks arising.

Audit quality

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

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by the Institute of Chartered Accountants in England and Wales and our Chair of the Board, acts as a link to our Board on audit quality. For more information see our Audit Quality Report 2024.

Our People

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

Arrangements for achieving audit quality Selection of right team

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

Independent assurance

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

Supporting you

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

Visit our website to find:

	Our publications which cover our audit work at public bodies.
	Information on our upcoming work and forward work programme for performance audit.
	Data tools to help you better understand public spending trends
	Details of our Good Practice work and events including the sharing of emerging practice and insights from our audit work.
	Our newsletter which provides you with regular updates on our public service audit work, good practice, and events.

Archwilio Cymru
Audit Wales

Audit Wales

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We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.