



# Complete Agenda

**Democratic Service**  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH



Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

Meeting

**PENSIONS COMMITTEE**

Date and Time

**2.00 pm, MONDAY, 16TH MARCH, 2026**

Location

**Virtual Meeting**

**NOTE**

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

Contact Point

**Lowri Haf Evans**

**01286 679878**

**lowrihafevans@gwynedd.llyw.cymru**

(DISTRIBUTED 10/03/26)

## **PENSIONS COMMITTEE**

### **MEMBERSHIP (9)**

#### **Plaid Cymru (4)**

Councillors

Geraint Wyn Parry  
Gwynfor Owen

Elin Hywel

Ioan Thomas

#### **Independent (2)**

Councillors

John Pughe Roberts

John Brynmor Hughes

#### **Gwynedd First (1)**

Councillor Stephen Churchman

#### **Co-opted Members (2)**

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

#### **Ex-officio Members**

Chair and Vice-Chair of the Council

# AGENDA

## 1. APOLOGIES

To receive any apologies for absence

## 2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

## 3. URGENT ITEMS

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

## 4. MINUTES

5 - 11

The Chairman shall propose that the minutes of the meeting of this committee held on the 9<sup>th</sup> of February 2026 to be signed as a true record

## 5. CASH FLOW MODELLING PROJECTIONS REPORT

12 - 37

To consider the report, note the contents and approve the report

## 6. FUNDING STRATEGY STATEMENT

38 - 100

To consider the report and adopt the Funding Strategy Statement

## 7. REVISED INVESTMENT STRATEGY STATEMENT

101 - 114

To consider the report and adopt the Investment Strategy Statement

## 8. TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2026/27

To consider the report

To adopt the attached Treasury Management Strategy Statement for 2026/27, as amended for the Gwynedd Pension Fund (Appendix A).

To make a request to the Council (even though it is not a separate body) to allow the Pension Fund's surplus cash balances to be pooled with the Council's general cashflow from 1 April 2026 onwards.

## 9. WALES PENSION PARTNERSHIP BUSINESS PLAN

137 - 149

To consider the report and approve the Business Plan

**10. WPP INVESTMENT MANAGEMENT COMPANY LIMITED INITIAL BUSINESS PLAN - FINANCIAL YEAR 2026/27** 150 - 169

To consider the report and approve the Business Plan

**11. TRAINING UPDATE 2025/26 AND TRAINING PLAN 2026/27** 170 - 180

The Committee is asked to,

- Note the training undertaken during 2025/26;
- Note the absence of a 2025 National Knowledge Assessment and the planned revision of the framework;
- Approve the 2026/27 Training Plan as set out in Appendix 2.

**12. PENSION FUND VALUATION REPORT** 181 - 227

To consider the report and note the information

**13. 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. The report contains confidential and sensitive information relating to the creation of an investment management company. Publication of this information would be contrary to the wider public interest of securing value for money and the best overall outcome. For those reasons the matter should be exempt in the public interest.

**14. PENSION FUND INVESTMENT PERFORMANCE UP TO 31ST DECEMBER 2025**

To consider the report, accept the information and note the contents of the appendix

(copy for Members only)

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## PENSIONS COMMITTEE 09-02-2026

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**Attendance:** Councillor Elin Hywel (Chair)  
Councillor John Pughe Roberts (Vice-chair)

**Councillors:** Stephen Churchman, Goronwy Edwards (Conwy County Borough Council), Ioan Thomas and Robin Williams (Isle of Anglesey County Council)

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

**Others invited:**

H Eifion Jones (member of the Pensions Board) - observing

**1. APOLOGIES**

Apologies were received from John Brynmor Hughes, R Medwyn Hughes and Geraint Parry

Cllr John Brynmor Hughes was wished a speedy recovery

**2. DECLARATION OF PERSONAL INTEREST**

None to note

**3. URGENT ITEMS**

None to note

**4. MINUTES**

The Chair accepted the minutes of the meeting held on 24 November 2025 as an accurate record.

**5. FUNDING STRATEGY STATEMENT**

In presenting the report, the Investment Manager noted that it is was a statutory requirement to review the Funding Strategy Statement every three years, usually after the triennial valuation (unless there had been a significant change in market conditions). It was explained that the purpose of the document was to reflect valuation factors, balancing employer affordability with the fund's long-term liquidity objectives.

It was reported that the basis of the document was the actuarial valuation which had been prepared using assumptions agreed with the actuary. These assumptions had been submitted to the Pensions Committee for approval in September 2025, with the employers having received a presentation from the actuary in October 2025. It was noted that the results were extremely positive with the level of funding for the whole Fund at 166%, with employers seeing a reduction in their contributions from April 2026 onwards.

It was noted that the draft document was being shared with all the Fund's employers for consultation before being formally adopted in the March 2026 Committee. While

accepting that this was a lengthy statement, it had been prepared in detailed consultation with Hymans with input from the Fund's officers. Reference was made to the individual policies that fed into the document, meaning that if one of the policies needed future modification, only the individual policy would have to be amended, and not the Strategy in its entirety.

It was reiterated that the Strategy was consistent with the previous Strategies, although there was one change to the 'Policy on Cessations'. Historically, if the employer chose to leave the Fund, it would be necessary to calculate cessation credit, namely the amount owed either to the Fund, or from the Fund, with this calculation based on gilt returns and therefore open to market movements – the figure could vary significantly depending on market conditions at the time. With the calculation also based on a single figure at a point in time, this meant that the results could be volatile, and the basis of the gilts did not reflect the true situation as the Gwynedd Pension Fund had invested in a variety of assets. Consequently, the actuary suggested that the valuation should be changed to a risk basis of using a discount rate based on the Fund's asset allocation, which also included a 'corridor' to ensure that valuation was not affected by significant single-day market factors. It was considered that this would give employers a better idea of the cost of exiting the Fund, while also giving the Fund assurance that employers would not leave at a disadvantageous time – the adjustment was therefore fairer for all.

They were thanked for the report and for the review work.

## **RESOLVED**

### **To accept the report and note the information**

#### **6. BUDGET APPROVAL FOR 2026/27**

A report was presented by the Investment Manager seeking the Committee's approval of the 2026/27 financial year budget for the Pensions Administration and Investment sections.

It was reported that the budget was now approved on an annual basis by the Pensions Committee. Reference was made to the Pensions Administration Section budget, consisting of 25 salaried staff members, together with systems, printing, and central reimbursement costs. Attention was drawn to supplies and services highlighting that the budget had to be increased to £185,500, mainly due to increases in postage costs, and software costs - costs that were unfortunately unavoidable.

In the context of the Investment Section's budget, it was noted that the majority of their duties related to the work of the Pension Fund but that they were also responsible for Cyngor Gwynedd's Treasury Management. Additionally, the costs of the Wales Pension Partnership (WPP), investment managers and advisers were the responsibility of the Investment Manager; these costs varied and depended on the performance of investments and the work required to be carried out by the advisers and the Partnership. When transferring and investing with WPP IM Co it would be necessary to keep a close eye on the costs over the forthcoming period, and it was therefore considered that there was no purpose in setting a budget for this year, although this would require attention in the next financial year.

Another element that could not be included in the budget were the changes required as part of the 'Fit for the Future' regulations where there would be a statutory requirement to appoint a Chief Officer for the Fund, an individual who was independent of the Committee, along with the costs of additional governance and training requirements. It was noted that as requirements increased and more information on these elements

became available, it was likely that it would be necessary to introduce a supplementary budget. A new structure would need to be established, and job descriptions decided by 1 October 2026, although final guidance had not been issued. It was reiterated that, in Gwynedd, the Head of Finance and the Investment Manager had already met the Head of Legal Services and the Head of Corporate Services to discuss the constitutional arrangements.

Thanks were expressed for the report

Comments arising from the ensuing discussion:

- The amendments were inevitable
- Discussions should begin as soon as possible, regarding the structure and functions of the two sections in response to the 'Fit for the Future' regulations
- This assumed that there was no slippage in the 'Fit for the Future' timetable

In response to a question regarding the role of the independent individual on the Committee, it was noted that this person would hold certain qualifications, in line with the requirements of the Act, and would provide advice, share expertise and provide guidance and overview of the investment and administrative elements. It was reiterated that neither the role of Committee Members nor Co-opted Members would change.

## **RESOLVED**

- **To accept the information and approve the budget of the Pensions Administration and Investment Sections for the financial year 2026/27**
- **Recommend that discussions commence as soon as possible, on the structure and functions of the two sections in response to the 'Fit for the Future' regulations**

## **7. REVIEW OF STRATEGIC OBJECTIVES FOR THE FUND'S INVESTMENT CONSULTANTS**

A report was presented by the Investment Manager reporting on progress against the objectives of the Fund's consultants, Hymans Robertson, to ensure that the work undertaken by them aligned with the Fund's strategic objectives. It was emphasised that the exercise was considered to be good governance.

It was reported that the past year was busy, with consultants providing guidance on reviewing the strategic asset allocation in the wake of the triennial valuation, providing information on natural capital and advice on Black Rock's new investments and private markets available through the Wales Pension Partnership. It was noted that Hymans had also worked with the officers in reviewing internal policies and ensuring compliance with any relevant pension regulations.

Although Hymans provided high-quality information and papers, they did not always reach the officers in a timely manner for meetings and Committees, and therefore this feedback had been communicated to them recently.

Reference was made to the objectives for 2026, noting that they remained similar to the current objectives, although elements of the additional work, of collaborating with the new WPP investment firm in 2026, had been included.

Thanks were expressed for the report

## **DECISION**

- **To accept and note progress on the objectives for 2025**

- **To accept the Investment Consultants' objectives for the next period**

Note: Objective 7 (2025) 'Provide relevant and timely advice ...' , in response to a comment that submission times were not always in line with officers' expectations, objective 7 should be reworded for the next period, to include or highlight deadlines for receiving reports from the consultants

## 8. **WALES PENSION PARTNERSHIP (WPP) UPDATE**

The Investment Manager highlighted that the report was now regularly submitted to the Members noting the latest information on WPP's work, as well as the decisions of the December meeting of the Governance Joint Committee (the decision-making body on behalf of the Partnership made up of the Chairs of each fund). An update was presented on the usual matters of reviewing the Business Plan for 2025/26, reviewing some of the risks within the Investment section and updating the following policies: Conflict of interest and procedure Policy, and Training Policy.

Reference was made to the operator's detailed work over the period and to the market conditions that had been monitored by them. Attention was drawn to the analysis and performance of the funds, highlighting that performance had been strong, with global equities and fixed income markets increasing over the period.

It was reported that the Wales Pension Partnership had received a number of notices of motion from Local Councils in Wales, including Cyngor Gwynedd (Full Council, October 2025) on responsible, ethical and sustainable investment. It was noted that the motions had been considered, and in light of the work currently being undertaken in relation to the WPP exclusions policy, it was agreed that a response would be issued to each of the eight Constituent Authorities with an updated policy shared following its approval by the JGC in March 2026.

It was highlighted that the Wyddfa Project was progressing rapidly in order to establish the investment company (WPP IM Co) with a Financial Services Register (Financial Conduct Authority - FCA) application submitted and regular recruitment and engagement taking place. It was added that JGC officers and members had discussed establishing agreements between the investment company and the eight Constituent Authorities as clients and shareholders. It was noted that a meeting would be arranged to share specific information on the relevant developments and agreements with the Committee and the Pension Board before moving to formal approval by the Pensions Committee.

Thanks were expressed for the report

Observations arising from the ensuing discussion

- The WPP Exclusions Policy was a positive step forward
- The Policy was a means of ensuring clarity and for the public to understand the purpose of the Partnership
- The Chair had sought an independent legal opinion on the reports/agreements in order to provide the Committee with assurance that they were making a decision from the perspective of the Gwynedd Pension Fund as well as WPP

In response to a question about the notices of motion, it was confirmed that a response was being prepared by WPP for publication by each Council.

### **RESOLVED**

- **To accept the report and note the information**
- **To welcome the development of the WPP Exclusions Policy**

## 9. WALES PENSION PARTNERSHIP RESPONSIBLE INVESTMENT UPDATE

The Investment Manager highlighted that the report included an update on areas of responsible investment within the Wales Pension Partnership. It was explained that an officer from Hymans Robertson was working continuously in this area, with officers from the eight local funds regularly attending a responsible investment working group to discuss the work.

Recent work was highlighted, which included:

- Evolving Black Rock's mandates to create a unique investment fund to meet the requirements of Welsh funds with a bespoke voting arrangement for Wales.
- Stewardship Code: The Wales Pension Partnership had been confirmed once again as a signatory to the Financial Recording Council's (FRC) stewardship code, which was good news.
- Fund-level and national-level climate impact reports were produced that would be useful to illustrate the fund's comparative statistics.
- Reviews of the sub-funds highlighted that a great deal of work had been undertaken within the sub-funds to report on ESG strengths and stewardship reports.

Thanks were expressed for the report

Observations arising from the ensuing discussion:

- The performance exceeded the benchmark
- The information was useful
- Clearer definitions were needed for the Global Growth Fund's activity, particularly under the text of 'climate metrics'
- In relation to investing locally for Gwynedd, the support of local people was needed, and their wishes should be respected. There was a need to be aware locally, and scrutinise how WPP's investment decisions were made – investments should be sustainable, responsible and beneficial to Gwynedd
- There must be confidence in the investments made, performance and governance monitoring
- Concern that the Committee's role and control of investments would weaken

In response to a comment that there was a need to invest responsibly and avoid investment in issues that created problems in other countries (e.g. mining for AI batteries – mining conditions may not be sustainable in some countries), it was noted that the implications of investments were regularly monitored, but the observation would be referred to Hymans.

In response to an observation that open discussions were needed with Committee members to ensure that they understood the requirements and were aware of the situation, the Head of Finance noted that these changes were part of the response to the Government's requirements and that all steps would be taken to ensure the best outcome for the Committee. He added that since the Gwynedd Pension Fund joined the Wales Pension Partnership, the relationship with Investment Managers had changed and the Committee no longer met with them directly. However, he noted that from his understanding, and under the new arrangements, a Responsible Investment Officer would attend the Pension Committees and that there would be an opportunity for Members to challenge and ask questions. An additional meeting of the Pensions Committee would be held on 26 February to discuss and ensure that the agreements were robust for the Gwynedd Fund in its role as shareholder and client.

## **DECISION**

- **To accept and note the information.**
- **Clearer definitions were needed for the Global Growth Fund's activity, particularly under the 'climate metrics' heading.**
- **The Committee's voice and observations to be taken into account when the WPP made investment decisions – it had to be ensured that investments were sustainable, responsible and beneficial to Gwynedd**

### **10. LOCAL GOVERNMENT ASSOCIATION GOVERNANCE CONFERENCE 2026**

Feedback was provided in the form of a report from Councillor Elin Hywel who had attended the conference in January 2026 on behalf of the Committee. She explained that the conference had been valuable, and that the information presented at the sessions had been good and effectively communicated.

Thanks were expressed for the information.

#### **RESOLVED**

**To accept the report and note the feedback**

### **11. LAPFF CONFERENCE 2025**

Feedback was provided in the form of a report from Councillor Stephen Churchman who had attended the conference with Councillor Goronwy Edwards in December 2025 on behalf of the Committee. He explained that the conference gave attendees the opportunity to network, expand their knowledge and keep up with the work of the sector.

Reference was made to a presentation given by the Chief Executive of Scottish Power in which emphasis was placed on responsible investments and avoiding investing in issues that create problems in other countries of the world (e.g. mining for AI batteries – conditions in some countries where mining took place were not sustainable).

It was noted that, in an uncertain world, the impact of political and acts of war on investments needed to be considered while trying to maintain a balance between investing ethically and obtaining the best benefits for pensioners.

Thanks were expressed for the information.

#### **RESOLVED**

**To accept the report and note the feedback**

### **12. EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED to exclude the press and public from the meeting during the discussion on the following items due to the likely disclosure of exempt information as defined in paragraph 14, Schedule 12A of the Local Government Act 1972 - Information about the financial or business transactions of any specific person (including the authority that retains that information).**

**There is an acknowledged public interest in being open about the use of public resources and related financial issues. However, it was also acknowledged that**

there were occasions, in order to protect public financial interests, where commercial information must be discussed without being published. The reports related specifically to a proposed procurement process. Publishing such commercially sensitive information could be detrimental to the interests of the Council and its partners by undermining competition. This would be contrary to the wider public interest of securing the best overall outcome. For these reasons, the matter was closed in the public interest.

13. **ROBECO ENGAGEMENT SERVICE – ENGAGEMENT REPORT 01-07-2025 – 30-09-25**

Submitted - a quarterly report summarising the work carried out by Robeco (WPP Voting and Engagement Provider) on behalf of the Pension Fund on responsible investment issues. Reference was made to the areas that had received Robeco's attention during the quarter in question, which included information on the number of activities and engagements completed with some large companies of international importance. It was also noted that the engagement theme of the quarter in question was Transition Minerals.

Thanks were expressed for the report

The information was discussed

**RESOLVED**

- **To accept the report and note the information**
- **While it was generally accepted that the increase in engagement activities was encouraging, it was disappointing to see so many activities noted as 'ineffective'**

14. **GWYNEDD PENSION FUND'S INVESTMENT PERFORMANCE UP TO 30 SEPTEMBER 2025**

A report was submitted by the Investment Manager reporting on the performance of the Fund over the quarter in question. The performance of the Investment Managers was discussed in detail and the work that was underway to move towards the new asset allocation.

Thanks were expressed for the report

The information was discussed

Comments arising from the ensuing discussion

- The returns were good
- In the context of the Gwynedd Pension Fund, there was scope to continue to meet with Investment Managers
- In the context of Strategic Asset Allocation, while highlighting the benchmark, the starting point and target need to be given attention.

**DECISION:**

- **To accept the report and note the information**

The meeting commenced at 10:30 and concluded at 11:30.

MEETING: **PENSIONS COMMITTEE**

DATE: **16<sup>th</sup> MARCH 2026**

TITLE: **CASH FLOW MODELLING PROJECTIONS REPORT**

PURPOSE: **To present the Cash Flow Modelling Projections report.**

AUTHOR: **DELYTH JONES-THOMAS, INVESTMENT MANAGER**

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## 1. INTRODUCTION

The purpose of this report is to present the Cash Flow Modelling report following the recent valuation. The report can be seen in Appendix 1.

The objective of the report was to project the expected cashflows of the Fund over a 20 year time horizon and to understand the sensitivity of the net cashflow position of the Fund to a number of inflation scenarios.

## 2. WHAT ARE THE CASH FLOWS OF THE FUND

The Fund's primary sources of income are:

- Contributions from employers in the Fund
- Contributions from employee members in the Fund
- Income streams generated from the Fund's investments

The Fund's outflows are the benefits payable to the members and their dependants. These include:

- Retirement lump sums paid to active and deferred members on retirement
- Retirement pensions paid to pensioners and their dependants
- Death in service benefits and ill health benefits.

## 3. CURRENT POSITION

The chart below shows the absolute value of contribution income and benefit (bars) and the net cashflow position over the last 3 years:



The cashflow position has remained positive in recent years for the Fund.

However, the magnitude of benefits in payment by the Fund is continuing to increase on an annual basis. With contribution income expected to reduce because of contribution rate reductions at the 2025 valuation, the Fund’s cashflow position may change significantly in a short period of time.

#### 4. CASHFLOW NEGATIVE

Historically, the benefits have been paid out of the contribution income with any excess being invested. This is how the Fund’s asset value has built up over time (along with investment returns). Over time a pension fund will mature and the level of benefit payments will start to exceed contribution income. At this point, a pension fund is considered “cashflow negative” and within this report, a range of different inflation scenarios have been prepared to inform decision making

Being cashflow negative itself is not unexpected for a pension fund. The assets that have been accrued are for the purpose of paying benefits – using them for that purpose is exactly as intended. However, if the transition to being cashflow negative is not monitored and managed effectively, it can pose a liquidity risk and the Fund may become a forced seller of assets.

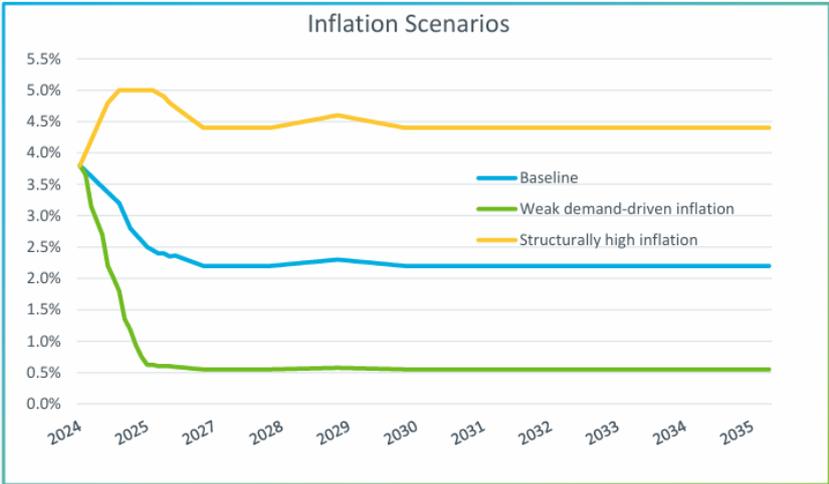
#### 5. SCENARIO ANALYSIS

The following scenario’s were modelled for the fund:

Scenario 1: this baseline scenario represents consensus forecasts for headline CPI inflation to trend towards, albeit slightly above, the Bank of England’s target over the medium-term.

Scenario 2: the weak demand-driven inflation scenario represents deficient demand as the government embarks on fiscal consolidation. This could be achieved through tax increases and spending cuts, leading to a period of weak growth and weak demand-driven inflation (i.e. lower inflation than the baseline scenario).

Scenario 3: this represents a structurally high inflation scenario where persistent labour shortages and subsequent wage increases, alongside supply-side disruption owing to geopolitical risks (including trade tariffs) and climate-induced disruptions lead to a period of structurally higher inflation (i.e. higher inflation than the baseline scenario).



## **6. ANALYSIS OF RESULTS**

The conclusion from the analysis is as follows:

- Under the baseline scenario, benefit outflow is estimated to exceed contribution income from 2027 onwards. The shortfall from contributions would require income from assets of no more than approximately a 0.6% yield.
- Under the weak demand- driven inflation, assuming future pay increase remain at 2.8% pa, a weak-demand driven inflation scenario would improve the Fund's cashflow position in future years compared to the baseline scenario due to salary increases exceeding inflation. A small gap between contribution income and benefit outgo would remain (requiring an income yield of up to approximately 0.2%), before turning cashflow positive again by 2045.
- Under the structurally high inflation scenario, this scenario has higher inflation persisting in the short-term, worsening the Fund's short-term cashflow position. In the long-term, the Fund's cashflow position materially worsens and an income yield of up to approximately 1.2% would be required (assuming future pay increases remain at 2.8% pa).

## **7. NEXT STEPS**

The Fund will share the results with WPP IM Co and will monitor the following:

- the impact of reductions in contributions rates and membership changes on the cashflow position.
- any factors (e.g unexpected inflation) that may affect the cashflow position
- how the investment strategy should evolve to meet changing cashflow needs
- whether a formal cashflow and rebalancing policy is required

## **8. RECOMMENDATION**

The Committee is asked to note the contents and approve the report.

# Gwynedd Pension Fund

## Cashflow projections

Allan Woodhouse & Richard Warden – Actuary  
Chris O’Bryen – Investment consultant

**23 February 2026**

**For and on behalf of Hymans Robertson LLP**

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# Executive summary

This paper is addressed to Cyngor Gwynedd as the Administering Authority to the Gwynedd Pension Fund (“the Fund”). The paper considers different future projections of the Fund’s cashflows under a range of different scenarios. The analysis and projections will help the Fund better understand its current and potential future cashflow position and is part of its management of risk in this area.

**From the analysis and projections set out in this paper, the following conclusions can be drawn:**



In the absence of investment income, the Fund is likely to be cashflow negative by the end of the 2026/27 financial year, after recognising the proposed reductions in contribution rates that have been agreed as part of the 2025 valuation and inflation in line with the ‘consensus’ view. This is earlier than previously anticipated as part of the analysis carried out in January 2023, where the Fund was expected to become cashflow negative by 2032.



The cashflow position of the Fund is sensitive to future levels of inflation. The weak demand-driven inflation scenario represents a period of “low inflation” as the government embarks on fiscal consolidation through tax increases and spending cuts. Under this scenario, the Fund’s cashflow position is improved over time, however, remains negative for most of the period. This highlights the importance of reviewing the cashflow position on a regular basis in an uncertain inflationary environment.



In the longer-term, the most significant risk to the Fund (in respect of its cashflow position) is a structurally higher inflation scenario, where inflation remains elevated for a longer period of time and the growth in payroll (and hence subsequent contribution income) does not keep pace. Under this scenario, the Fund’s cashflow position is significantly worse, with the gap between contribution income and benefit outgo increasing to a material level in the longer-term.



The Fund’s cashflow position is also sensitive to a number of other factors. The Fund should closely monitor its short term cashflow requirements to ensure that benefits can be paid in any future scenario.

# Background and inputs

# What is cashflow negativity and does it matter?

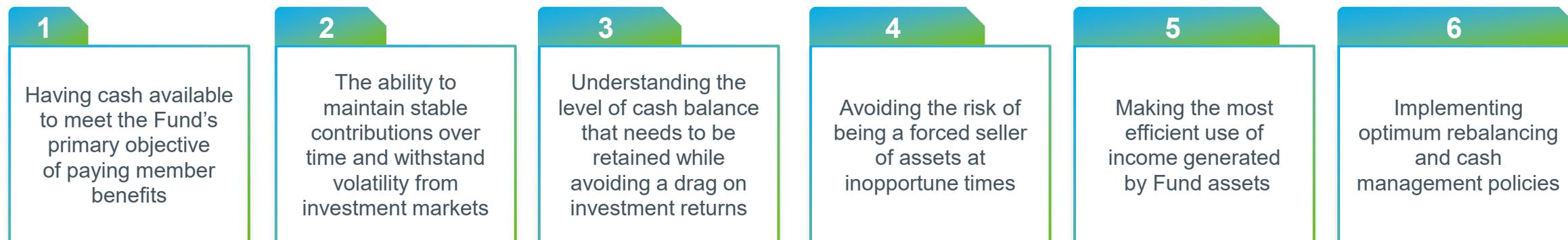
Every month, the Fund receives income via contributions and pays out benefits to members. Historically, the benefits have been paid out of the contribution income with any excess being invested. This is how the Fund's asset value has built up over time (along with investment returns).

Over time a pension fund will mature, and the level of benefit payments will start to exceed contribution income. At this point, a pension fund is considered "cashflow negative".

Being cashflow negative itself is not unexpected for a pension fund; the assets that have been accrued are for the purpose of paying benefits. However, if the transition to being cashflow negative is not monitored and managed effectively, it can pose a liquidity risk and the Fund may become a forced seller of assets.

At the 2025 valuation, there is a greater focus on cashflow. Improved funding positions mean that most employers will receive reductions in contribution rates from 1 April 2026, reducing the cash available to make benefit payments.

Knowing when the Fund is likely to be cash flow negative is helpful as it can have implications for both the funding and investment strategy:



This paper explores the Fund's cashflow position under different scenarios to inform the approach to cashflow management

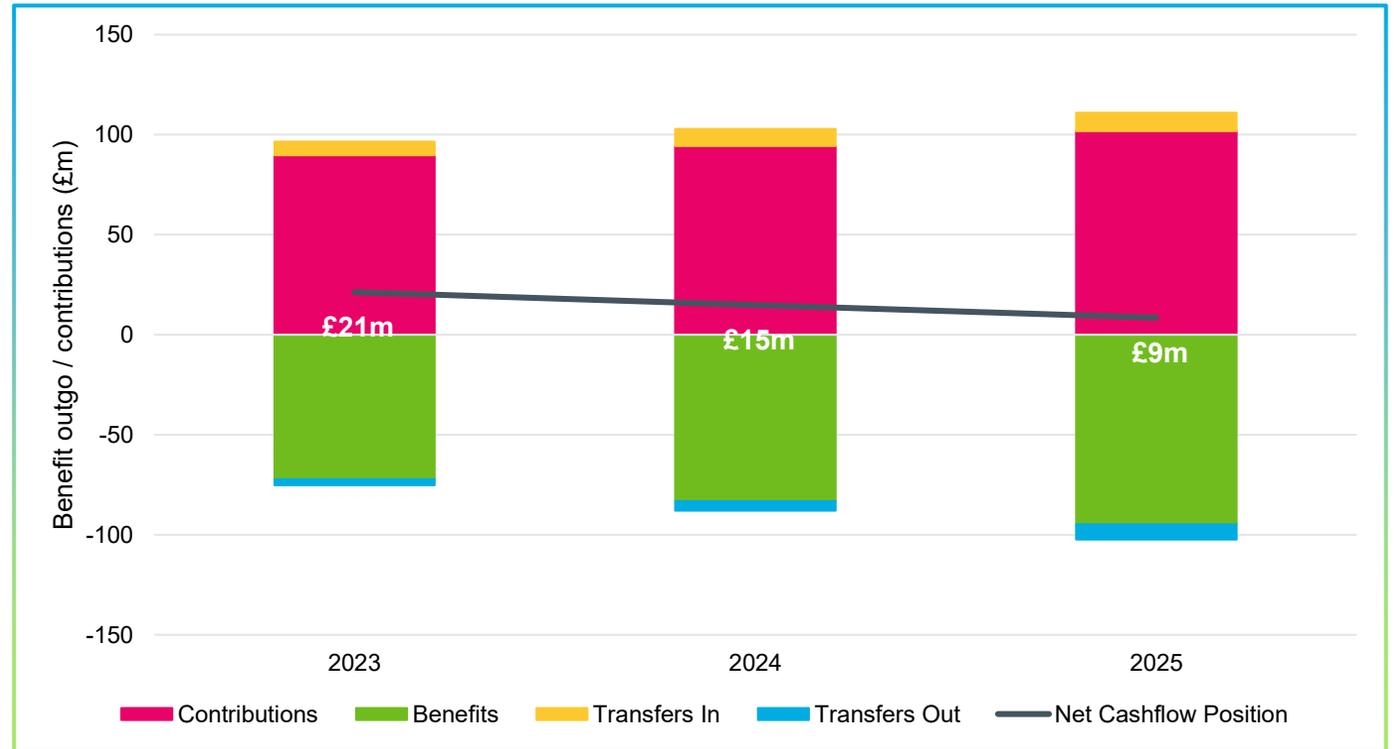
# Recent cashflow position

Using the annual report and accounts for years ending 2023, 2024 and 2025, we have analysed the recent cashflow position for the Fund.

The chart shows the absolute value of contribution income and benefit outgo (bars) and the net cashflow position (black line and white figures).

The Fund was cashflow positive for all three years i.e. contribution income exceeded benefit outgo.

However, the magnitude of benefits in payment by the Fund is continuing to increase on an annual basis. With contribution income expected to reduce because of contribution rate reductions at the 2025 valuation, the Fund’s cashflow position may change significantly in a short period of time.



The net cashflow position has remained positive in recent years and in 2024/25 is around £9m (contributions exceeding benefits)

# What are the cashflows of the Fund?

In this paper we consider the main cashflows in and out of the Fund over the next 20 years.

## The Fund's primary sources of income are:

- Contributions from employers in the Fund
- Contributions from employee members in the Fund
- Income streams generated from the Fund's investments

## Contributions paid are estimated based on:

- Payroll based on membership data as at 31 March 2025
- The proposed contribution rates for the period 1 April 2026 to 31 March 2029, as agreed as part of the 2025 valuation (equivalent to an average of 15.8% of pay).

## The Fund's outflows are the benefits payable to the members and their dependants. These include:

- Retirement lump sums paid to active and deferred members on retirement
- Retirement pensions paid to pensioners and their dependents
- Death in service benefits and ill health benefits.

Transfers in and out of the Fund by individual members are not usually a significant source of income or outflow and typically balance out over time.

## The projected cashflows are sensitive to several assumptions. The most significant are:

- Level of future benefit increases (almost all LGPS benefits are index-linked and increase in line with Consumer Price Index (CPI) inflation)
- Level of current and future payroll (determines the amount of contributions received)

We have prepared future cashflow projections under a range of different inflation scenarios to inform decision making. This helps the Fund understand the sensitivity of its cashflow position to these sources of uncertainty and make appropriate management plans.

# Data, assumptions and methodology

## Membership data

We have used the membership data as at 31 March 2025 provided for the 2025 formal valuation of the Fund.

## Assumptions

The demographic and financial assumptions are in line with those adopted for the 2025 valuation of the Fund unless stated otherwise.

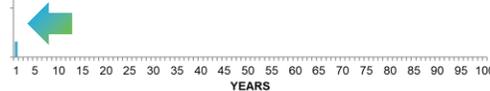
Further information on the membership data and assumptions is detailed in the 2025 valuation Initial Whole Fund Results report dated September 2025.

Allowance for benefit outgo in respect of benefits yet to be accrued by current active members is included in the projection; however, given the relative short timeframe considered, no allowance has been made for benefit outgo in respect of accrual by members yet to join the Fund.

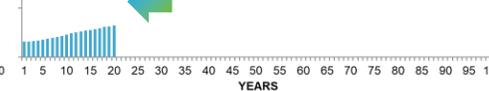
## Methodology: how we project benefit payments

Known pension payments for current pensioners.

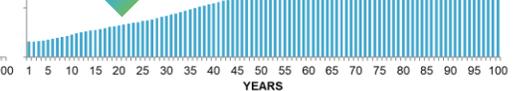
Adjust for one year's pension increases, expected deaths, retirements



Adjust each year allowing for pension increases, retirement, deaths, new dependants etc.



No allowance has been made for new joiners in our analysis as we are considering a 20 year time period



Payments many years away will be to new joiners.

## Methodology: projecting contribution income

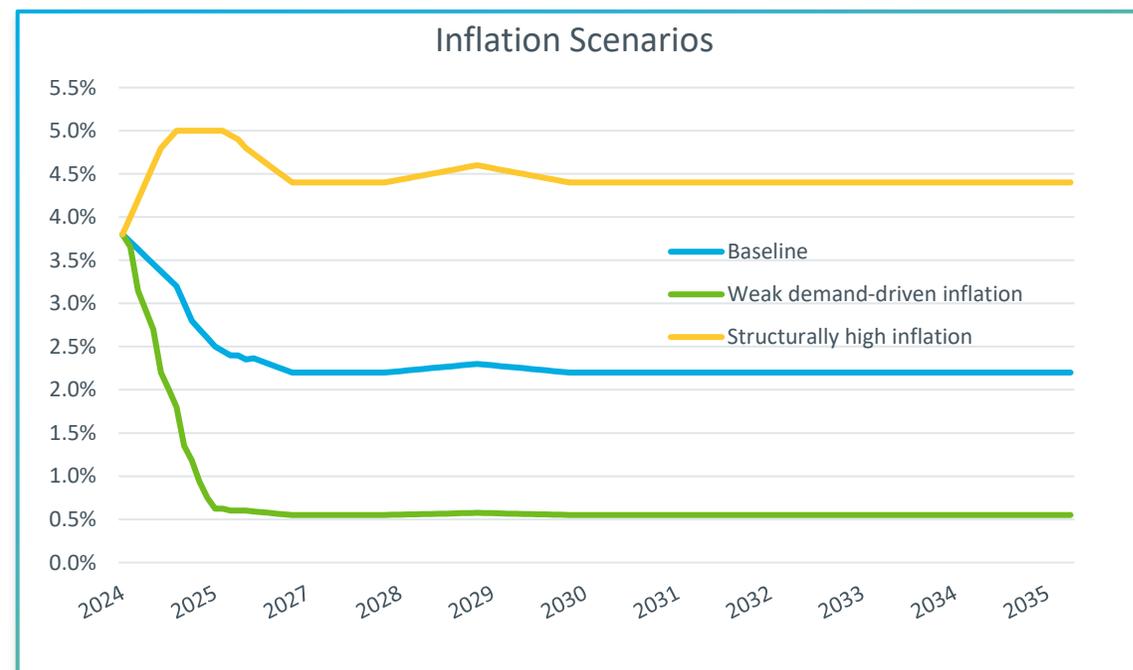
- Payroll is assumed to stay constant in real terms, i.e. it increases in line with the valuation assumption of 2.8% pa. It is uncertain how payroll may differ under varying levels of inflation, however a fixed assumption allows the sensitivity of the cashflow position to be tested against different future inflationary scenarios.
- Employer contributions are assumed to be in line with the pattern as set out on page 7
- Employee contributions are based on the weighted Fund average at the 2025 valuation (6.4% of pay).

# Scenarios explored

## Future CPI inflation

Given the sensitivity of future benefit payments to inflation, we have considered three potential scenarios for future inflation. All scenarios recognise an expected 3.8% increase to benefits in April 2026:

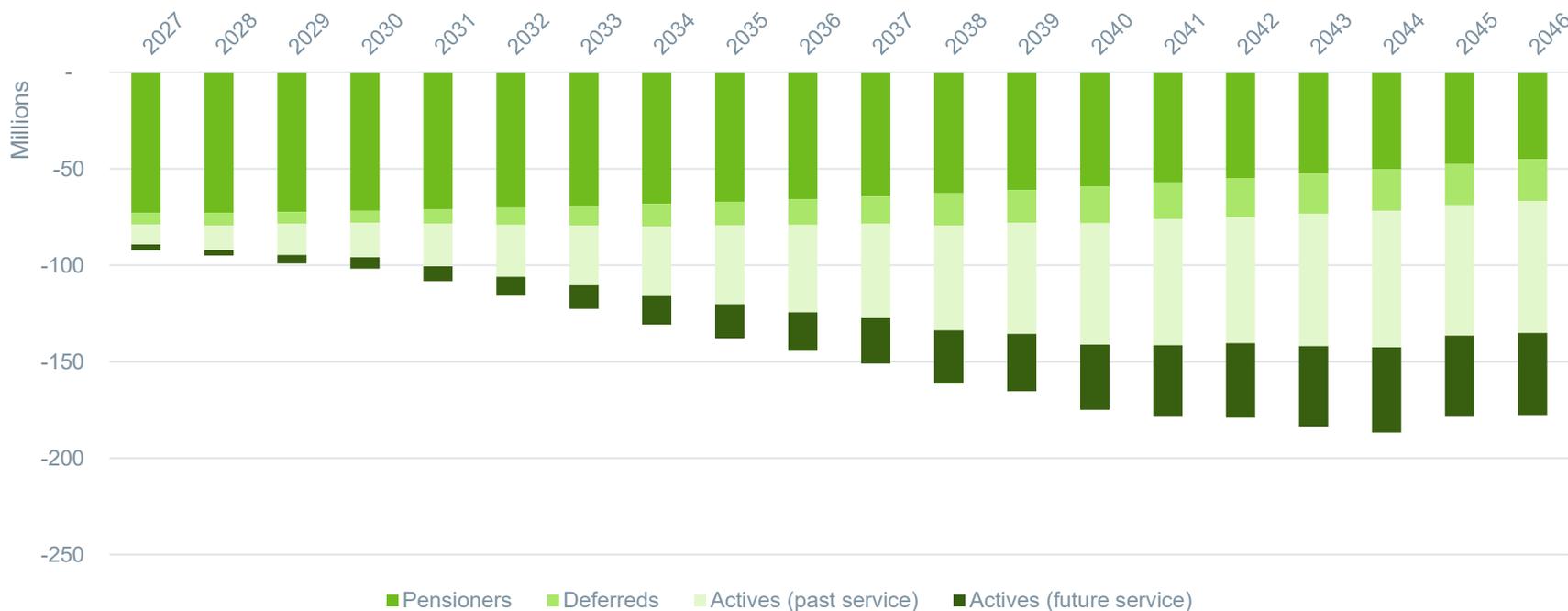
- **Scenario 1:** this **baseline** scenario represents consensus forecasts for headline CPI inflation to trend towards, albeit slightly above, the Bank of England's target over the medium-term.
- **Scenario 2:** the **weak demand-driven inflation** scenario represents deficient demand as the government embarks on fiscal consolidation. This could be achieved through tax increases and spending cuts, leading to a period of weak growth and weak demand-driven inflation (i.e. lower inflation than the baseline scenario).
- **Scenario 3:** this represents a **structurally high inflation** scenario where persistent labour shortages and subsequent wage increases, alongside supply-side disruption owing to geopolitical risks (including trade tariffs) and climate-induced disruptions lead to a period of structurally higher inflation (i.e. higher inflation than the baseline scenario).



all scenarios we have kept the payroll assumption constant at 2.8% p.a.

# Cashflow projections

# Projected benefit outflows (baseline scenario)



**Notes**  
 The years along the x-axis (horizontal) refer to the year-end i.e. 2027 means the 2026/27 financial year (from 1 April 2026 to 31 March 2027).

The Fund currently pays around £95m in benefit payments. This is expected to approximately double by 2046.

# Projected contribution income (all inflation scenarios)



**Notes**

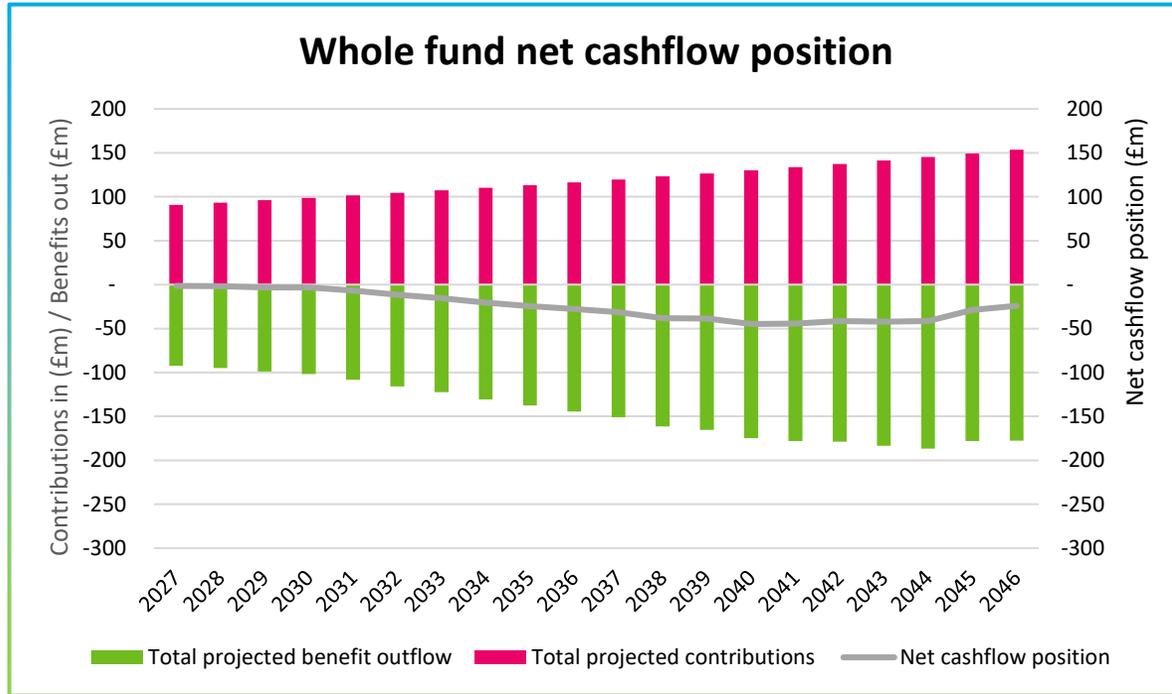
New entrants are implicitly allowed for in the income cashflow by assuming the payroll grows at 2.8% pa (in line with the Fund's 2025 valuation salary increase assumption).

The years along the x-axis refer to the year-end i.e. 2027 means the 2026/27 financial year (from 1 April 2026 to 31 March 2027).

There is expected to be a drop in contribution income in 2026/27 compared to the previous year due to the proposed reductions in contribution rates agreed at the 2025 valuation.

A significant risk to the Fund is a scenario where increases in benefit outgo exceeds growth in contribution income.

# Baseline scenario



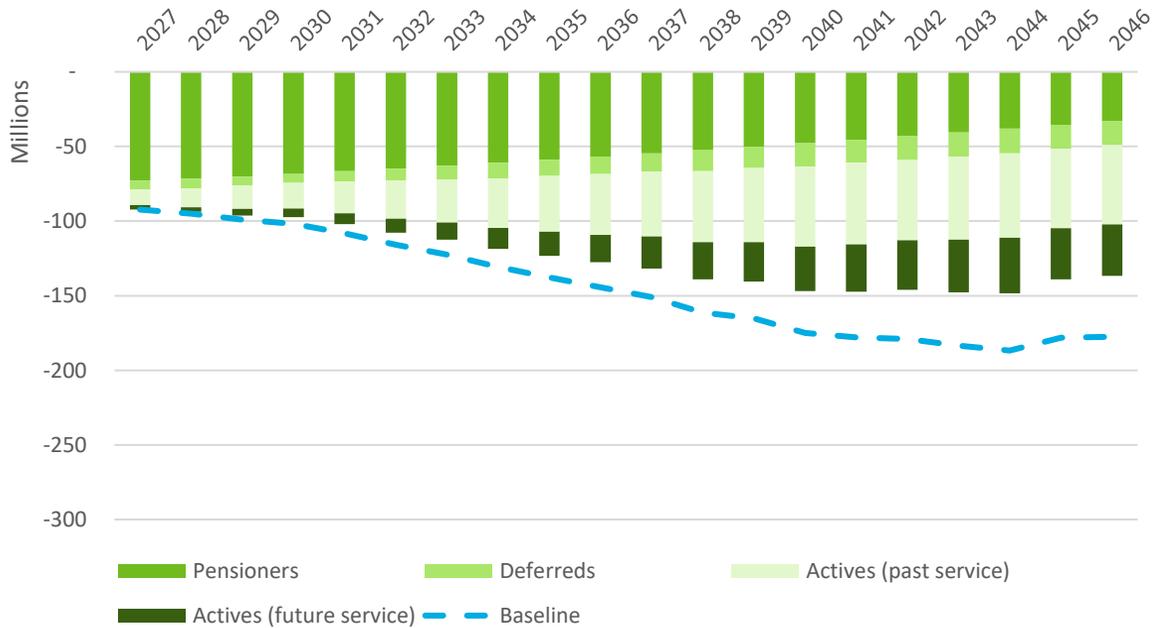
Benefit outflow is estimated to exceed contribution income from 2027 onwards.  
 The shortfall from contributions would require income from assets of no more than approximately a 0.6% yield.

Assets are assumed to increase at 5.9% pa (this is equal to the discount rate used for funding level measurement purposes at the 2025 valuation).

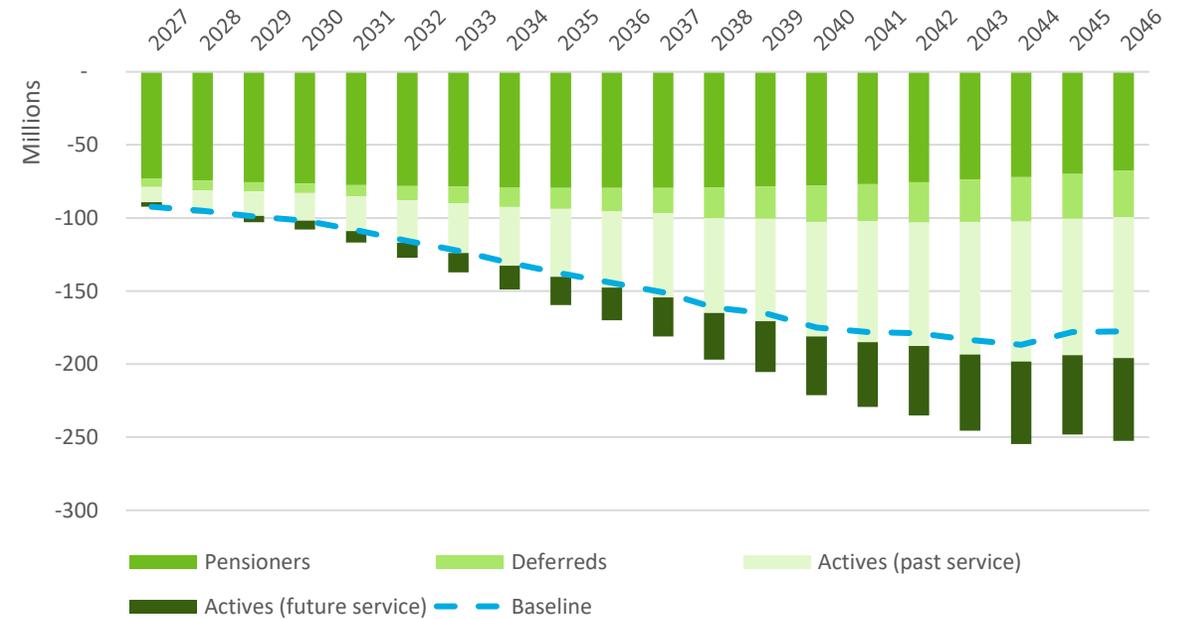
# Scenario testing - inflation

# Projected benefit outflows (alternative inflation scenarios)

## Weak demand-driven inflation

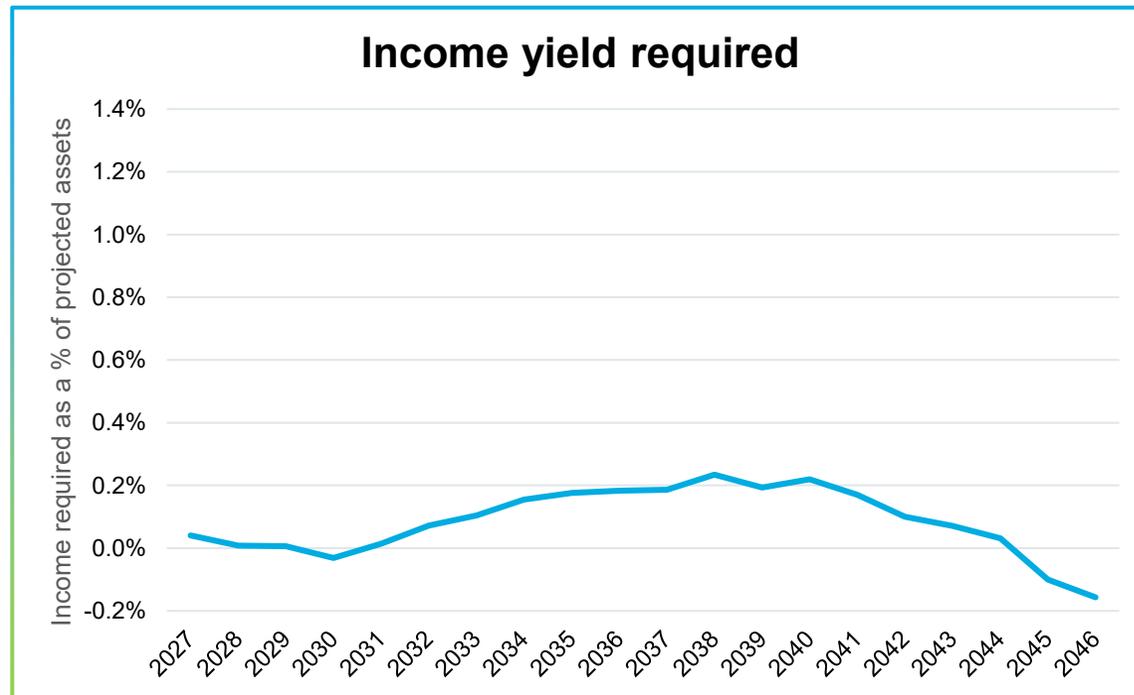
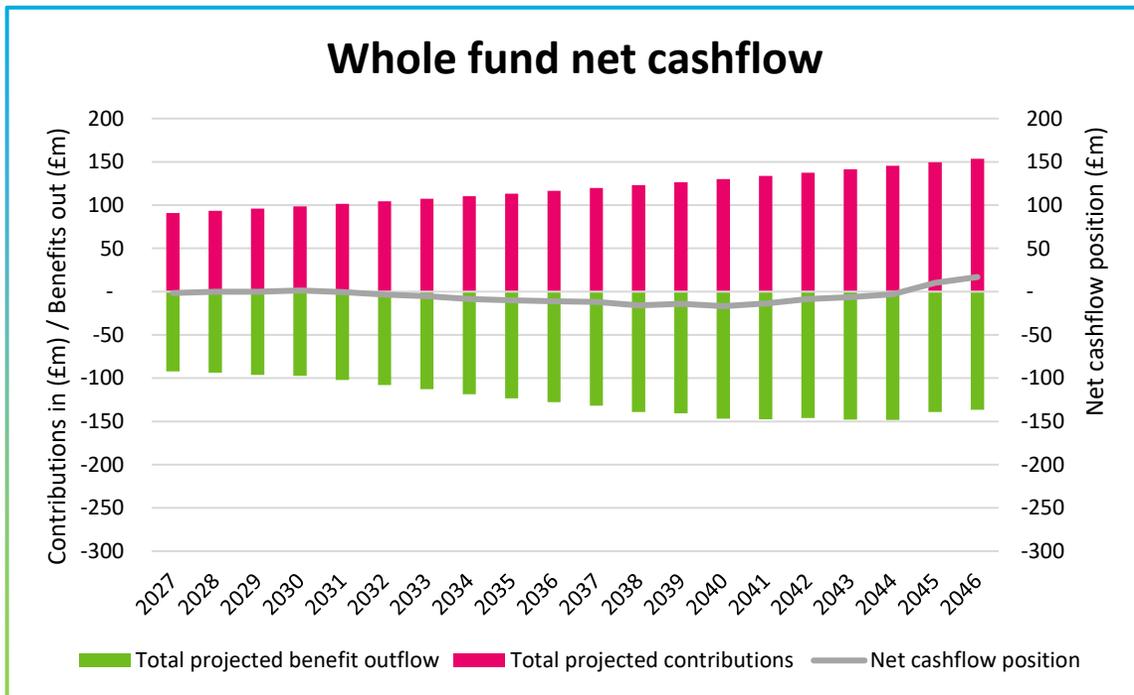


## Structurally high inflation



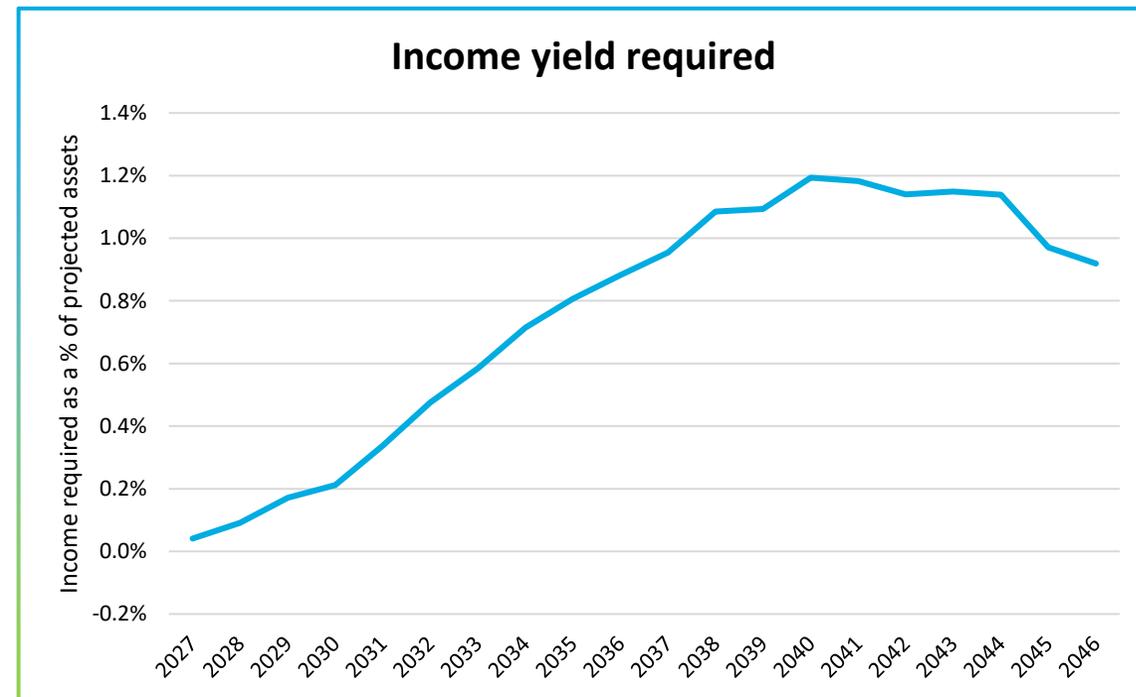
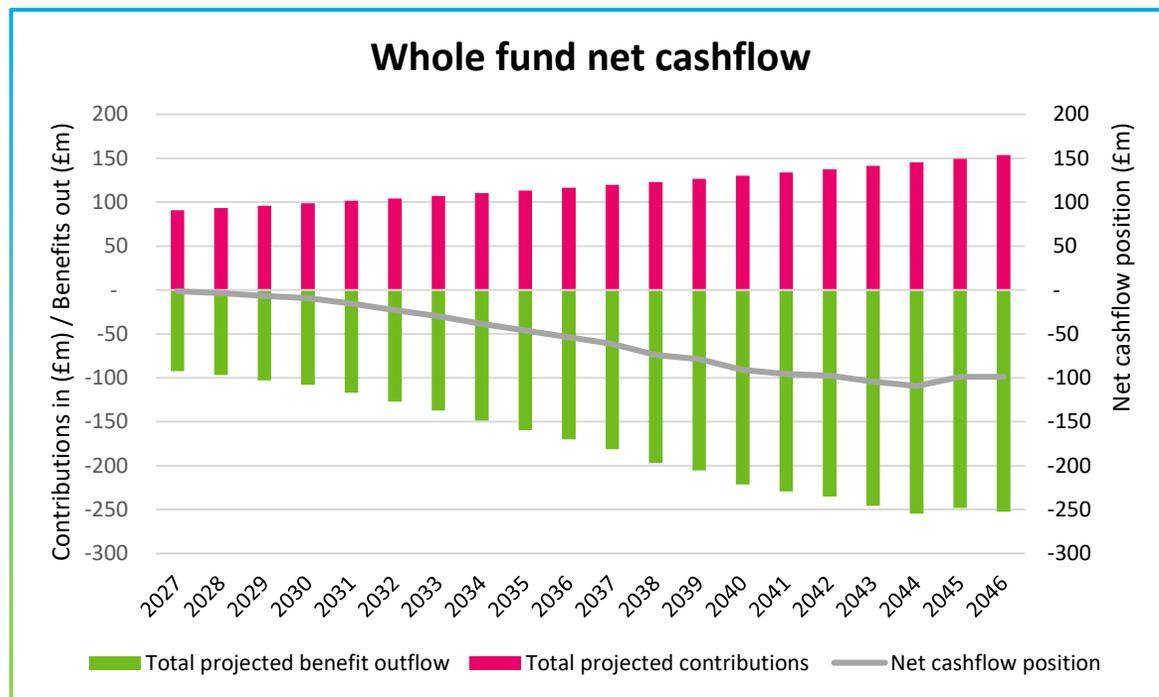
Scenario analysis helps understand the impact inflation may have on future benefit payments. There is a difference of approximately £115m in annual benefit payments between the above scenarios in 2046

# Weak demand-driven inflation scenario



Assuming future pay increase remain at 2.8% pa, a weak-demand driven inflation scenario would improve the Fund’s cashflow position in future years compared to the baseline scenario due to salary increases exceeding inflation. A small gap between contribution income and benefit outgo would remain (requiring an income yield of up to approximately 0.2%), before turning cashflow positive again by 2045.

# Structurally high inflation scenario



This scenario has higher inflation persisting in the short-term, worsening the Fund’s short-term cashflow position. In the long-term, the Fund’s cashflow position materially worsens and an income yield of up to approximately 1.2% would be required (assuming future pay increases remain at 2.8% pa)

Assets are assumed to increase at 5.9% pa (this is equal to the discount rate used for funding level measurement purposes at the 2025 valuation).

# Sensitivities



# Sensitivity of cashflow position

The cashflow projections set out in this report are sensitive to a number of factors. Throughout this report we have focussed on the impact of future levels of inflation, however other factors that may impact the future cashflow position of the Fund include:

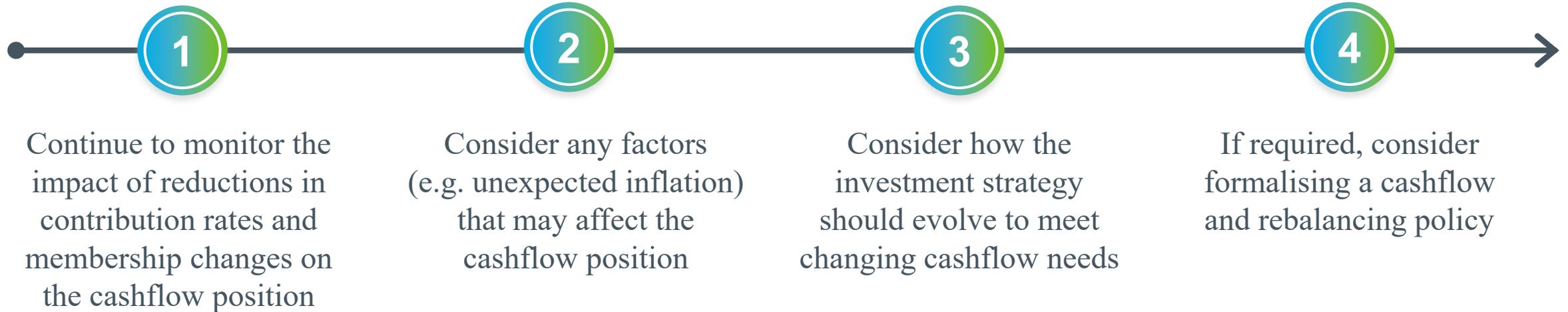
- **Future salary increases** – The analysis set out in this report considers a fixed salary increase assumption of 2.8% pa (in line with the 2025 valuation). It is uncertain how future salary increases may differ in the inflationary scenarios provided. However, if salary increases were to keep pace with inflation over the longer-term, the net cashflow position would be similar to that shown under the baseline scenario.
- **Future changes in contribution rates** – Contribution rates will be reviewed at future valuations (or between valuations) and may result in an increase or decrease in contributions paid to the Fund. If contribution rates decrease at future valuations, the Fund's net cashflow position will worsen due to reduced income (or vice versa).
- **Income generation** – The Fund is currently invested in income generating assets. The cashflow projections set out in this report assume there is no investment income from the Fund's assets (i.e. all investment income is reinvested), however the investment strategy could be evolved to draw income from these investments to improve the net cashflow position.
- **Transfers in/out** – Transfers in and out of the Fund can have a significant impact on the net cashflow position of the Fund. If transfers out exceed transfers in in any year, the Fund's net cashflow position will worsen (or vice versa).
- **Redundancies** – Redundancies incur immediate costs to the Fund and bring forward the payment of benefits to members. Therefore, any planned redundancy exercises may worsen the cashflow position if a significant number of member benefits come into payment earlier than anticipated (albeit the payment of early retirement strains by employers may improve the immediate cashflow position in the year these are paid).
- **Pre-payments** – Pre-payment of future contributions can significantly alter the net cashflow position of the Fund. If employers choose to pre-pay future contributions, this will improve the net cashflow position in the year of pre-payment and, as a result, worsen the net cashflow position in the following year(s).
- **Demographic assumptions** – The cashflow projections are based on the demographic assumptions set for the purpose of the 2025 valuation. These assumptions impact the timing of benefit payments (e.g. retirement age) and actual timings may differ to the assumptions made within the projections.

The Fund should closely monitor their short term cashflow requirements to ensure that benefits can be paid in any future scenario.



# Next steps

# Next steps



# Reliances and limitations

## APPENDIX 1

# Reliances and limitations

This paper is addressed to Cyngor Gwynedd as Administering Authority to the Gwynedd Pension Fund. It has been prepared in our capacity as actuary and investment consultant to the Fund and is solely for the purpose of projecting the expected cashflows of the Fund over a 20-year time horizon. It has not been prepared for any other purpose and should not be used for any other purpose.

The cashflow projections are based on a specific set of deterministic assumptions, which are highly unlikely to be borne out exactly. We therefore do not claim that the future will exactly match the figures in this paper. The results should be used to give an indicative idea of the Fund's medium term cashflow requirements only.

Any party must accept full responsibility for establishing that the cashflows are appropriate for the purpose to which they want to put them and any decisions that are taken based on their analysis. We cannot be held responsible for any losses sustained as a result of third parties relying on the cashflows provided, or if the cashflows are used for any inappropriate purpose

The extent of the deviations from the assumptions underpinning the cashflow projections depends on uncertain economic events as well as other factors that are not known in advance such as members' decisions, variations in mortality rates, retirement rates and withdrawal rates, fluctuations and rates of salary increase, and the numbers and ages of future new entrants which cannot be accurately predicted. In addition, there could be changes in the regulatory environment and possible changes in retirement benefits.

These other uncertainties are often not related to any particular investment and economic eventualities.

**Three of the important uncertainties are the:**

- (a) Rate of pension increases, the vast majority of which increase at the annual increase in CPI inflation
- (b) Extent to which members elect to exchange pension for cash at retirement
- (c) Level of future payroll and contribution rates which will determine the amount of contributions paid into the Fund

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing.

This report may be shared with the Fund's independent investment advisor for information purposes only but may not be passed onto any other third party (such as including in the public part of the Pension Committee & Board's meeting papers or the Fund's asset pool) except as required by law or regulatory obligation, without prior written consent of Hymans Robertson LLP.

In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:

- TAS100
- TAS300.

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MEETING:	<b>PENSION COMMITTEE</b>
DATE:	<b>16 MARCH 2026</b>
TITLE:	<b>FUNDING STRATEGY STATEMENT</b>
PURPOSE:	<b>To adopt the Funding Strategy Statement following consultation</b>
RECOMMENDATION:	<b>ADOPT THE STATEMENT</b>
AUTHOR:	<b>DELYTH JONES-THOMAS, INVESTMENT MANAGER</b>

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## **1. INTRODUCTION**

As reported to the Committee meeting on 9th February 2026, the Fund is required to issue a Funding Strategy Statement (FSS). This was presented and agreed at the February committee and was sent out for consultation with interested parties.

## **2. CONSULTATION RESPONSE**

All participating employers, the actuary and fund advisers have been consulted.

There is one minor addition in D4 following feedback from the Actuary relating to Gender Pay Gap to the version that was submitted to the Committee on 9<sup>th</sup> February 2026.

## **3. FINAL FUNDING STRATEGY STATEMENT**

The final FSS is attached as Appendix A.

## **4. RECOMMENDATION**

The Funding Strategy Statement is adopted.

# Gwynedd Pension Fund

## Funding Strategy Statement

### April 2026

Effective date	1 April 2026
Previous valuation date	31 March 2025
Date approved	16 March 2026
Next review	March 2029
Prepared in accordance with SAB / CIPFA / MHCLG guidance dated	January 2025

# Gwynedd Pension Fund

## Funding Strategy Statement

### Contents

1. Purpose of the Gwynedd Pension Fund and the Funding Strategy Statement
2. How does the Fund calculate employer contributions?
3. What additional contributions may be payable?
4. How does the Fund calculate assets and liabilities?
5. What happens when an employer joins the Fund?
6. What happens if an employer has a bulk transfer of staff?
7. What happens when an employer leaves the Fund?
8. What are the statutory reporting requirements?

### Appendices

- Appendix A – The regulatory framework
- Appendix B – Roles and responsibilities
- Appendix C – Glossary
- Appendix D – Risks and controls
- Appendix E – Actuarial assumptions
- Appendix F – Policy on prepayment of contributions
- Appendix G – Policy on pass-through
- Appendix H – Policy on contribution reviews
- Appendix I – Policy on ill-health risk management
- Appendix J – Policy on cessations

# 1 Purpose of the Gwynedd Pension Fund and the funding strategy statement

This document sets out the Funding Strategy Statement (FSS) for Gwynedd Pension Fund.

The Gwynedd Pension Fund is administered by Cyngor Gwynedd, known as the administering authority. Cyngor Gwynedd worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026.

There's a regulatory requirement for Cyngor Gwynedd to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact [delythwynjonesthomas@gwynedd.llyw.cymru](mailto:delythwynjonesthomas@gwynedd.llyw.cymru).

## 1.1 What is the Gwynedd Pension Fund?

The Gwynedd Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at [www.lgpsmember.org](http://www.lgpsmember.org). The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

## 1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- 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 dependants
- 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 Fund will engage with employers when developing funding strategy in a way which balances the risk appetite of stakeholders.

## 1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

**Scheduled bodies**

Employers who are specified in a schedule to the LGPS regulations, such as councils. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

**Designating employers (otherwise known as Resolution bodies)**

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

**Admission bodies**

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts
- Tier 3 – Standalone employers with no local or national taxpayer backing. Includes further education institutions (colleges), universities, housing associations and charities.

**1.4 How is the funding strategy specific to the Gwynedd Pension Fund?**

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

**1.5 How often is the Funding Strategy Statement reviewed?**

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation.

Amendments to the FSS may be made in the following circumstances:

- material changes to the scheme benefit structure (e.g. HM Treasury-led)
- on the advice of the Fund actuary
- Significant changes to investment strategy, or if there has been significant market volatility which impacts the FSS or goes beyond FSS expectations
- if there have been significant changes to the Fund membership and/or Fund maturity profile
- if there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure which could materially impact cashflow and/or maturity profile and/or covenant)

- if there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS.
- recommendations from MHCLG/GAD.

In undertaking such reviews, the administering authority should consider:

- looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contribution income) and consequences of actions taken by employers (e.g. pay awards and early retirements)
- the implications for the funding strategy and, if significant, determine what action should be taken to review the FSS
- the implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS
- consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process, and ensuring any communication regarding a review won't necessarily lead to contribution rate changes for individual employers but could impact admissions, terminations, approach to managing risk and employer risk assessment.

Any amendments will be consulted on, approved by the Pensions Committee and included in the Committee meeting minutes.

This Funding Strategy Statement is effective from 1 April 2026 and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then.

### **1.6 Actuarial valuation report**

LGPS Regulations (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This Funding Strategy Statement sets out the assumptions and methodology underpinning the 2025 actuarial valuation exercise. The actuarial valuation report sets out 1) the actuary's assessment of the past service funding position, and 2) the contributions required to ensure full funding by the end of the time horizon. The Rates and Adjustments certificate shows the contribution rates payable by each employer (which are expressed as a percentage of payroll).

## PART A – Key Funding Principles

### 2 How does the Fund calculate employer contributions?

#### 2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contribution rates are determined by a mandatory actuarial valuation exercise, and are made up of the following elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the Fund's expenses.

The Fund actuary uses a methodology known as Asset Liability Modelling to set employer contribution rates. Under this methodology, for a given proposed employer contribution rate, the model projects future asset and liability values for the employer under 5,000 different simulations of the future economic environment. Each simulation – generated by Hymans Robertson's Economic Scenario Service (ESS) model - has a different path for future interest rates, inflation rates and the investment return on different asset classes. This approach allows the Fund actuary to understand the potential range of future funding outcomes that could be achieved via payment of that contribution rate.

The Fund has set funding strategy criteria for each employer which must be satisfied in order for a given employer contribution to be deemed acceptable. The funding strategy criteria are specified in terms of the following four parameters:

- **the target funding level** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the target funding level target
- **the funding basis** – the set of actuarial assumptions used to value the employer's (past and future service) liabilities
- **the likelihood of success** – the proportion of modelled scenarios where the target funding level is met.

For example, an employer's funding strategy criteria may be set as follows:

*The employer must have at least a **80% likelihood** of being **100% funded** on the **ongoing participation basis** at the end of a **17 year** funding time horizon.*

The funding strategy criteria used by the Fund are set out in Table 2. Further detail on the ESS and on the funding bases used by the Fund are set out in [Appendix E](#).

The target funding level may be set greater than 100% as a buffer against future adverse experience. This may be appropriate for long term open employers, where adverse future funding experience may lead to future contribution rises.

The contribution rate setting approach takes into account the maturing profile of the membership when setting employer contribution rates. The approach taken by the Fund actuary helps the Fund meet the aim of maintaining as stable a primary employer contribution rate as possible.

The Fund permits the prepayment of employer contributions in specific circumstances. The Fund's policy on prepayments is detailed in **Appendix F**.

## 2.2 The contribution rate calculation

**Table 1: contribution rate calculation for individual or pooled employers**

Type of employer	Scheduled and designating bodies		Further education and community admission bodies		Transferee admission bodies
Sub-type	Local Authorities, Police and Parc Cenedlaethol Eryri	Designating employers (i.e. Parish & town councils)	Open to new entrants	Closed to new entrants	(all)
SAB Tier	Tier 1	Tier 1	Tier 3	Tier 3	Tier 1
<b>Funding basis<sup>2</sup></b>	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing, assuming fixed-term contract in the Fund
<b>Target funding level</b>	100%	100%	100%		100%
<b>Minimum likelihood of success</b>	80%	80%	80%	80%	80%
<b>Maximum time horizon</b>	17 years	17 years	14 years	14 years or average future working lifetime, if less	Outstanding contract term
<b>Primary rate approach**</b>	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon, expressed as a percentage of pensionable pay				
<b>Secondary rate</b>	The difference between the total contribution rate payable (determined as per 2.1) and the primary rate. Negative adjustments are expressed as a percentage of payroll and positive adjustments can be expressed as a percentage of payroll or monetary amounts (for mature closed employers).				
<b>Stabilised contribution rate?</b>	Yes	No	No	No	No
<b>Treatment of surplus</b>	Covered by stabilisation arrangement	Covered by contribution algorithm	Covered by contribution algorithm	Reduce contributions through a negative secondary rate	Reduce contributions by spreading the surplus over the remaining contract term
<b>Recognising covenant</b>	Stabilisation parameters	Adjust likelihood of success	Adjust likelihood of success		

*Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority. Please see the Fund's pass-through policy in [Appendix G](#) for more information.*

<sup>2</sup> See [Appendix E](#) for further information on funding bases.

*\*\*The Primary Rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates*

The Fund manages funding risks as part of its wider risk management framework, as documented in its risk register. The funding-specific risks identified and managed by the Fund are set out in [Appendix D – Risks and Controls](#).

### 2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The Fund adopts a stabilised approach to setting contributions for certain employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for the Fund's local authorities, the Police and Crime Commissioner for North Wales and Parc Cenedlaethol Eryri.

**Table 2: current stabilisation approach**

Type of employer	Local Authorities, Police and Parc Cenedlaethol Eryri
Maximum contribution increase per year	+1.0% of pay
Maximum contribution decrease per year	-1.0% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

At their absolute discretion the administering authority may permit acceleration or extension of contribution rises and reductions within the contribution stability mechanism.

### 2.4 Contribution rates for other long-term employers

For other employers with a longer-term time horizon (open admitted bodies and town and parish councils), the Fund has applied an algorithm for the purpose of setting contribution rates. This brings some stability to rates. It allows rate reductions due to strong funding positions, whilst providing protection to the Fund against future adverse experience and recognising the need for inter-generational fairness around the pace at which surplus is returned.

For the 2025 valuation, this can be summarised mathematically by the following formula:

*Maximise [theoretical 2025 total rate, Minimise (2025 primary rate minus 3% of pay, Current rate minus 3% of pay)]*

where the 'theoretical 2025 total rate' is defined as the contribution rate calculated exactly in line with the funding strategy criteria outlined in Table 1 under section 2.2 above.

### 2.5 Links to investment strategy

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset

returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

The investment strategy is designed allowing for the funding position determined on an appropriate and prudent basis, with the objective of achieving the funding objective for each employer group over the specific time horizon.

The Fund's current strategic investment strategy as at 31 March 2025 is summarised in the table below.

**Table 2 – Strategic asset allocation**

<b>Asset class</b>	<b>Allocation</b>
UK Equities	6.0%
Global Equities	27.0%
Emerging market equities	2.0%
Private Equity	5.0%
Property	10.0%
Infrastructure	7.5%
Natural Capital	5.0%
Private credit	7.5%
Multi-asset credit	7.5%
Corporate bonds	7.5%
Absolute return bonds	12.5%
Gilts	2.5%

## **2.6 Does the funding strategy reflect the investment strategy**

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

## **2.7 Reviewing contributions between valuations**

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's policy is available in [Appendix H](#). The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

## **2.8 What is pooling?**

The administering authority does not currently operate formal contribution rate pools for similar types of employers.

The only employers that may be pooled are those that have a pass-through or other form of risk sharing agreement in place with a letting authority. The Fund's pass-through policy is detailed in [Appendix G](#).

### **2.9 Administering authority discretion**

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The Fund permits the prepayment of employer contributions in specific circumstances. Further details are set out in the Fund's prepayment policy detailed in [Appendix F](#).

The Fund will not accept any form of non-cash assets in lieu of contributions.

### **2.11 Managing surpluses and deficits**

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergent of deficits and surplus from time to time, and lead to changes in employer contribution rates.

Table 1 sets out the Fund's approach to setting contribution rates for each employer group.

### 3 What additional contributions may be payable?

#### 3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread if the administering authority agrees:

Major employing bodies	- up to 5 years
Community Admission Bodies and designating employers	- up to 3 years
Transferee Admission Bodies	- payable immediately

#### 3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

The administering authority has arranged an external insurance policy to cover ill-health early retirement strains for smaller employers. Each employer's contribution includes a share of the premium. When an active member retires on ill-health early retirement, the claim amount is credited to the employer's asset share.

For other employers, each employer's contributions include an allowance for expected ill health strain costs. These costs are monitored as part of the triennial valuation process.

The Fund's policy is detailed in [Appendix I](#).

## 4 How does the Fund calculate assets and liabilities?

### 4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

The fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves one from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when an outsourced contract begins, the Fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

### 4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix E](#), the Fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

### 4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

## PART B – Employer Events

### 5 What happens when an employer joins the fund?

#### 5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designating employers may also join the Fund if they pass a resolution to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer, the existence of any guarantee, and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.2 below.

#### 5.2 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting authority to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting authority or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

The Fund's policy is to allow all new admission bodies to be set up with a pass-through arrangement, at the discretion of the letting authority. The Fund's policy on pass through is detailed in [Appendix G](#).

#### 5.3 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designating employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designating employers in the Fund.

#### 5.4 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

## 6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- The Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

## 7 What happens when an employer leaves the Fund?

### 7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the body
- a breach of any admission agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the Fund.

### 7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix E](#).

- (a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix E](#).
- (b) Where there is a guarantor, the guarantee will be considered before the cessation valuation.
  - Where the guarantor is a guarantor of last resort (i.e. where the guarantee will cease to have effect the cessation event and final settlement), this will have no effect on the cessation valuation.
  - If this isn't the case (i.e. if the guarantee continues to apply in respect of the former employer's obligations post cessation), cessation may be calculated using the same basis that was used to calculate liabilities for triennial valuation purposes.
- (c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms. This is known as 'subsumption' of the assets and liabilities.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the Rates and Adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and Fund.

The cessation policy is in [Appendix J](#).

### 7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The Fund's approach to exit credits is detailed in the cessation policy in [Appendix J](#).

### 7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- if an exiting employer enters into a deferred debt arrangement, it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is detailed in the cessation policy in [Appendix J](#).

### 7.5 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The Fund actuary will portion the liabilities on a pro-rata basis at successive formal valuations.
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other Fund employers on a pro-rata basis.

## 8 What are the statutory reporting requirements?

### 8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report includes advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

### 8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level
- or
- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

### 8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the Rates and Adjustments certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons.

Standard information about the Fund's approach to its solvency and long-term cost efficiency will be provided in a uniform dashboard format in the valuation report to facilitate comparisons between funds.

# Appendices

## Appendix A – The regulatory framework

### A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Ministry for Housing, Communities and Local Government (MHCLG) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a clear and transparent fund-specific strategy identifying how employers' pension liabilities are best met going forward*
- *support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013*
- *ensure that the regulatory requirements to set contributions to ensure the solvency and long term cost efficiency of the Fund are met.*
- *explain how the Fund balances the interests of different employers*
- *explain how the Fund deals with conflicts of interest and references other policies/strategies.*

To prepare this FSS, the administering authority has used guidance jointly prepared by the Scheme Advisory Board (SAB), MHCLG and the Chartered Institute of Public Finance and Accountancy (CIPFA) dated January 2025.

The Fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The funding strategy statement sets out how the Fund meets these responsibilities.

### A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “*persons the authority considers appropriate*”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

In practice, for the Fund, the consultation process for this FSS was as follows:

- A draft version of the FSS was issued to all participating employers in February 2026 for comment;
- Comments were requested within 20 working days;
- There was an Employers' Forum on 24 October 2025 at which the funding strategy was outlined and questions regarding funding strategies could be raised and answered;

- Following the end of the consultation period the FSS was updated where required and then published, in March 2026.

**A3 How is the FSS published?**

The FSS is made available through the following routes:

- Published on the website
- A copy sent by e-mail to each participating employer in the Fund;
- A full copy linked from the annual report and accounts of the Fund;
- Copies made available on request.

**A4 How does the FSS fit into the overall Fund documentation?**

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the investment strategy statement, governance strategy and communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at [Home \(gwyneddpensionfund.wales\)](http://Home.gwyneddpensionfund.wales).

## Appendix B – Roles and responsibilities

### **B1 The administering authority is required to:**

- 1 operate a pension fund
- 2 collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations
- 3 have an escalation policy in situations where employers fail to meet their obligations
- 4 pay from the Fund the relevant entitlements as stipulated in LGPS Regulations
- 5 invest surplus monies in accordance with the relevant regulations
- 6 ensure that cash is available to meet liabilities as and when they fall due.
- 7 ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments
- 8 take measures as set out in the regulations to safeguard the fund against the consequences of employer default
- 9 manage the valuation process in consultation with the Fund's actuary
- 10 prepare and maintain an FSS and associated funding policies and ISS, after proper consultation with interested parties
- 11 monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly
- 12 establish a policy around exit payments and payment of exit credits/debits in relation to employer exits
- 13 effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and scheme employer
- 14 support and monitor a local pension board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice
- 15 enable the LPB to review the valuation and FSS review process, as set out in their terms of reference.

### **B2 Individual employers are required to:**

- 1 Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations).
- 2 provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
- 3 pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, and any exit payments on ceasing participation in the Fund, promptly by the due date
- 4 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework

- 5 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain
- 6 notify the administering authority promptly of all changes to active membership that affect future funding.

**B3 The Fund actuary should:**

- 1 prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency based on the assumptions set by the administering authority and having regard to the FSS and the LGPS Regulations
- 2 provide advice so the Fund can set the necessary assumptions for the valuation
- 3 prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc
- 4 provide advice and valuations to the Fund so that it can make decisions on exiting employers
- 5 provide advice to the Fund on bonds or other forms of security against the financial effect on the Fund of employer default
- 6 assist the Fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations
- 7 ensure that the Fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the Fund.
- 8 Identify to the Fund and manage any potential conflicts of interest that may arise in the delivery of contractual arrangements to the Fund and other clients.

**B4 Local Pension Board (LPB):**

Local pension boards have responsibility to assist the administering authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each fund to determine the input into the development of the FSS (as appropriate within a fund's own governance arrangements) however this may include:

- 1 Assist with the development, and review, of the FSS
- 2 Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation
- 3 Assist with the development, and review, of communications in relation to the FSS

**B5 Employer guarantors**

- 1 Department for Education - To pay cessation debts in the case of academy cessations (where the obligations are not being transferred to another MAT) and to consider using intervention powers if an academy is deemed to be in breach of the regulations.
- 2 Other bodies with a financial interest (outsourcing employers).

**B6 Other parties:**

1. internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
2. investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS
3. auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
4. governance advisers may be asked to advise the administering authority on processes and working methods
5. internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
6. the Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

## Appendix C – Glossary

### **Actuarial certificates**

A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

### **Actuarial valuation**

An investigation by an actuary, appointed by an administering authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

### **Administering authority (referred to as ‘the fund’)**

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

### **Admission agreement**

A written agreement which provides for a body to participate in the LGPS as a scheme employer

### **Assumptions**

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns,

### **Code of Practice**

The Pensions Regulator’s General Code of Practice.

### **Debt spreading arrangement**

The ability to spread an exit payment over a period of time

### **Deferred debt agreement**

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members

### **Employer covenant**

The extent of the employer’s legal obligation and financial ability to support its pension scheme now and in the future.

### **Funding level**

The funding level is the value of assets compares with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

### **Fund valuation date**

The effective date of the triennial fund valuation.

**Guarantee / guarantor**

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

**Local Pension Board**

The board established to assist the administering authority as the Scheme Manager for each Fund.

**Non-statutory guidance**

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents

**Notifiable events**

Events which the employer should make the administering authority aware of

**Past service liabilities**

The cost of pensions already built up or in payment

**Pension committee**

A committee or sub-committee to which an administering authority has delegated its pension function

**Pensions administration Strategy**

A statement of the duties and responsibilities of scheme employers and administering authorities to ensure the effective management of the scheme

**Primary and secondary employer contributions**

Primary employer contributions meet the future costs of the scheme and secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a Fund.

**Rates and adjustments certificate**

A statement of the contributions payable by each scheme employer (see actuarial certificates)

**Scheme Manager**

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the administering authority.

## Appendix D – Risks and controls

### D1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The Pensions Board has an oversight / assisting role not a decisions making role, its responsibilities are to:

1. Assist the Gwynedd Pension Fund as Scheme Manager;
2. Securing compliance with regulations and requirements enforced by the Pensions Regulator and the Department for Communities and Local Government
3. Ensuring effective and efficient governance and administration of the Fund.
4. Assist with other matters as the scheme regulations may stipulate

Details of the key fund-specific risks and controls are set out in the risk register at [Risk Register 2021 \(gwyneddpensionfund.wales\)](#).

### D2 Employer covenant assessment and monitoring

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities, Police, Parc Cenedlaethol Eryri	Tax-raising or government-backed, no individual assessment required	n/a
Designating employers	Often tax-raising or government-backed, no individual assessment required	n/a
Further education bodies	Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers	The Fund may review employers periodically or when a significant event occurs
Admission bodies (CABs)	Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers	The Fund may review employers periodically or when a significant event occurs
Admission bodies (TABs)	Effective guarantee provided by the Awarding Authority in most cases, otherwise: Assessments may be commissioned by specialists as appropriate or carried out by Fund Officers	The Fund may review employers periodically or when a significant event occurs

Any change in covenant over the inter-valuation period may lead to a contribution rate review

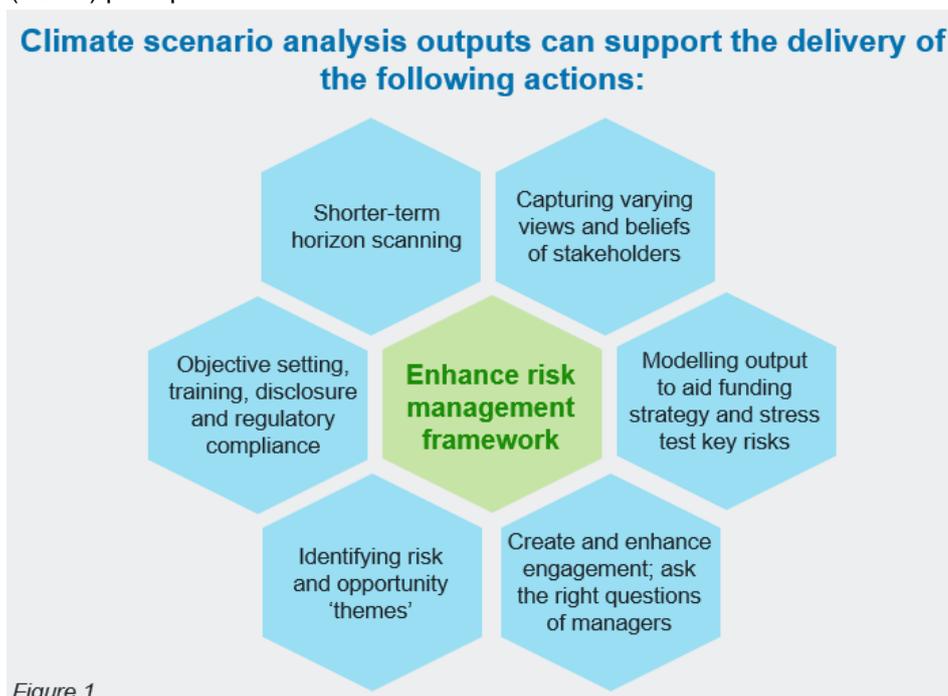
### D3 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the Fund has carried out climate scenario analysis incorporating both stress testing, and narrative-based scenario analysis for the local authority employers at the 2025 valuation. The narrative approach explores the complex and interrelated risks associated with climate change by defining a specific extreme, downside risk (in this instance a food shock) and constructing narratives around potential policy and market responses, noting these may be sub-optimal. This approach allows consideration to be given to the impact of sudden, severe downside risks in the short term, the interdependencies that arise and potential immediate actions. Coupling this approach with stress testing (to better understand the impact of possible climate scenarios) has allowed the Fund to assess a range of outcomes that may arise and assess the resilience of the Fund under these scenarios.

The results show that:

1. When considering climate scenario stress tests, the Fund appears to be generally resilient to different climate scenarios, with generally modest impacts versus the base case modelled
2. The results of the downside, narrative analysis suggest that the Fund is likely to be resilient in the face of some severe downside risk events (in comparison to the base case), but not all.

Climate scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities. Identification of these vulnerabilities can inform risk management processes (see figure 1), helping the Fund ensure appropriate controls and mitigations are in place. Scenario analysis therefore supports informed decision making, and may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.



This climate analysis was not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the

vast majority of the Fund's assets and liabilities, applying the climate analysis to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has a Responsible Investment Policy which was last agreed by Pensions Committee in 2022.

#### **D4 Gender Pension Gap reporting**

The government published its consultation "Local Government Pension Scheme in England and Wales: Access and Fairness" in May 2025. One of the proposals as part of this consultation was to include gender pension gap reporting in the 2025 valuation report. Regulation around reporting will be laid down in March 2026 and as such, the Fund has reported on the gender pension gap in the 2025 valuation report (appendix 9).

Reporting has been included for active members, pensioner members and by employer using the local government pension scheme funds account return (SF3) categorisation.

## Appendix E – Actuarial assumptions

The key outputs from an employer's funding valuation are its contribution rate requirement (see Section 2 for further details) and its funding level (see Section 4). For both calculations the Fund actuary requires actuarial assumptions.

The Fund typically reviews and sets the actuarial assumptions used for funding purposes as part of the triennial valuation. Those assumptions are then used until the next triennial valuation (updated for current market conditions where appropriate).

The Fund has reviewed the actuarial assumptions used for funding purposes as part of the 2025 valuation. These are set out below.

### E1 What are actuarial assumptions?

Actuarial assumptions are required to value the Fund's liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can't be known until the final payment is made). Therefore to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments
- The assets allocated to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the fund are uncertain. An assumption is needed about what those future investment returns will be

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

All actuarial assumptions are set as best estimates of future experience with the exception of the discount rate assumption which is deliberately prudent to meet the regulatory requirement for a 'prudent' valuation.

Any change in the assumptions will affect the value that is placed on future benefit payments ('liabilities'), but different assumptions don't affect the actual benefits the fund will pay in future.

### E2 What funding bases are operated by the Fund?

A *funding basis* is the set of actuarial assumptions used to value an employer's (past and future service) liabilities. The fund operates two funding bases for funding valuations: the *ongoing participation basis* and the *low-risk exit basis*. All actuarial assumptions are the same for both funding bases with the exception of the discount rate – see further details below.

### E3 What financial assumptions are used by the Fund?

#### Discount rate

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date.

The Fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the Fund's investment strategy.

The discount rate is determined by the *prudence level*. Specifically, the discount rate is calculated to be:

*The average annual level of future investment return that can be achieved on the Fund's assets over a 20 year period with a x% likelihood.*

The prudence level is the likelihood. The prudence levels used by the fund are as follows:

Funding basis	Prudence level
Ongoing participation	80%
Low-risk exit	90% (mid point of cessation corridor)

Further information on the cessation corridor can be found in [Appendix J](#).

### CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions').

The CPI inflation assumption is calculated to be:

*The average annual level of future CPI inflation that will be observed over a 20 year period with a 50% likelihood*

### Salary growth

The salary growth assumption is linked to the CPI inflation assumption via a fixed margin. The salary growth assumption is 0.5% above the CPI inflation assumption plus a promotional salary scale.

### E4 Further detail on the calculation of financial assumptions

The ongoing participation basis discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson's propriety economic scenario generator; the *Economic Scenario Service* (or *ESS*). The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

Time period	Percentile	Annualised total returns										Inflation/Yields		
		UK Equity	Overseas equity	Emerging market equity	Private Equity	Property	Infrastructure equity	UK Corporate bonds (A-rated)	Absolute return bonds	Multi-asset credit	Private lending	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16 <sup>th</sup>	0.1%	-0.5%	-3.2%	-2.5%	0.2%	1.1%	4.0%	3.6%	4.1%	4.5%	1.2%	1.5%	4.8%
	50 <sup>th</sup>	8.2%	8.2%	8.5%	10.0%	6.8%	8.1%	5.2%	5.0%	6.7%	8.2%	2.8%	2.4%	5.8%
	84 <sup>th</sup>	16.4%	16.9%	20.9%	22.8%	14.1%	15.5%	6.1%	6.5%	8.8%	11.4%	4.3%	3.3%	7.1%
10 years	16 <sup>th</sup>	2.5%	2.1%	0.2%	1.2%	2.3%	3.1%	4.8%	4.0%	5.8%	6.4%	0.8%	0.8%	3.9%
	50 <sup>th</sup>	8.6%	8.5%	8.8%	10.2%	7.3%	8.4%	5.8%	5.4%	7.4%	8.8%	2.5%	2.1%	5.3%
	84 <sup>th</sup>	14.6%	14.8%	17.5%	19.6%	12.7%	13.8%	6.7%	6.9%	8.9%	10.9%	4.1%	3.3%	7.1%
20 years	16 <sup>th</sup>	3.8%	3.7%	2.2%	3.4%	3.5%	4.2%	4.6%	3.7%	6.1%	7.0%	0.7%	-0.5%	1.6%
	50 <sup>th</sup>	8.4%	8.3%	8.5%	9.9%	7.3%	8.3%	5.8%	5.3%	7.6%	8.8%	2.3%	1.3%	3.6%
	84 <sup>th</sup>	12.9%	13.1%	15.1%	17.0%	11.3%	12.4%	7.2%	7.1%	9.1%	10.7%	3.9%	3.0%	6.2%
	Volatility (1 yr)	16.3%	18.6%	24.3%	26.6%	15.2%	14.5%	3.2%	2.7%	6.3%	9.3%	1.4%	-	-

The ESS model is recalibrated monthly. The Fund actuary uses the most recent calibration of the model (prior to the valuation date) to set financial assumptions for each funding valuation.

### **E5 What demographic assumptions are used by the Fund?**

The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in the assumptions that apply to them.

#### **Life expectancy**

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2024 version of the continuous mortality investigation (CMI) model published by the actuarial profession. The core parameters of the model apply, however, the starting point has been adjusted by +0.25% (for males and females) to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

#### **Other demographic assumptions**

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. At age 65 this is assumed to be 55% for males and 54% for females). Dependant of a male is 3.5 years younger than him Dependent of a female is 0.6 years older than her
Commutation	75% of maximum under HMRC limits.
50:50 option	0% of members will choose the 50:50 option.

## Rates for demographic assumptions

**Males**

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.17	210.24	365.85	0.00	0.00	0.00	0.00
25	117	0.17	138.87	241.66	0.00	0.00	0.00	0.00
30	131	0.20	98.53	171.44	0.00	0.00	0.00	0.00
35	144	0.24	76.99	133.93	0.10	0.07	0.02	0.01
40	151	0.41	61.98	107.80	0.16	0.12	0.03	0.02
45	159	0.68	58.22	101.23	0.35	0.27	0.07	0.05
50	167	1.09	47.99	83.35	0.90	0.68	0.23	0.17
55	173	1.70	37.79	65.67	3.54	2.65	0.51	0.38
60	174	3.06	33.68	58.51	6.23	4.67	0.44	0.33
65	174	5.10	20.67	35.91	11.83	8.87	0.00	0.00

**Females**

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.17	210.24	365.85	0.00	0.00	0.00	0.00
25	117	0.17	138.87	241.66	0.00	0.00	0.00	0.00
30	131	0.20	98.53	171.44	0.00	0.00	0.00	0.00
35	144	0.24	76.99	133.93	0.10	0.07	0.02	0.01
40	151	0.41	61.98	107.80	0.16	0.12	0.03	0.02
45	159	0.68	58.22	101.23	0.35	0.27	0.07	0.05
50	167	1.09	47.99	83.35	0.90	0.68	0.23	0.17
55	173	1.70	37.79	65.67	3.54	2.65	0.51	0.38
60	174	3.06	33.68	58.51	6.23	4.67	0.44	0.33
65	174	5.10	20.67	35.91	11.83	8.87	0.00	0.00

## Appendix F – Policy on Prepayments

Effective date of policy	1 April 2026
Next review	March 2029

### F1 Introduction

The purpose of this policy is to set out the administering authority's approach to the prepayment of regular contributions due by participating employers.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where prepayment of contributions will be permitted.
- To outline the key principles followed when calculating prepayment amounts.
- To outline the approach taken to assess the suitability of a prepayment as sufficient to meet the required contributions.

### Background

It is common practice in the LGPS for employers to pre-pay regular contributions that were otherwise due to be paid to the Fund in future. Employer contributions include the 'Primary Rate' – which is expressed as a percentage of payroll and reflects the employer's share of the cost of future service benefits, and the 'Secondary Rate' – which can be expressed as a percentage of payroll or a monetary amount and is an additional contribution designed to ensure that the total contributions payable by the Employer meet the funding objective.

On 22 March 2022, following a request from the LGPS Scheme Advisory Board, James Goudie QC provided an [Opinion](#) on the legal status of prepayments. This Opinion found that the prepayment of employee and employer contributions was not illegal, subject to the basis for determining the prepayment amount being reasonable, proportionate and prudent. Further, the Opinion set out specific requirements around the presentation of prepayments.

### Guidance and regulation framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Regulation 9 – outlines the contribution rates payable by active members
- Regulation 62 - sets the requirement for an administering authority to prepare an R&A certificate.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and specifies that primary contributions be expressed as a percentage of pensionable pay of active members.

## **F2 Statement of principles**

This statement of principles covers the prepayment of regular employer contributions to the Fund. Each case will be treated on its own merits, but in general:

- The administering authority will permit the prepayment of employer contributions.
- Prepaying contributions expressed as a percentage of pay introduces the risk that the prepayment amount will be insufficient to meet the scheduled contribution (as a result of differences between expected and actual payroll). Prepaying contributions is therefore only permissible in the case of secure, long-term employers (e.g. local authorities).
- The prepayment of employee contributions is not permitted.
- A discount will be applied where employer contributions are prepaid, to reflect the investment return that is assumed to be generated by the Fund over the period of prepayment.
- The Fund actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due.
- Where contributions expressed as a percentage of pay have been prepaid, the administering authority will carry out an annual check (and additional contributions may be required by the employer) to make sure that the actual amounts paid are sufficient to meet the contribution requirements set out in the R&A certificate.
- Prepayment agreements will be documented by way of correspondence between the administering authority and the employer.
- The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.
- Employers are responsible for ensuring that any prepayment agreement is treated appropriately when accounting for pensions costs.
- Prepayment agreements can cover any annual period of the R&A (or a consecutive number of annual periods).

## **F3 Policy**

### **Eligibility and periods covered**

The Fund is happy to consider requests from any employers to pre-pay certified primary and secondary contributions. However, in general, prepayments are most appropriate for large, secure employers with stable active memberships. Employer contributions over the period of the existing R&A certificate (and, where a draft R&A certificate is being prepared following the triennial valuation, the draft R&A certificate) may be pre-paid by employers.

Prepayment of contributions due after the end of the existing (or draft) R&A certificate is not permitted, i.e. it would not be possible to prepay employer contributions due in the 2029/30 year until the results of the 2028 valuation are known and a draft R&A certificate covering the 2029 to 2032 period has been prepared.

### **Request and timing**

Prior to making any prepayment, employers are required to inform the Fund in writing of their wish to prepay employer contributions and to request details of the amount required by the Fund to meet the scheduled future contribution.

This request should be received by the Fund within 2 months of the start of the period for which the prepayment is in respect of.

The Fund will then provide the employer with a note of the prepayment amount and the date by which this should be paid. In general, the prepayment should be as close as possible to the beginning of the appropriate R&A period and by 30 April at the latest.

Failure to pay the prepayment amount by the specified date may lead to the need for an additional and immediate payment from the employer to ensure that the amount paid is sufficient to meet the certified amount set out in the R&A certificate.

### Calculation

The Fund actuary will determine the prepayment amount required.

Where the prepayment is in respect of contributions expressed as a percentage of pay:

- The Fund actuary will determine the discounted value of scheduled contributions based on an estimate of payroll over the period (using the information available and assumptions set at the previous valuation) and the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- A sufficiency check will be required at the end of the period (see section 3.4)

Where the prepayment is in respect of contributions expressed as a monetary amount:

- The Fund actuary will determine the discounted value of scheduled contributions based on the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- No sufficiency check will be required

Employers may pay more than the prepayment amount determined by the Fund actuary.

No allowance for expected outsourcing of services will be made in the Fund actuary's estimation of payroll for the prepayment period.

### Sufficiency check

Where required, the Fund actuary will carry out an **annual** assessment to check that sufficient contributions have been prepaid in respect of that period. Specifically, this will review the prepayment calculation based on actual payroll of active members over the period and this may lead to a top-up payment being required from the employer.

If this sufficiency check reveals that the prepayment amount was higher than that which would have been required based on actual payroll (i.e. if actual payroll over the period is less than was assumed), this will not lead to a refund of contributions to the employer.

The sufficiency check will not compare the assumed investment return (i.e. the discount rate) with actual returns generated over the period. i.e. the check considers payroll only. Any shortfall arising due to actual investment returns being lower than that assumed will form part of the regular contribution assessment at the next valuation (as per the normal course of events).

The administering authority will notify the employer of any top-up amount payable following this annual sufficiency check and the date by which any top-up payment should be made.

### Documentation and auditor approval

The Fund will provide the employer with a note of the information used to determine the prepayment amount, including:

- Discount rate used in the calculations
- The estimate of payroll (where applicable)
- The effective date of the calculation (and the date by which payment should be made)
- The scheduled regular payments which the prepayment amount covers.

The prepayment agreement will be reflected in the R&A certificate as follows:

- The unadjusted employer regular contribution rate payable over the period of the certificate
- As a note to the contribution rate table, information relating to the prepayment amount and the discount applied, for each employer where a prepayment agreement exists.

The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.

Employers should discuss the prepayment agreement with their auditor prior to making payment and agree the accounting treatment of this. The Fund will not accept any responsibility for the accounting implications of any prepayment agreement.

### **Costs**

Employers entering into a prepayment agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority. These costs would be recharged to employers by the Fund.

### **Risks**

Employers may enter into prepayment agreements on the expectation that the Fund will be able to generate higher returns than they can over the prepayment period. Employers should be aware that future returns are not guaranteed, and it is possible that the returns generated on prepayment amounts may generate a lower return than that which can be generated by the employer. It is also possible that negative returns will lead to the value of any prepayment being less than that which was scheduled to be paid. In such circumstances, a top-up payment would not be required (as the sufficiency check only considers the effect of actual payroll being different to that assumed in the prepayment calculation), however the employer's asset share would be lower than it would have been if contributions were paid as scheduled. This would be considered by the Fund actuary at the next triennial valuation (as per the normal course of events).

### **F4 Related policies**

The Fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

## Appendix G - Policy on pass-through

Effective date of policy	1 April 2026
Next review	March 2029

### G1 Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the Fund on a pass-through basis. In addition, and subject to review on a case-by-case basis, the Fund may be willing to apply its pass-through principles to other admission bodies where liabilities are covered by a guarantor within the Fund.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the Fund's approach to admitting new contractors / admission bodies, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new contractors / admission bodies into the Fund.

### Background

Employees outsourced from local authorities, police and fire authorities must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007) and the Welsh Authority Staff Transfers (Pensions) Direction 2012. This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (e.g. the local authority) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

### Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the Fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the Fund.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.

## G2 Statement of principles

This statement of principles covers the admission of new contractors (or other admission bodies) to the Fund on a pass-through basis. Each case will be treated on its own merits, but in general:

- Employers which “**outsource**” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. There are typically **three different routes that such employers may wish to adopt**. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:
  - Pooling
    - Under this option the contractor is pooled with the letting authority. In this case, the contractor pays the same rate as the letting authority, which may be under a stabilisation approach.
  - Letting authority retains pre-contract risks
    - Under this option the letting authority would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff.
    - The contractor’s contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of exit credit (if any) payable on cessation would be determined by the Administering Authority in accordance with the Regulations and this FSS.
  - Fixed contribution rate agreed
    - Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and does not pay any deficit or receive an exit credit.
- The Fund’s preference and default approach is to use the pooling approach described above. However, the administering authority may be willing to administer any of the above options as long as the approach is documented in the admission agreement as well as the transfer agreement.
- Unless otherwise instructed by the letting authority, under the fixed contribution rate approach, the contractor’s pension contribution rate is set equal to the primary contribution rate payable by the letting authority.
- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, and longevity under its pass-through arrangement, irrespective of the size of the outsourcing.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations together with funding strains arising from excessive salary growth.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond.

- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the Fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the Fund, save for any outstanding regular contributions and/or invoices. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or letting authority).
- The terms of the pass-through agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

### **G3 Policy and process**

#### **Compliance**

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the Fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

#### **Contribution rates**

Where a contract is let on the basis of pass-through, as described above, the contribution rate payable by the contractor over the period of participation will be determined at the start of the contract in accordance with the agreed methodology (as discussed above) and this approach will apply throughout its participation in the Fund.

#### **Risk sharing and cessation valuation**

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the Fund.

A cessation valuation is required when a contractor no longer has any active members in the Fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the Fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore that no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations and/or in respect of excessive salary increases at the end of the contract.

Under a typical pass-through arrangement, the contractor will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

<b>Risks</b>	<b>Letting authority</b>	<b>Contractor/ Admitted body</b>
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual	✓	
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual	✓	
Price inflation affects past service liabilities	✓	
Price inflation / pension increases that affect future accrual	✓	
Exchange of pension for tax free cash	✓	
Ill health retirement experience	✓	
Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements))		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package	✓	
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund		✓
Award of additional pension or augmentation		✓

## Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (e.g. contractors paying a fixed rate are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the pension risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The administering authority expects employers to seek approval to the treatment of pension costs from their auditor.

## Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

## Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the contractor.

- **Tender Notification** - The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the Fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, the cost of benefit augmentations and excessive salary growth (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 3.2.
- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.
- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.
- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund.

- **Template admission agreement** – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.
- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the Fund can start to receive contributions from the contractor and its employee members (backdated if necessary).
- **Admitted body status** – The letting authority will advise the contractor of its requirements and responsibilities within the Fund.

### Costs

Contractors being admitted to the Fund under a pass-through agreement will be required to meet the cost associated with the agreed contribution rate, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

### G4 Related policies

The Fund's approach to setting regular employer contribution rates is set out in its Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

The treatment of new employers joining the Fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the Fund?"

The treatment of employers exiting the Fund is set out in the Funding Strategy Statement, specifically "Section 7 – What happens when an employer leaves the Fund?"

## Appendix H - Policy on contribution reviews

Effective date of policy	1 April 2026
Next review	March 2029

### H1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

### Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the Fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

### Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the Fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects statutory guidance from the Ministry of Housing, Communities and Local Government (MHCLG) on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board as well as the letter from MHCLG in March 2025 to all Administering Authorities regarding the Government's intention to consult on changes to the Regulations as they apply to revision of contribution rates.

### H2 Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the Fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustments certificate.
- An additional level of security or guarantee may be sought by the Fund, in certain circumstances.

### **H3 Policy**

#### **Circumstances for review**

The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner or later than anticipated at the last valuation;
- an employer is approaching exit from the Fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

#### **Employer requests**

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership). If the reason does not explicitly meet the criteria a contribution review will not take place.

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The administering authority will endeavour to complete any review within 3 months of request subject to receipt of satisfactory evidence. The administering authority will also monitor any change in an employer's circumstances on a regular basis following any change in contribution rate and may require further information from the employer to support this monitoring process.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

### **Impact on other employers**

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other Fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole Fund.

The administering authority will consult with other Fund employers as necessary.

### **Effect of market volatility**

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation. In particular, a contribution rate review will not be considered for local authority employers in order to manage surpluses in between formal triennial actuarial valuations.

### **Documentation**

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

**H4 Related policies**

The Fund's approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

## Appendix I - Policy on ill health risk management

Effective date of policy	1 April 2026
Next review	March 2029

### I1 Introduction

The purpose of this policy is to set out the administering authority's approach to managing the risk arising due to ill health retirements.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To explain the approach taken to manage ill health risk
- To specify circumstances where a review of experience may lead to additional contributions.
- To outline the key risks and benefits to this arrangement.

### Background

Additional liabilities can arise following the retirement of members due to ill health. These additional liabilities can include the unreduced early payment of pension benefits and the award of additional service. The level of pension benefits paid on ill health depends on the severity of the member's condition.

The LGPS Regulations require the additional liabilities to be funded by way of payments from employers. Payment of large lump sums to meet strains as and when they arise can lead to unexpected payments and put significant strain on employers' budgets. LGPS funds are able to put arrangements in place which mitigate the risk of having to pay a large cash sum due to an ill health retirement strain payment.

To mitigate this risk to smaller employers, and to evidence good governance and risk management, the administering authority has arranged for an external insurance policy to cover ill health early retirement strains for smaller employers in the Fund. Each of these employer's contributions to the Fund includes its share of that year's insurance premium. When an active member retires on ill health early retirement, the claim amount received from the insurer will be credited to the respective employer's asset share in the Fund.

For all other employers that are not covered by the external insurance policy, any funding strain in excess of the allowance made in the funding basis would be met through an increase to ongoing contributions.

### Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the benefits payable to members and the way in which additional benefits (such as those arising on ill health early retirement) should be funded. These include the following:

- Regulation 35 – permits the early retirement of pension on ill health grounds.
- Regulation 39 – sets out the calculation of the pension payable in the instance of ill health retirement.

- Regulation 68 – sets out the additional contributions payable by the employer to meet the liability strain caused by a member retiring through ill health.

## **I2 Statement of principles**

This statement of principles covers the external insurance arrangement in place to manage the risks created by ill health retirements for smaller employers, and the equivalent risks for larger employers not using the ill health insurance arrangement. In general:

- Employers will not be required to pay lump sum amounts to meet ill health retirement strains (in the normal course of events).
- Both Tier 1 and Tier 2 ill health retirement strains will be covered by this arrangement.
- For smaller employers in the Fund that are covered by external insurance:
  - Eligible employers are unable to opt out of this arrangement.
  - Each of these employer's contributions to the Fund includes its share of that year's insurance premium.
- For all other employers in the Fund:
  - Regular contribution rates will include the expected cost of assumed ill health retirements.
  - The Hymans Robertson Employer Asset Tracker (HEAT) system is used to track actual ill health experience.
  - Any funding strain in excess of the allowance made in the funding basis would ordinarily be met through an increase to ongoing contributions at the next triennial valuation. However, the Fund reserves the right to request immediate additional contributions in the event of material ill health strains during the period between valuations.

## **I3 Policy**

### **Purpose**

The purpose of this ill health risk management policy is to protect the Fund against adverse ill health retirement experience of individual employers.

### **Eligibility**

This policy applies to all employers in the Fund.

The 'smaller employers' (with under 60 active members) that are covered by external insurance.

### **Operation**

The policy works as follows:

- Assets shares for each employer are determined each month by Hymans Robertson, using the HEAT system and based on the monthly cashflows and asset information provided by the Fund.
- Contribution rates are set by the Fund Actuary every three years as part of the triennial valuation.

Primary contribution rates include allowance for the expected cost of assumed ill health retirements (expressed as a percentage of payroll).

This provides ongoing funding for the assumed level of ill health retirement strains.

**Smaller employers**

- Smaller employers in the Fund are covered by the ill health insurance arrangement.
  - When an active member retires on tier one or tier two ill health early retirement, a claim amount equal to the Fund-calculated strain cost for the retirement will be received from the insurer (assuming a valid claim) and credited to the respective employer's asset share in the Fund.
  - It is not guaranteed that the insurer will pay the claim, for example if it does not believe that the requirements for a tier one or tier two ill health retirement have been met.

**Other employers**

- Other employers in the Fund not covered by the ill health insurance arrangement.
  - Where the actual level of ill health retirement strains exceeds the assumed level, this will lead to a shortfall arising at the next triennial valuation for those employers not covered by the ill health insurance arrangement.

No immediate additional contributions will be required from employers to meet this shortfall, but this could increase the contribution requirement following the next triennial valuation.

- Similarly, where the actual level of ill health retirement strains is lower than the assumed level, this will lead to a surplus arising at the next triennial valuation.

No refund will be paid to employers as a result of this, but this surplus could lead to downwards pressures on contributions following the next triennial valuation.

**Review and additional contributions**

The administering authority will review the level of ill health experience across all employers at each triennial valuation.

If an employer has an unusually high incidence of ill health retirement over the previous inter-valuation period, the administering authority will engage with the employer to understand the reasons for this. In the event of concerns around the eligibility criteria applied by the employer in granting ill health retirements, this could lead to the need for the employer to pay additional contributions to the Fund.

**Costs**

The costs of operating this policy will be met by the Fund as part of its administration expenses.

**I4 Related policies**

The Fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

## Appendix J - Policy on cessations

Effective date of policy	1 April 2026
Next review	March 2029

### J1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the Fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the Fund's discretionary policies (as described in Section 3 – Policies below).

### Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the Fund.
- To provide information about how the Fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

### Background

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the Fund. On cessation from the Fund, the administering authority will instruct the Fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The Fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

### Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund ([Regulation 64](#)) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer
- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.

- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
  - a) Notify its intention to make a determination to-
    - (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer
    - (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
  - b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.
- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
  - a) The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
  - b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
  - c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
  - d) Any other relevant factors
- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.
- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.
- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.
- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the Fund from the exiting employer.
- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.
- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, [Regulation 25A](#) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the Transitional Regulations”)

give the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.

This policy also reflects statutory guidance from the Ministry of Housing, Communities and Local Government on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the Fund.

## **J2 Statement of principles**

This Statement of Principles covers the Fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the Fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.
- the Fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the Fund by the exiting employer.

The Fund's key objective is to protect the interests of the Fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

## **J3 Policies**

On cessation, the administering authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see 3.2 Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see 3.3 Exit credits below).

## **Approach to cessation calculations**

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the Fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Parc Cenedlaethol Eryri	Low risk basis <sup>1</sup>	Shared between other Fund employers
Other Scheduled Bodies	Low risk basis <sup>1</sup>	Shared between other Fund employers
Admission bodies (TABs)	Ongoing basis <sup>2</sup>	Letting authority (where applicable), otherwise shared between other Fund employers
Admission bodies (CABs)	Low risk basis	Shared between other Fund employers (if no guarantor exists)
Designating employers	Low risk basis	Shared between other Fund employers (if no guarantor exists)

<sup>1</sup>Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

<sup>2</sup>Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

### Risk based cessation approach

The fund uses a risk-based approach to set employer funding strategy, including within cessation calculations. In particular, the likelihood of the fund's assets achieving particular future investment returns is analysed.

Where appropriate, the Fund will use this approach to set an upper and lower amount (or "corridor") in order to consider the amount of assets a ceasing employer must leave behind to pay for its members' benefits. The lower and upper bounds will correspond to an 85% and 95% prudence level respectively.

Under this approach, an employer is deemed to have a deficit if its assets are below the lower amount and a surplus if its assets are above the higher amount (ie there will be no deficit or surplus if a ceasing employer's assets fall within the corridor).

### Repayment flexibility on exit payments

#### Deferred spreading arrangement (DFA)

The Fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the Fund's policy is:

- The agreed spread period is no more than three years, but the Fund could use its discretion to extend this period in extreme circumstances.

- The Fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The Fund will only consider written requests within six months of the employer exiting the Fund. The exiting employer would be required to provide the Fund with detailed financial information to support its request.
- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the Fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
- Where appropriate, cases may be referred to the Pensions Committee for consideration and considered on their individual merits. Decisions may be made by the Chair in consultation with officers if an urgent decision is required between Committee meetings.

### **Deferred debt agreement (DDA)**

As an alternative, where the ceasing employer is continuing in business, the Administering Authority may enter into a written agreement with the employer to defer its obligations to make an exit payment and continue to make secondary contributions (a 'Deferred Debt Agreement' as described in Regulation 64 (7A)).

The adoption of this approach will continue to expose the employer to stock market and other funding risks during the deferment period, leading to changes in the size of the debt, rather than crystallising the size of the debt at the point of cessation.

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the DDA.

- The Administering Authority may consider a DDA in the following circumstances:
- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrolls new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the administering authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on its low risk basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed de minimis level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the employer pays its outstanding cessation debt on its cessation basis)

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

### **Exit credits**

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors.

- a) the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.

- b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
- c) any representations to the administering authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
- d) any other relevant factors

The Fund will consider the following principles as part of the determination process. However, it is important to bear in mind that each and every potential exit credit case will be determined by the administering authority on its own merits, and the administering authority will make its discretionary decision on that basis.

### **Admitted bodies**

- i. No exit credit will normally be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the fund.
- ii. No exit credit will normally be payable to any admission body who participates in the fund via a pass-through approach. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph iii) below.
- iii. The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund. The Fund will also consider any representations made by the letting authority/awarding authority/ceding employer regarding monies owed to them by the admission body in respect of the contract that is ceasing or any other contractual arrangement between the two parties. The letting authority/awarding authority/ceding employer must make such representations in a clear and unambiguous document within one month of the admission body ceasing participation in the Fund.
- iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in iii) above, the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.
- v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- vi. If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit

payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

- vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.
- viii. The decision of the Fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

#### **Scheduled bodies and designating bodies**

- i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- ii. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- iii. The decision of the Fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.
- iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.
- v. If a scheduled body or designating body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

#### **General**

- i. The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.
- ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.
- iii. The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.
- iv. The final decision will be made by the pension manager, in conjunction with advice from the Fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.
- v. The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.
- vi. The guidelines above at point v) in the 'Admitted bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 1 (section

2.2) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

- vii. None of the above should be considered as fettering the Fund's discretionary decision, instead it is an indication of how decisions are likely to be made.

### **Disputes**

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

### **J4 Practicalities and process**

#### **Responsibilities of ceasing employers**

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the administering authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

#### **Responsibilities of administering authority**

The administering authority will:

- gather information as required, including, but not limited to, the following:
  - details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
  - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
  - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).

- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

#### **Payment of an exit credit**

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.
- At the time this policy was produced, the Fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

#### **Responsibilities of the actuary**

Following commission of a cessation valuation by the administering authority, the Fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining Fund employers, including any residual effects to be considered as part of triennial valuations.

#### **J5 Related policies**

The Fund's approach to exiting employers is set out in the FSS, specifically "Section 7 – What happens when an employer leaves the Fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix E of the FSS.

MEETING:	<b>PENSION COMMITTEE</b>
DATE:	<b>16<sup>th</sup> MARCH 2026</b>
TITLE:	<b>REVISED INVESTMENT STRATEGY STATEMENT</b>
PURPOSE:	<b>Adopt the Investment Strategy Statement</b>
RECOMMENDATION:	<b>ADOPT THE STRATEGY</b>
AUTHOR:	<b>DELYTH JONES-THOMAS, INVESTMENT MANAGER</b>

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## **1. INTRODUCTION**

- 1.1** The Fund is required to publish an Investment Strategy Statement (ISS). The Statement has been reviewed following the triennial valuation of 31 March 2025.

## **2. REVISED INVESTMENT STRATEGY STATEMENT**

- 2.1** This ISS has been prepared in consultation with the Fund's Investment Advisors, Hymans Robertson.

There is a requirement to prepare and maintain an ISS which documents how the investment strategy for the Fund is determined and implemented. The ISS is required to cover a number of areas, specifically:

- the requirement to invest money across a wide range of investments
- an assessment of the suitability of particular investments and investment types
- the maximum percentage authorities deem should be allocated to different asset classes or types of investment, although limits on allocations to any asset class are not prescribed as is currently the case under the 2009 Regulations
- the authority's attitude to risk, including the measurement and management of risk
- the authority's approach to investment pooling
- the authority's policy on social, environmental and corporate governance considerations
- the authority's policy with regard to stewardship of assets, including the exercise of voting rights

**2.2** The ISS has been updated to reflect the strategic asset allocation approved by the Committee in November 2025, and to incorporate the new role of the WPP Investment Management Company.

**2.3** The ISS is in Appendix A.

**3. RECOMMENDATION**

The Investment Strategy Statement is adopted.

# Gwynedd Pension Fund – Investment Strategy Statement

This is the Investment Strategy Statement ('the Statement') of the Gwynedd Pension Fund ('the Fund'), which is administered by Cyngor Gwynedd ('the Administering Authority'). This Statement has been made in accordance with Section 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ('the Regulations') as amended.

The Statement has been prepared by the Fund's Pension Committee ('the Committee') having taken advice from the Fund's Investment advisor ('Hymans Robertson'). From 1<sup>st</sup> April, the Fund will be required to take its primary advice from the Pool, Wales Pension Partnership IM Co ('WPP'). The Committee acts on the delegated authority of the Administering Authority.

The Statement, which was approved by the Committee on 16 March 2026 is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the Fund's Investment Strategy Statement any Fund money that is not needed immediately to make payments from the Fund. This Statement should be read in conjunction with the Fund's Funding Strategy Statement effective 1 April 2026.

## **Fund objective**

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

## **Funding principles**

The Committee aims to fund the Fund in such a manner that in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets, that investment risk and return are targeted at an adequate level, and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Fund's funding position is being reviewed at least at each triennial actuarial valuation, or more frequently as required.

## **Suitability of investments**

### **Investment strategy**

The investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

The approach that the Fund has taken to setting an appropriate investment strategy is set out below.

The Fund carried out an asset liability modelling exercise in conjunction with the 2025 actuarial valuation. A number of different contribution rates and investment strategies were modelled, and the future evolution of the Fund considered under a wide range of different scenarios. The Committee considered the chances of the Fund being fully funded at the end of the projection period, and

considered the level of downside risk in the various strategies by identifying the lower funding levels which might emerge in the event of poor outcomes.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred, and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

The Committee monitors the investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- The Fund’s level of funding and liability profile
- The outlook for asset returns
- The level of expected risk
- Environmental, Social, and Governance (ESG) factors.

### Strategic asset allocation

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee’s views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund’s liabilities.

Asset class	Strategic asset allocation (%)	Tolerance range (+/-%)
Listed equity	35.0	+/- 5.0
Private equity	5.0	n/a
Private credit	7.5	n/a
Property/Real estate	10.0	n/a
Infrastructure	7.5	n/a
Other alternatives <sup>1</sup>	5.0	n/a
Credit <sup>2</sup>	27.5	+/- 3.0
UK government bonds	2.5	+/- 2.5
Cash	0.0	+/- 2.5
<b>Total</b>	<b>100.0</b>	<b>n/a</b>

1. Other alternatives are investments that do not fit in any other asset classes (including natural capital).

2. Credit comprises credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds (e.g. absolute return bonds, multi-asset credit).

The strategic asset allocation reflects a long-term target which will take time to reach as private investments draw capital. In the meantime the Fund will be overweight to listed equities, credit and cash, which will be reduced over time to fund new investments in private markets investments,

notably property, infrastructure, private credit and natural capital. As a result, the Fund does not seek to adhere to the tolerance limits during this process. Further information is set out in the 'Cashflow' section below.

Tolerance ranges have been set under advice from the Fund's investment advisers. Factors taken into account by the Committee in its decision-making process include:

- The materiality of under- and overweight positions
- Any asset transitions that have already been scheduled
- Market views on the relative attractiveness of different asset classes
- Liquidity and transaction costs
- The Committee's confidence in the managers' and the Pool's ability to meet performance targets, informed by manager ratings provided by the Fund's investment adviser.

The Committee reviews the asset allocation and tolerance ranges at each quarterly meeting. The review is based on the latest available investment performance reporting provided by the Pool and legacy investment managers, supported by more up to date information where available.

The Committee expects to be notified by the Pool if the tolerance range for any asset class should be breached.

#### Local investment

The Committee aims initially to invest up to 2% of the total value of the Fund's assets in investments that have a quantifiable benefit to the local area covered by the Administering Authority and the economic development of the region. This relates to a portion of the 10% target allocation to property, as the Committee recognises that it is most straightforward to assess if real assets are regionally located, and in line with solutions offered by the Pool. The Committee will continue to work with the Pool to establish an approach for other asset classes, and taking into account the economic priorities/growth plans of the strategic authority and those of the Pool's partner funds.

#### Expected returns

The Committee aims to achieve a return on the Fund's investments that is materially above the discount rate used by the actuary to value the liabilities (5.9% p.a. for 31 March 2025 valuation). In setting the investment strategy the Committee aims to maintain a strong funding level and mitigate future volatility in employer contribution rates, supported by asset-liability modelling.

The long-term asset class returns assumed by the Fund as at 31 March 2025 were as follows:

Asset class	Median expected return over 17 years (% p.a.)
Listed equities (Global)	8.8
Listed equity (UK)	8.5
Listed equity (Emerging markets)	8.7
Private equity	10.2

Private credit	9.0
Property / real estate (UK)	7.4
Infrastructure	8.4
Other alternatives (Natural capital)	9.3
Credit (Corporate bonds)	5.9
Credit (Absolute return bonds)	5.4
Credit (Multi-asset credit)	7.7
UK Government Bonds	6.2
Cash	4.7
Total Fund	8.6

Median expected return refers to the middle outcome from a distribution of simulated investment returns, i.e. half the simulated outcomes are higher than the median, half are lower.

These returns reflect financial conditions as at 31 March 2025.

At 31 March 2025, the expected volatility of the investment strategy was 10.6% p.a.

This volatility includes an assumed diversification benefit. In the absence of this diversification, the expected volatility would have increased by 3.5% p.a.

Further details on the Fund's risks, including the approach to mitigating these risks, is included further down in this document.

## Statement on diversification

### Asset classes

The Pool may invest on behalf of the Fund in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Pool may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The strategic asset allocation and tolerances table above details the maximum percentage of total Fund value that the Fund aims to invest in each asset class. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The Fund invests across a range of asset classes covering both regulated and unregulated markets. The exposure to unregulated markets is made up of investments in private markets. These types of

investments enable the Fund as a long-term investor to benefit from the diversification and illiquidity premium these assets provide.

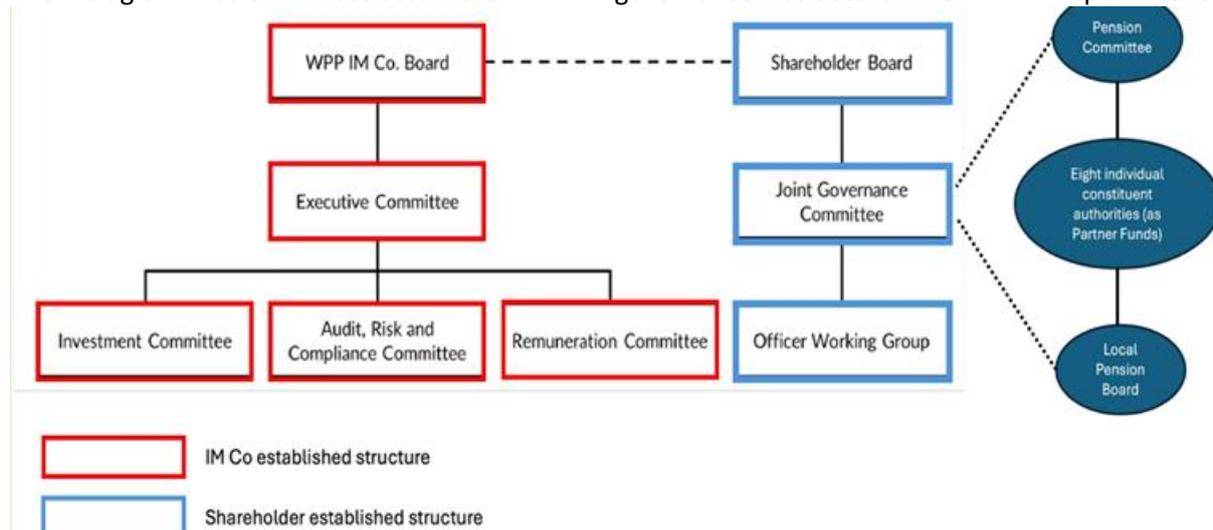
### Managers

By law, the Pool must be authorised by the Financial Conduct Authority to perform relevant regulated investment activities on behalf of the Fund. In addition, the Committee expects any investment managers appointed by the Pool to be authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee expects the Pool to agree specific benchmarks with each manager the Fund’s assets are invested with so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund’s investment managers will be expected to hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will be expected to maintain diversified portfolios through direct investment or pooled vehicles. Managers of index-tracking funds in which the Fund’s assets are invested in are expected to hold a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

It is expected that the Pool will report quarterly to the Committee on how managers and the Pool itself are performing in relation to the targets and expectations set for them. Interim arrangements may be put in place until the Pool is in a position to provide this service to the Committee.

The diagram below illustrates the WPP governance structure from 1<sup>st</sup> April 2026:



The Shareholder Board exists to exercise the rights of the Constituent Authorities as owners of the Investment Management Company ('IM Co') (e.g. appointment and removal of senior IM Co Directors,

approval of IM Co budget, approval of remuneration policy, etc) and will consist of S151 or senior LGPS officers from all eight Constituent Authorities. The Shareholder Board will be supported by the Joint Governance Committee and Officers Working Group, comprising of elected members, scheme member representative and officer representatives from all eight Constituent Authorities. The Constituent Authorities remain involved in all aspects of WPP's governance structure. There will also be two shareholder representatives sitting on the IM Co Board.

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.

There is also a Shareholder Agreement and Client Services Agreement in place. The Shareholder Agreement details the relationship between the IM Co and Constituent Authorities, as shareholders, and regulates the operation and management of the Company. The Client Service Agreement details the terms and conditions of services to be provided by the IM Co for the Constituent Authorities.

### **Restrictions on investment**

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Committee's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various risks involved. The Committee consider rebalancing the asset portfolio on a quarterly basis to maintain the asset split in line with the agreed interim and long-term asset allocation targets, or otherwise take appropriate steps to reach the targets (for example, building up or winding down allocations to less liquid private market funds). Therefore, it is not considered necessary to set additional restrictions on investments.

### **Risks**

The Committee is aware that the Fund needs to take a degree of risk (e.g. investing in growth assets) to help it achieve its funding objectives. The Committee has an active risk management programme in place that aims to help it identify the risks being taken and it has put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary.

The risk metrics identified by the Fund as part of asset-liability modelling are set out in the Funding risks section which follows.

The principal risks affecting the Fund are set out below, together with the Fund's approach to managing these risks and the contingency plans that are in place, as applicable.

A separate schedule of the risks the Fund actively monitors is set out in the Fund's Funding Strategy Statement.

### **Funding risks**

The main funding risks affecting the Fund are:

- Financial mismatch – The risk that the Fund's assets fail to grow in line with the cost of meeting its liabilities.
- Demographic changes – The risk that improved longevity and developments in other demographic factors increase the cost of providing benefits.

- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting the Fund’s liabilities.

The Committee manages financial mismatch in two ways:

1. The strategic benchmark for the Fund was set taking into account asset-liability modelling which assessed the likelihood of remaining fully funded at the end of a 17 year projection period and a risk measure based on the likelihood of an increase in contribution rates being required at the next actuarial valuation in 2028. This analysis reflects the agreed level contributions and is based on financial conditions as at 31 March 2025. The analysis is being revisited every three years in line with the actuarial valuation cycle.
2. The Committee assesses risk relative to that benchmark by monitoring the Fund’s asset allocation and investment returns against the benchmark.

The Committee keeps mortality and other demographic assumptions which could influence the cost of benefits under review. These assumptions are considered formally at triennial valuations.

The Committee seeks to mitigate systemic risk through a diversified portfolio. However, the Committee recognises that it is not possible to make specific provisions for all possible eventualities that may arise.

### Asset risks

The main asset risks affecting the Fund are:

- Concentration risk – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulty achieving the Fund’s funding objective.
- Liquidity risk – The risk that the Fund is unable to meet its immediate liabilities due to a lack of liquid assets.
- Currency risk – The risk that the currency in which the Fund’s assets are denominated underperforms relative to Sterling (the currency in which the liabilities are denominated).
- Manager performance risk – The failure by the Pool, or asset managers appointed by the Pool to achieve the rate of investment return assumed in setting their mandate.
- ESG risks – The extent to which ESG considerations are not reflected in asset prices and/or have not been considered in investment decision making, leading to financial underperformance relative to expectations.
- Climate change-related risks – The extent to which climate change causes a material deterioration in the value of the Fund’s assets as a consequence of factors including, but not limited to, transition policy changes and physical impacts.

The Fund’s strategic asset allocation benchmark targets investment in a diversified range of asset classes. Tolerance ranges set by the Committee aim to ensure the Fund’s ‘actual’ allocation does not deviate substantially from its target. The Fund aims to invest assets in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk.

By considering more liquid assets such as quoted equities and bonds, the Committee recognises the need and ensures the Fund's ability to access sufficient level of funds in the short term to pay out benefits.

The Committee assesses the Fund's currency risk as part of its risk analysis processes. The Committee aims to invest in a range of overseas markets in order to provide a diversified approach to currency markets.

The Committee attempts to reduce the risk of underperformance by any single manager by aiming for the Fund's assets to be invested with a range of managers and having a significant proportion of the Fund's assets managed on an index-tracking basis. The Committee also assesses the managers' performance on a regular basis, and will take adequate steps, including requesting managers be replaced in the case of persistent underperformance.

The Committee addresses ESG and climate change-related risks through a thoughtfully crafted investment strategy considering policy horizon scanning as well as available data and research, in order to target sustainable growth opportunities.

### Other provider risks

Further third-party risks affecting the Fund are:

- Transition risk – The risk of occurring unexpected costs in relation to the transition of assets among managers
- Custody risk – The risk of losing economic rights to the Fund's assets or outright loss of the assets while held in custody or being traded
- Credit default risk – The possibility of default of a counterparty in meeting its obligations

The Committee manages risks in these areas through a process of regular scrutiny of the appointed service providers including the Pool and audit of the operations conducted in the name of the Fund. In cases where management of specific risks has been delegated to service providers (e.g. custody risk in relation to pooled funds), the Committee actively monitors how the relevant service providers exercise the responsibilities delegated to them and will replace providers should serious concerns arise.

The Fund has appointed Northern Trust as its custodian.

### Cashflow

The Committee aims to maintain a minimum cash buffer of up to £40m, maintained currently in a Fund bank account, available on an ongoing basis to meet cashflow needs such as member benefit payments, and meeting capital commitments in the asset portfolio (e.g. over the valuation period to account for a higher-than-expected growth in liabilities).

This buffer will be reassessed on a regular basis to cater for situations where benefit payments are higher than originally expected (e.g. where pension increases are higher than originally expected or material transfer values need to be paid).

On a regular basis, and following the triennial valuation, Fund undertakes an exercise to assess the cashflow requirements of the Fund, and levers available to best meet changing cashflow needs as the maturity of the Fund evolves. This work was supported by the Fund Actuary and Investment Advisor.

The Fund commits to private market investments in line with its strategic asset allocation. These investments draw capital and pay distributions over time. The Fund has made commitments to work towards the long term target allocation, and has developed a liquidity and cashflow approach of investing capital that is earmarked for investment in private market funds across listed equity (75%) and listed bonds and cash (25%), as to reduce risk of the Fund being a 'forced seller' of growth assets in adverse market conditions. Listed equity and bonds are invested via Pool solutions.

Currently, cash is held outside the Pool in a bank account that accrues interest and is managed by Officers. In this way, the Fund maintains limited cash holdings outside the Pool while ensuring its operational needs are being met.

### **Responsible investment (RI)**

The Committee recognises its responsibility as an asset owner and steward of capital over the long term, and oversees responsibilities delegated to service providers as part of its fiduciary duty.

The Committee also recognises that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. In particular, the Committee acknowledges that climate change presents a particular risk to the financial stability of the global economy and has the potential to impact the Fund's investments. As such, climate change represents a long-term financial risk to the Fund and its holdings.

The Committee considers the Fund's approach to responsible investment in two key areas:

- **Sustainability** – Ensuring the financial impact of ESG factors on investments is being considered.
- **Stewardship and governance** – Ensuring the Pool acts as a responsible and active investor and/or asset owner through considered voting of shares and engagement with investee company management and service providers as part of the investment process, and that it is being held to account by the Committee for its actions in these areas.

The Committee maintains a [Responsible Investment Policy](#) setting out the objective and priorities of the Fund in relation to responsible investment, and how it expects the Pool and investment managers to incorporate ESG factors in the selection and ongoing management of investments, in addition to the Fund's stewardship practices. The Committee has also developed a set of Responsible Investment beliefs which are set out in the appendices and also in the RI policy.

The Pool maintains its own Responsible Investment Policy, which has been developed in consultation with the Pool's partner Funds. The Pool has appointed an engagement and voting services provider, Robeco.

The Committee have agreed the following set of RI investment beliefs:

- In accordance with the Committee's fiduciary duty, financial considerations should carry more weight than ESG considerations when making investment decisions, even though ESG matters can materially affect risk and returns. Therefore, ESG factors should be embedded in the investment process and in the decision-making processes of managers appointed by the Fund and by WPP.
- The Fund's Committee will seek to invest in sustainable assets, including investing within the Wales area when non-financial investments can derive from this, on condition that they satisfy the requirements of the fiduciary duty.

- The Committee accepts that it has a duty to be a responsible investor. It is expected that consulting with companies, rather than avoiding investing, will be more effective in changing corporate behaviour and reducing risk. Wherever possible, collaborative action (such as that taken via Local Authority Pension Fund Forum (LAPFF) membership and commissioned from Robeco alongside WPP partners) provides the most successful route to influence outputs.
- As a long-term investor, the Fund is vulnerable to systemic risks such as climate change and the expectation of a transfer to a low carbon economy. Financial outcomes can be improved through managing how open to such risks the Fund is.
- Shareholder comprehension and outcomes can be improved through providing transparency at each step of the value-adding chain.
- Training and education are likely to form a key element in developing the Fund and its Committee position on ESG-related matters.

To date, the Fund's approach to social investments has largely been to delegate this to their underlying investment managers as part of their overall efforts to incorporate ESG considerations in investment decision-making.

The Pool is expected to report on RI activities as part of the Fund's annual ESG review (e.g. reporting on voting and engagement, and ESG-related metrics where possible).

At the present time, the Committee does not prioritise non-financial factors when selecting, retaining, or realising its investments.

The Fund has established a net zero ambition of aligning its investment portfolio with the objectives of the 2016 Paris Agreement by 2050 and will assess the feasibility of an earlier date, and recognises that the way in which the Fund's assets and liabilities are affected by climate change may evolve over time.

### Voting and engagement

The Committee expects the Pool to act as an active and responsible investor by commissioning considered voting on behalf of the Fund in its capacity as manager of the Fund's assets. The Committee regularly assesses the voting policies and guidelines issued by the Pool (and delegated investment managers) to ensure that these are in line with the Committee's responsible investment policies and objectives. The Committee provides input to and monitoring of the Pool's RI policies including in relation to voting and engagement through appropriate Officer groups. Managers and the Pool are strongly encouraged to vote in line with the agreed guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitors the voting decisions made on its behalf on a regular basis.

In addition, Robeco has been appointed to assist the Pool in exercising its voting rights in line with the interest of its stakeholders and engaging with investee companies to enhance the long-term value of partner funds' investments within the Pool.

The Committee supports engagement activity (including engagement activity by the Pool) that seeks to:

- Achieve greater disclosure of information on the ESG-related risks that could affect the value of investments
- Achieve transparency of an investment's carbon exposure and how companies are preparing for the transition to a low carbon economy

- Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

The Gwynedd Pension Fund takes its responsibilities as a shareholder and steward of capital seriously. It seeks to adhere to the UK Stewardship Code, though is not a signatory, and encourages the Pool and its appointed investment managers to do so too. Stewardship is seen as part of the responsibilities of share ownership, and therefore an integral part of the investment strategy. In addition, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

Prepared by:

Delyth Jones-Thomas, Rheolwr Buddsoddi / Investment Manager

Cyngor Gwynedd

4 March 2026

## Appendices

### Appendix A – Responsible Investment Beliefs

The Committee has also developed a set of Responsible Investment beliefs which are set out below and also in the Fund's [Responsible Investment Policy](#).

The Committee have agreed the following set of investment beliefs in relation to Responsible Investment:

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

### Appendix B – Responsible Investment policy

The Fund's RI policy can be found online here: [Responsible Investment Policy 2022](#).

### Appendix C – Wales Pension Partnership

Further information on the Pool can be found online here: [Wales Pension Partnership](#) and [Wales Pension Partnership Investment Management Company](#).

MEETING:	<b>PENSIONS COMMITTEE</b>
DATE:	<b>16 MARCH 2026</b>
TITLE:	<b>TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2026/27</b>
PURPOSE:	<b>To ask the Pensions Committee to adopt the strategy and confirm pooling arrangements</b>
RECOMMENDATION:	<b>RECEIVE THE REPORT FOR INFORMATION</b>
AUTHOR:	<b>DELYTH JONES-THOMAS, INVESTMENT MANAGER</b>

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## **1. THE PENSION FUND'S INVESTMENT STRATEGY**

In accordance with the Welsh Assembly Government's Statutory Guidance on Local Government Investments, which requires an authority to produce an Annual Investment Strategy, it is considered best practice for the Gwynedd Pension Fund (the "Fund") to adopt Cyngor Gwynedd's Treasury Management Strategy Statement (TMSS) for 2026/27, as amended for the purpose of the Pension Fund (which is attached as Appendix A). Cyngor Gwynedd's TMSS for 2026/27 was approved by the full Council on 5<sup>th</sup> March 2026.

## **2. THE PENSION FUND'S CASHFLOW**

The Fund has net inflows from its dealings with its members, so in any month, the income from contributions and transfers-in significantly exceeds the pensions, transfers out and costs paid out. Once there is sufficient surplus cash, it is transferred to one or more of the Fund's investment managers. Normally up to around £10 million is held back for cashflow purposes, in particular in respect of pension payments and funding calls from the private equity funds. However in the past, due to known commitments, there have been times when the surplus cash held in the Fund's bank accounts with Cyngor Gwynedd has been over £80 million.

## **3. POOLING IN ORDER TO MAXIMISE RETURNS**

Currently all the Fund's surplus cash is pooled with the cash balances of Cyngor Gwynedd and invested with counterparties in accordance with Cyngor Gwynedd's Treasury Management Strategy Statement. 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. This can continue if the Pensions Committee requests that the Pension Fund's surplus cash balances are pooled with the Council's cash balances. It is apparent that by pooling, the Fund can take advantage of economies of scale, and as a result can attract better interest rates, reduce bank costs and avoid the duplication of work within the Council. The report approved by the full Council included agreement to continue the pooling arrangement with the Pension Fund following any request from the Pensions Committee.

#### **4. RECOMMENDATIONS**

- 4.1 The Pensions Committee is asked to adopt the attached Treasury Management Strategy Statement for 2026/27, as amended for the Gwynedd Pension Fund (Appendix A).
- 4.2 The Pensions Committee is also asked to make a request to the Council (even though it is not a separate body) to allow the Pension Fund's surplus cash balances to be pooled with the Council's general cashflow from 1 April 2026 onwards.

## Treasury Management Strategy Statement 2026/27

### 1. Introduction

- 1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019 that requires the Council to approve an investment strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.
- 1.3 In accordance with the WG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, change in the Council's capital programme or in the level of its investment balance, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process.

### 2. External Context

#### 2.1 Economic background

The most significant impacts on the Council's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.

The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that

disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.

Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.

CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall, to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.

The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.

The US Federal Reserve also continued to cut rates, including reducing the target range for the Federal Funds Rate by 0.25% at its December 2025 meeting, to 3.50%-3.75%, in line with expectations. The minutes of the meeting noted that most Fed policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.

The European Central Bank (ECB) kept its key interest rates unchanged in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

## **2.2 Credit outlook**

Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly during October and November, the overall credit outlook

remains stable, and credit conditions are expected to remain close to the range seen over the past two years.

While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the Council's treasury management advisor) Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.

### **2.3 Interest rate forecast (December 2025)**

Arlingclose currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the BoE MPC meeting held on 18th December.

Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

A more detailed economic and interest rate forecast provided by Arlingclose is attached in **Appendix 1**.

- 2.4** For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 3.0%.

## **3. Treasury Investment Strategy**

- 3.1** The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held on behalf of the Council, Gwynedd Pension Fund and UKSPF grant. In the past 12 months, the Council's investment balance has ranged between £74.3 and £194.8 million, and similar levels are expected to be maintained in the forthcoming year.

### **3.2 Objectives**

Both the CIPFA Code and the WG Guidance require the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield. The Council's

objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

### **3.3 Strategy**

As demonstrated by the liability benchmark above, the Council expects to be a long-term investor and treasury investments will therefore include both short-term low-risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

### **3.4 Environmental, social and governance (ESG) considerations**

Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, and the Council is committed to being a responsible investor. The Council will actively seek to invest in organisations that minimise their impact on the world in consideration of environmental, social and governance factors when placing any investments with current or new counterparties. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

### **3.5 Business models**

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

### **3.6 Approved counterparties**

The Council may invest its surplus funds with any of the counterparty in table 3 below subject to the cash limits (by counterparty) and the time limits shown.

**Table 1: Approved investment counterparties and limits**

<b>Sector</b>	<b>Time limit**</b>	<b>Counterparty limit</b>	<b>Sector limit</b>
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments – government collateral	25 years	£10m	Unlimited
Secured investments – other collateral	10 years	£5m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£25m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£50m
Real estate investment trusts	n/a	£10m	£25m
Other investments *	5 years	£5m	£10m

This table must be read in conjunction with the notes below.

\* **Minimum Credit rating**-Treasury investments in the sectors marked with a \* will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

\*\* **Time limit** – These start on the earlier of the date that the Council is committed to make the investments and the date that cash is transferred to the counterparty.

### **3.7 UK Government**

Sterling denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury

bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

### **3.8 Local authorities and other government entities**

Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

### **3.9 Secured investments**

Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments. A higher limit applies for investments fully secured on UK or other government collateral.

### **3.10 Banks and Building Societies (unsecured)**

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

### **3.11 Registered providers (unsecured)**

Loans to, and bonds issued or guaranteed by, registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

### **3.12 Money Market Funds**

Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

### **3.13 Strategic Pooled funds**

Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

### **3.14 Real Estate Investment Trusts**

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

### **3.15 Other investments**

This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

### **3.16 Operational bank accounts**

The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £900,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

### **3.17 Risk assessment and credit ratings**

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

### **3.18 Reputational aspects**

The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

### **3.19 Other information on the security of investments**

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall, but will protect the principal sum invested.

### 3.20 Investment limits

The Council's revenue reserves available to cover investment losses are forecast to be £109 million on 31<sup>st</sup> March 2026. In order that no more than 9.2% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £500,000 in operational bank accounts count against the relevant investment limits.

Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

**Table 2: Additional limits**

	<b>Cash limit</b>
Any group of pooled funds under the same management	£20m per manager
Investments held in a broker's nominee account	£20m per broker
Foreign countries	£8m per country

### 3.21 Liquidity management

The Council uses prudent cash flow forecasting techniques to determine the maximum period for which funds may prudently be committed. The forecast is compiled on the basis that short-term borrowing is used to cover its financial commitments if required. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds), of which at least two will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## 4. Treasury Management Prudential Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

#### 4.1 Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

<b>Credit risk indicator</b>	<b>Target</b>
Portfolio average credit score	6.0

#### 4.2 Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

<b>Liquidity risk indicator</b>	<b>Target</b>
Total cash available within 3 months	£10m

#### 4.3 Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

<b>Interest rate risk indicator</b>	<b>Limit</b>
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£1,105,508
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1,105,508

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

#### 4.4 Long- term treasury management investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long- term treasury management investments will be:

<b>Price risk indicator</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>No fixed date</b>
Limit on principal invested beyond year end	£40m	£20m	£20m	£20m

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

## **5. Related Matters**

**5.1** The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.

### **5.2 Financial Derivatives**

Local authorities could have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 24 of the Local Government and Elections (Wales) Act 2021 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

### **5.3 External Funds**

Included within the Council balances are the balances for Gwynedd Pension Fund and Welsh Church Fund. The interest income is allocated to each institution based on daily balances.

### **5.4 Markets in Financial Instruments Directive**

The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Finance believes this to be the most appropriate status.

## **6. Welsh Government Guidance**

Further matter required by the Welsh Government Guidance are included in **Appendix 3**.

## **7. Financial Implications**

- 7.1** The budget for investment income in 2026/27 is £1.0 million based on an average investment portfolio of £32.6 million at an interest rate of 3.0% for deposits and £13 million of pooled funds at a return of 3.7. If actual levels of investments, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

## **8. Other Options Considered**

- 8.1** The CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

## **Appendix 1 – Arlingclose Economic & Interest Rate Forecast December 2025**

### **Underlying assumptions:**

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

### **Forecast:**

- In line with our long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.

- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly and we expect yields to remain higher.

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.82	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>10yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>20yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.95	4.95	4.95
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>50yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

PWLB Standard Rate = Gilt yield + 1.00%  
PWLB Certainty Rate = Gilt yield + 0.80%  
PWLB HRA Rate = Gilt yield + 0.40%  
National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

## Appendix 2- Existing Investment & Debt Portfolio Position

	31.12.2025 Actual Portfolio £m	31.12.2025 Average Rate %
<b>Treasury investments:</b>		
Bank and Building Societies (unsecured)	1.2	3.15
The UK Government	39.0	3.80
Local Authorities	36.5	4.18
Money Market Funds	41.0	3.91
Pooled funds	13.0	5.69
<b>Total treasury investments</b>	<b>130.7</b>	<b>4.13</b>

### **Appendix 3 – Additional requirements of Welsh Government Investment Guidance**

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities that are not integral to this Council's treasury management processes. The guidance also covers investments that are not part of treasury management, for example investment property and loans to local organisations.

**Contribution:** The Council's investments contribute to its service delivery objectives and/or to promote wellbeing as follows:

- treasury management investments support effective treasury management activities,
- loans to local organisations provide financial support to those organisations to enable them to deliver local public services that would otherwise be provided directly by the Council, and
- investment property provides a net financial surplus that is reinvested into local public services.

**Climate change:** The Council's investment decisions consider long-term climate risks to support a low carbon economy to the extent that if a low carbon investment equivalent is available with the same return, then the low carbon investment would be preferred by the Council.

**Specified investments:** The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement unless the counterparty is a local authority,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

**Non-specified investments:** Any financial investment not meeting the definition of a specified investment or a loan is classed as non-specified. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. Limits on non-specified investments are shown in table 3b; the Council confirms that its current non-specified investments remain within these limits.

Table 3b: Non-specified investment limits

	Cash limit
Units in pooled funds without credit ratings or rated below A-	£20m
Shares in real estate investment trusts	£10m
Total non-specified investments	£30m

**Non-financial investments:** This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. Security is determined by comparing each asset's purchase price to its fair value using the model in International Accounting Standard 40: Investment Property as adapted by proper practices. On an assessment as at 31<sup>st</sup> March 2025, the Council considers that the scale of its non-financial investments as not significant.

**Liquidity:** For financial investments that are not treasury management investments, or loans, the Council has procedures in place to ensure that the funds are prudently committed for a maximum period of time.

**Investment advisers:** The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is monitored by the Head of Finance and the Investment Manager on a regular basis.

**Borrow in advance of need:** Welsh Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council, after having regard the guidance, has decided to depart from explicit provision.

**Commercial deals:** In the event of a commercial deal, the individuals making the deal are aware of the core principles of the prudential framework and of the regulatory regime within which the Council operates.

**Capacity, skills and corporate governance:** Elected members and officers were invited to a presentation by Arlingclose in February and March 2025. The information and discussion at the presentation ensures that the members have the appropriate skills and information to enable them to:

- Take informed decisions as to whether to enter into a specific investment.
- To assess individual assessments in the context of the strategic objectives and risk profile of the Council
- Understand how the quantum of these decisions have changed the overall risk exposure of the local authority

Officers also regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, ACA and other appropriate organisations.

MEETING:	<b>PENSIONS COMMITTEE</b>
DATE:	<b>16 MARCH 2026</b>
TITLE:	<b>WALES PENSION PARTNERSHIP BUSINESS PLAN</b>
PURPOSE:	<b>To approve the Business Plan</b>
RECOMMENDATION:	<b>APPROVE THE BUSINESS PLAN</b>
AUTHOR:	<b>DELYTH JONES-THOMAS, INVESTMENT MANAGER</b>

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## **1. INTRODUCTION**

The Wales Pension Partnership has updated its Business Plan and requires approval from the individual committees within the partnership.

The Business Plan has been presented to you annually, but this year's plan is a transitional business plan for the first year of IM Co when it is operational. This document will be formally monitored, reviewed and agreed annually.

The Business Plan was approved by the Joint Governance Committee on the 10th March 2026.

## **2. NEW WALES PENSION PARTNERSHIP ARRANGEMENTS**

The Constituent Authorities are the shareholders and clients of the Investment Management Company (WPP IM Co), an independent company regulated by the Financial Conduct Authority (FCA). WPP IM Co has its own separate business plan and budget (next item on this agenda).

The Partnership's new role includes overseeing WPP IM Co as shareholders and clients, as well as continuing to implement aspects of the revised Inter-Authority Agreement (IAA) approved by the Full Council on 5th March 2026.

## **3. BUSINESS PLAN**

The Wales Pension Partnership's business plan details how the partnership is going to achieve its aims. The purpose of the business plan is:

- Explain the background to the Partnership and its governance arrangements
- Outline the priorities and objectives of the Partnership's Constituent Authorities
- Outline the financial budget for the relevant period of the Business Plan

Information is provided in terms of governance, risk management, objectives, beliefs, policies, work plan and budget for 2026-27.

The Business Plan is attached for your review in Appendix 1.

### **3. RECOMMENDATION**

That the Business Plan be approved.



# Wales Pension Partnership Business Plan 2026/27



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# Introduction

This is the annual operational business plan for the Constituent Authorities of the Wales Pension Partnership (WPP). The WPP is the collaboration of Constituent Authorities in Wales who are administering authorities to all of the LGPS Funds in Wales.

The Constituent Authorities are the shareholders and clients of WPP Investment Management Company (IM Co), a standalone company regulated by the Financial Conduct Authority (FCA). IM Co has its own, separate business plan and budget. WPP's role includes oversight of IM Co as shareholders and clients.

This is a transitional business plan for the first year of IM Co being operational. This document will be monitored and 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 Constituent Authorities
- Outline the financial budget for the relevant Business Plan period

## About the Wales Pension Partnership

The WPP was established in 2017 as part of the Government's pooling initiative. At that time, the WPP chose an operating model designed to be flexible and deliver value for money, appointing an external Operator and making use of external advisers to bring best of breed expertise to support the running of the Pool. WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and has a long and proven track record of collaborative working, having identified in its 2013 report "Welsh LGPS - Working Together" that a joint approach delivers economies of scale, operational efficiencies and improved investment outcomes.

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)

As a result of the government's "Fit for the Future" changes to LGPS Investment Pooling, WPP is establishing an FCA regulated Investment Management Company (IM Co). The formation of IM Co. presents a once in a generation opportunity to create a stand-alone LGPS Investment Company for the benefit of all stakeholders. 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, for the benefit of the people of Wales.

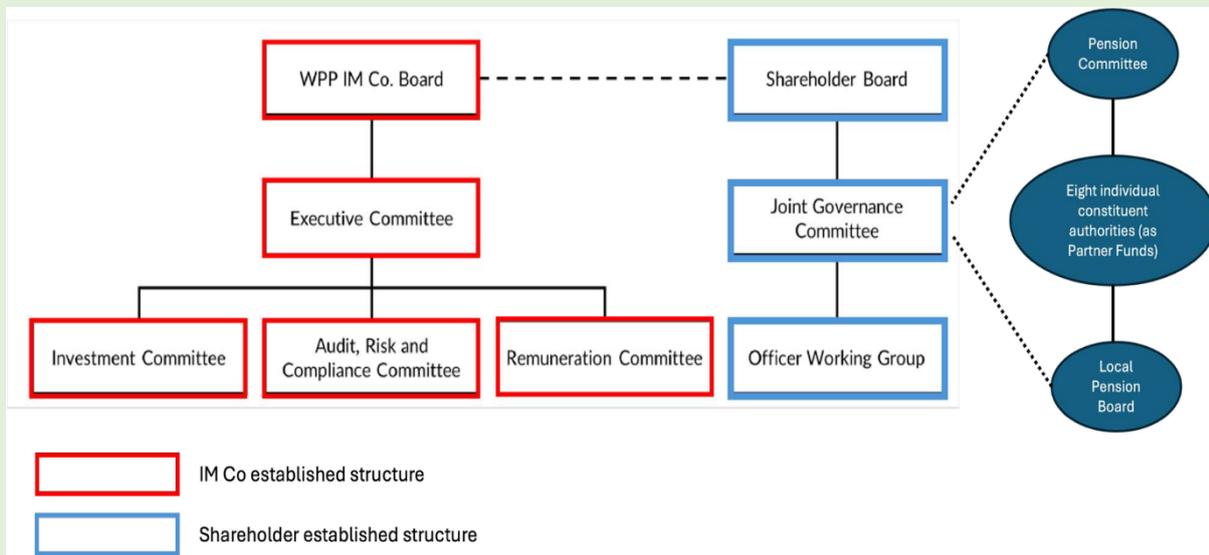
The IM Co will:

- implement all aspects of the CAs investment strategies
- provide investment advice to the CAs including strategic asset allocation
- have sole control of investment decision making and investment strategy implementation
- contract with providers of services, including Waystone who provide fund operator services for WPP’s Authorised Contractual Scheme (ACS)
- be wholly owned by the WPP CAs

## 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 diagram below illustrates the WPP governance structure from 1st April 2026.



The Shareholder Board exists to exercise the rights of the Constituent Authorities as owners of the IM Co (e.g. appointment and removal of senior IM Co Directors, approval of IM Co budget, approval of remuneration policy, etc) and will consist of S151 or senior LGPS officers from all eight Constituent Authorities. The Shareholder Board will be supported by the Joint Governance Committee and Officers Working Group, comprising of elected members, scheme member representative and officer representatives from all eight Constituent Authorities. The Constituent Authorities remain involved in all aspects of WPP’s governance structure. There will also be two shareholder representatives sitting on the IM Co Board.

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.

There is also a Shareholder Agreement and Client Services Agreement in place. The Shareholder Agreement details the relationship between the IM Co and Constituent Authorities, as shareholders, and regulates the operation and management of the Company. The Client Service Agreement details the terms and conditions of services to be provided by the IM Co for 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.

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

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.

Local level training needs will continue to be addressed by individual Constituent Authorities while IM Co will offer training that is relevant to the WPP's pooling activities.

# Risk Management

The WPP recognises that it faces numerous risks which, if left unmanaged, can limit 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. IM Co will have a separate risk register that will managed within the governance of the company and the regulatory framework within which it operates. 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.

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 IM Co
- 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:

- Comply with “Fit for the Future” requirements in respect of LGPS investment pooling in a cost effective and sustainable way
- Exercise effective collective oversight of IM Co and its management
- Collective consideration of “reserved matters” including senior appointments, removal of directors and annual approval of the IM Co budget to assist CA’s in the exercise of their individual approval rights
- Exercise effective collective oversight of the IM Co service delivery to clients, including investment performance, investment costs, effective implementation services, quality of advice and effective implementation of WPP CA’s RI policy;
- Consider opportunities for investment in Wales and support appropriate opportunities (aligned with the local investment policies of CAs) for consideration by IM Co;
- Specify a common RI policy for implementation by IM Co; and
- Align with best practice in all of the above.

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 believes that pooling LGPS investments delivers benefits in scale, cost efficiency and governance for the LGPS Funds in Wales and opportunities for using LGPS assets to benefit the local communities of Wales.
- The WPP believes that the CAs' role as shareholders and clients of WPP IM co is to ensure that the IM Co is properly resourced and delivering the services needed to meet the investment needs of WPP as administering authorities to the LGPS Funds in Wales and to provide oversight of IM Co and its governance. Good governance should lead to superior outcomes for the WPP's LGPS stakeholders
- Collaboration between the IM Co and Constituent Authorities, as shareholders and clients, 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
- Fee and cost transparency will aid decision making and improve stakeholder outcomes
- Continuous learning, innovation and development will help the IM Co, WPP and its Constituent Authorities to evolve

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’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. In line with the establishment of IM Co, all of these policies will be reviewed during 2026/27. 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 financial year. The workplan has been broken down into a number of key sections which are all vital to the continued success of the WPP.

<b>Work to be completed</b>
<b>Governance</b>
Annual review of WPP's policies and plans
Six Monthly Risk Register reviews
Annual performance review of WPP Sub-Funds
Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes
<b>IM Co support and oversight</b>
IM Co set up support
IM Co oversight, assurance, risk management (KPIs) and benchmarking versus comparators
<b>Responsible Investment</b>
Stewardship Code reporting
Climate-related / TCFD reporting
On-going development, implementation and reporting of all stewardship activities
On-going communication and reporting of RI activity to all stakeholders
On-going Sub-Fund responsible investment and climate risk reporting
Collective Consideration of WPP's UK, local / impact opportunities
<b>Communication, Training and Budget</b>
Formulation of WPP's Annual Responsible Investment Progress Report
Formulation of WPP's Annual Update
Formulation of WPP's Annual Report
Deliver training on any new regulatory requirements
Formulation of Annual WPP Budget / Business Plan
Complete year end Annual Return

Please note this is a transitional workplan for 2026/27, some of these workplan items will move across to IM Co from 2027/28 onwards.

# Budget

The table below outlines the WPP's budget for the next financial year.

	Forecast 2025-26 outturn	2026-27
	£'000	£'000
Host Authority	194	173
External Advisors	1,162	834
Project Snowdon	2,600	N/A
<b>TOTAL to be recharged *</b>	<b>3,956</b>	<b>1,007</b>

*\*Costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

IM Co will have its own budget, which will be approved by the shareholders, as a reserved matter.

This budget is for the WPP client side only.

# 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](mailto: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/>



MEETING: **PENSIONS COMMITTEE**

DATE: **16 MARCH 2026**

TITLE: **WPP INVESTMENT MANAGEMENT COMPANY  
LIMITED INITIAL BUSINESS PLAN – FINANCIAL  
YEAR 2026/27**

PURPOSE: **To approve the Business Plan**

RECOMMENDATION: **APPROVE BUSINESS PLAN**

AUTHOR: **DELYTH JONES-THOMAS, INVESTMENT MANAGER**

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## **1. INTRODUCTION**

Within weeks, WPP Investment Management Company Limited (WPP IM Co) will be responsible for investment advice and investment execution across more than £25 billion of assets on behalf of eight Welsh LGPs. This Initial Business Plan is the first formal account to the authorities.

The Business Plan was approved by the Joint Governance Committee on 10 March 2026.

## **2. BUSINESS PLAN**

The business plan details how the company is going to achieve its eight strategic objectives:

1. Fiduciary duty and member welfare;
2. Investment implementation
3. Investment advice
4. Responsible investment and stewardship
5. Local and Welsh investment
6. Governance, accountability, and transparency
7. Regulatory compliance
8. Team and capability development

It sets out the plan of governance and oversight, financial summary, approach to investment management, operations and staffing, risk management and compliance and responsible investment.

The Business Plan is attached for your review in Appendix 1.

## **3. RECOMMENDATION**

To approve the Business Plan.

# **WPP Investment Management Company Limited**

## **Initial Business Plan Financial Year 2026/27**

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Submitted to the Shareholders  
February 2026

## Executive Summary

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WPP Investment Management Company Limited (WPP IM Co) will assume full FCA- authorised responsibility for investment management and advisory services across the combined Welsh LGPS portfolio of more than £25 billion on 31 March 2026. This document is the company's Initial Business Plan for FY2026/27, submitted to shareholders under clause 6.1 of the Shareholders' Agreement. A CEO letter providing the narrative context for shareholders is provided by separate cover.

The company's eight strategic objectives are: fiduciary duty and member welfare; investment implementation; investment advice; responsible investment and stewardship; local and Welsh investment; governance, accountability, and transparency; regulatory compliance; and team and capability development. All elements of this plan are structured around those objectives.

The governance framework is established by three inter-related agreements: the Shareholders' Agreement, which governs the relationship between the company and its shareholders; the Client Services Agreement, which governs the investment management and advisory relationship with each authority as client; and the Inter-Authority Agreement, which governs the relationship between the eight authorities. Day-to-day shareholder oversight is exercised through the Shareholder Board, the Joint Governance Committee, and the Officers Working Group.

The total operating budget for FY2026/27 is £9.0 million, against a Fit for the Future Business Case projection of £7.0 million, a difference of £2.0 million driven principally by staffing. The company goes live with 12 employees and 6 board directors on Day 1, reaching 24 employees by December 2026. Roles anticipated in Years 2 and 3 of the Business Case have been brought forward into Year 1. The full-year staffing run rate of approximately £4.6 million is close to the Business Case's projected endpoint. The revenue model is cost-plus, with fees received quarterly in advance.

The Year 1 investment management approach is focused on the active oversight of mandates inherited from the Partner Funds. The investment framework, which will cover investment beliefs, strategic asset allocation, manager selection principles, and the criteria against which performance will be assessed, will be developed in collaboration with Partner Funds during FY2026/27. Private markets capability is being built as a core part of the Year 1 build-out.

The operations and staffing build is on plan. The Day 1 leadership team is in place. Key executive appointments completing the team across the year include the General Counsel, the Director of Private Markets and Local Investments, and the Director of Operations. Total staffing costs for the year are £4.2 million on a pro-rated basis.

The principal risks for FY2026/27 are: staffing and capability; regulatory; budget and cost management; third-party dependency; operational; governance and conflict; and

operating model. The risk register will be developed into a structured format during the year as the compliance function is established.

The responsible investment programme is overseen by the CIO from Day 1. A common RI policy will be developed in collaboration with Partner Funds during FY2026/27. The company will exercise voting rights across its equity holdings, engage with investee companies on material ESG issues, and apply for UK Stewardship Code signatory status during the year.

## **1. About WPP Investment Management Company**

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WPP Investment Management Company Limited is the investment management company for the Wales Pension Partnership, on track for FCA authorisation before 31 March 2026. The company will manage investment assets on behalf of eight Welsh Local Government Pension Scheme administering authorities, with combined assets under management of more than £25 billion.

The company was established in direct response to the Fit for the Future consultation, which requires LGPS funds in England and Wales to pool their assets through FCA- authorised investment management companies and to delegate investment strategy to those companies. WPP IM Co is the vehicle through which the eight Welsh funds meet those requirements.

The company's revenue model is cost-plus: fees are set to cover the full operating cost of the business, received from shareholders quarterly in advance. The company holds no external revenue line. Its financial sustainability depends on operating within agreed budget parameters and on the cost discipline that implies.

From the point of authorisation, WPP IM Co will hold full responsibility for investment advice and investment implementation across the combined portfolio, operating under the FCA's Senior Managers and Certification Regime.

## 2. Strategic Objectives

---

The company's strategic objectives are set out below. They are the framework within which this plan operates and the basis against which progress will be reported to shareholders under the Shareholders' Agreement.

- 1. Fiduciary duty and member welfare.** To act at all times in the best interests of LGPS members in Wales, placing fiduciary duty to scheme members at the centre of all investment decisions, governance structures, and operational conduct. Every investment, operational, and governance decision this company makes is made in service of that purpose. Shareholders are the mechanism; members are the purpose.
- 2. Investment implementation.** To effectively implement, in accordance with applicable law, statutory guidance, and relevant advice, the investment strategies (including high-level strategic asset allocation) set by each Partner Fund. The company holds full accountability for investment implementation end-to-end, including where delivery is delegated to external managers. In Year 1, the primary focus is oversight of the mandates inherited from the Partner Funds, establishing the framework and standards against which all implementations will be assessed going forward.
- 3. Investment advice.** To provide investment advice to each Partner Fund, supporting them in setting investment objectives, strategic asset allocation, and responsible investment policies. The advisory relationship with each of the eight Partner Funds is a core function of the company. Year 1 establishes the advisory framework, the governance through which advice is delivered, and the standards to which it will be held.
- 4. Responsible investment and stewardship.** To act as a responsible, long-term investor, exercising active stewardship of the assets under management in a manner consistent with high standards of corporate governance and the company's responsible investment policy. Responsible investment is integrated into the company's approach from Day 1, not treated as a supplementary activity. The company will exercise voting rights across its equity holdings, engage with investee companies on material ESG issues, and develop a comprehensive responsible investment policy in collaboration with Partner Funds during FY2026/27. Section 8 of this plan sets out the responsible investment programme in further detail.
- 5. Local and Welsh investment.** To allocate capital towards investments that deliver measurable economic, social, and environmental outcomes for Wales, in a manner consistent with fiduciary duty and the investment strategies set by each Partner Fund. The company holds a direct mandate from both central and local government to invest in ways that are impactful on the Welsh economy, Welsh society, and Welsh environment. That mandate will be pursued through the investment

framework, through manager mandates, and through the direct investment programme as it develops. It will not be pursued at the expense of fiduciary duty.

- 6. Governance, accountability, and transparency.** To operate in accordance with high standards of accountability, governance, and transparency, including through regular governance reviews, performance and cost reporting, and appropriate representation of shareholders and clients. The governance framework established by the Shareholders' Agreement, the Client Services Agreement, and the Inter-Authority Agreement provides the structure within which the company operates. The company will meet all reporting obligations to shareholders and will be proactive in providing the information that shareholders and clients need to exercise effective oversight.
- 7. Regulatory compliance.** To operate in full compliance with all applicable laws, FCA regulations, and relevant government guidance. Regulatory credibility is the licence to operate. From the point of FCA authorisation, the company will meet all obligations under the Senior Managers and Certification Regime, the Investment Firms Prudential Regime, and all ongoing regulatory reporting requirements.
- 8. Team and capability development.** To attract, develop, and retain a high-performing team with the skills, values, and capabilities required to deliver the company's mission to the highest standard. The company's long-term success depends on the quality of the people who build and run it. Year 1 is the critical year for bringing together the right team. This is a generational opportunity to build an investment manager of genuine quality with a uniquely Welsh purpose, and attracting people who are drawn to that purpose is the filter that matters most.

### 3. Governance and Oversight

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Three inter-related agreements define the governance framework within which WPP IM Co operates, and each serves a distinct purpose. The Shareholders' Agreement (SHA) governs the relationship between the company and the eight authorities in their capacity as co-owners and shareholders of the company: it regulates the company's management and operation, the rights of shareholders, and the matters on which shareholder approval is required. The Client Services Agreement (CSA) governs the relationship between the company and each authority in its capacity as a client of the company, in receipt of investment management and advisory services. The Inter-Authority Agreement (IAA) governs the relationship between the eight authorities themselves. WPP IM Co is not a party to the IAA.

#### **Governance bodies**

The practical governance bodies through which the eight authorities exercise collective oversight of the company are established by the IAA. The Shareholder Board is the primary forum for shareholder oversight. The Joint Governance Committee (JGC) monitors the company's performance against agreed KPIs and handles operational matters. The Officers Working Group (OWG) provides officer-level support to both. These bodies operate alongside the SHA's formal shareholder decision-making structures and are the primary interface through which WPP IM Co reports to and engages with its shareholders.

#### **Board composition**

The IM Co board comprises eight directors: two executive directors, two shareholder representative non-executive directors, and four independent non-executive directors. An independent non-executive director chairs the board and has no casting vote. This structure meets FCA requirements under SM&CR. The board will establish an Audit, Risk and Compliance Committee and a Remuneration Committee, each chaired by an independent non-executive director. Quorum for board meetings is five directors.

#### **Shareholder reserved matters**

The SHA distinguishes between matters the board may decide unilaterally and matters that require shareholder approval. Reserved matters are divided into two categories. Unanimous consent is required for two matters: the winding up of the company and its merger or amalgamation with another entity. Shareholder Supermajority is required for 35 matters, including approval of the Annual Budget, approval of any new Business Plan, and approval of any material amendment to the Business Plan.

A material amendment to the Business Plan is defined in the SHA as any amendment that would, individually or in aggregate with other amendments, result in a 10% or more change in total forecast operating expenditure, capital expenditure, or funding requirements in any Financial Year. In-year, the board is authorised to incur expenditure

of up to 15% above the approved Annual Budget without further shareholder approval. Expenditure beyond that threshold requires a Shareholder Supermajority.

### **Reporting to shareholders**

The SHA requires the company to provide quarterly management accounts within 60 days of the end of each quarter, an annual report on progress against Strategic Objectives, and such other information as shareholders may reasonably require. This Initial Business Plan is produced under clause 6.1 of the SHA, which acknowledges the company's formative stage and does not require the same minimum content as subsequent Business Plans. The five-year Business Plan, due before 1 April 2027, will meet the full requirements of clause 6.2 of the SHA.

### **Governance independence**

The company exercises its investment management responsibilities independently of its shareholders. The governance framework distinguishes clearly between matters that require shareholder input and those that fall properly within the discretion of the IM Co board and executive team. Both sides of that distinction will be respected.

## 4. Financial Summary

The total budget for FY2026/27 is £9.0 million. This compares with the cost projection in the Business Case of £7.0 million, a difference of £2.0 million. The main driver of that increase is staffing.

The Business Case planned for 16 people from Day 1, with the team expected to grow to around 30 over two to three years. The budget reflects a different recruitment profile: the company goes live with 12 employees on Day 1 and reaches 24 employees by December 2026, with six board directors in place throughout the year. Hires the Business Case planned for Year 2 and Year 3 have been brought forward into Year 1 to ensure the company is properly resourced from the point of authorisation. The effect is that Year 1 staffing costs of £4.2 million on a pro-rated basis already approach the full-team run rate the Business Case projected as its endpoint.

The Business Case also assumed that certain business support functions, including HR, payroll, IT, and property, would be provided by a constituent authority at marginal cost. The budget provides for those functions on a standalone basis, reflecting the company's status as an independent regulated entity. This accounts for approximately £0.4 million of the remaining difference.

The fee for delegated implementation and related services provided by Russell Investments has increased from £1.0 million in the Business Case to £1.275 million, reflecting a more fully defined mandate. Investment advice costs remain in line with the Business Case at £1.5 million, though this figure is subject to confirmation once each Partner Fund's current spend has been assessed.

The company's revenue model is cost-plus: fees are set to recover the full operating cost of the business, received from shareholders quarterly in advance. A full financial model, including multi-year projections and sensitivity analysis, will form part of the Five-Year Business Plan due before 1 April 2027.

<b>Running costs</b>	<b>Estimated costs for 2026/27</b>	<b>Comments</b>
Staffing costs	£4.2m	12 employees on Day 1 with 24 employees in place by December 2026, with six board directors in place throughout the year
Delegated implementation and related services	£1.3m	Middle office and administration services, including rebalancing activity, cash flow management and private markets administration
Investment advice	£1.5m	Based on current spend across partner funds. There will be corresponding savings at partner funds
Business Support	£1.3m	HR, payroll, IT, property etc
Other	£0.7m	Insurance, licenses, fees etc

## 5. Investment Management Approach

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WPP IM Co holds full accountability for investment outcomes across the combined Welsh LGPS portfolio. Where delivery is delegated to external managers, accountability is retained. The company acts as investment manager of record and is responsible for the quality of every decision it takes, including the decision to delegate.

### Investment framework

The investment framework is being developed during FY2026/27. It will set out the company's investment beliefs, strategic asset allocation approach, manager selection principles, and the criteria against which performance will be assessed. The framework will be aligned with Fit for the Future requirements and with each Partner Fund's investment strategy statement. It will be developed in collaboration with Partner Funds.

### Manager selection and oversight

In Year 1, the company's primary focus is oversight of inherited mandates rather than new manager selection. The investment advisory and implementation mandates transferred from the Partner Funds on Day 1 will continue under active oversight from the outset. The CIO leads the development of the manager oversight framework and is responsible for the standard of oversight applied to all inherited arrangements.

Where mandates come up for review during FY2026/27, selection processes will be rigorous and documented. Performance will be measured against agreed benchmarks. Underperformance will be addressed.

### Private markets capability

The Fit for the Future consultation carries a specific expectation that pool companies develop meaningful private markets capability. WPP IM Co is building that capability as a core part of the Year 1 programme. The Director of Private Markets and Local Investments, joining in September 2026, will work closely with the CEO and the CIO to develop the private markets strategy and oversight framework.

### Local investment

Each of the eight Partner Funds has its own investment policies, priorities, and views on the allocation of capital towards Welsh economic, social, and environmental outcomes. The company recognises those policies and the central role of each Pension Committee in shaping the investment approach of their own fund. The company holds a mandate from shareholders and from central government to invest in ways that are impactful on Wales. That mandate will be pursued through close collaboration with Partner Funds as the implementation framework is developed, working with each fund to understand its position and build an approach that reflects it. It will not be pursued at the expense of fiduciary duty.

### **Responsible investment**

Responsible investment is integrated into the investment approach from Day 1. ESG factors, including climate risk, will be embedded in the investment framework as it is developed. The company will exercise active stewardship over the assets it manages, including engagement with companies and voting at shareholder meetings. The full RI policy, developed with Partner Funds during FY2026/27, will set the principles and standards that apply across all mandates. Section 8 of this plan sets out the company's responsible investment programme in further detail.

### **Partner Fund support**

The company's obligations to Partner Funds under the Client Services Agreement extend beyond investment management and advice. They include training and development support for Pension Fund Committee members and officers, covering investment strategy, responsible investment, and the governance of delegated investment management. WPP has provided this support to Partner Funds in the past and the company will continue to do so, developing a structured programme in collaboration with Partner Funds during FY2026/27.

## 6. Operations and Staffing

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### Recruitment programme

FY2026/27 is a year of operational build. The company enters the year with a substantive leadership team already in place: CEO, CIO, Director of Finance, Director of Risk, Head of People, and Head of Communications are all in post or joining by the end of March 2026. The planned headcount trajectory from that base is: Day 1, 12 employees; end of Q1 (June 2026), approximately 17; end of Q2 (September 2026), approximately 21; end of Q3 (December 2026), 24. These figures refer to employees only and do not include the six board directors in place throughout the year. All target start dates are subject to the outcome of recruitment processes and individual notice periods.

Key appointments completing the executive team and senior staff during the year include the General Counsel (target: June 2026), the Director of Private Markets and Local Investments (target: September 2026), and the Director of Operations (target: September 2026). The Head of Finance and Partner Fund Relations, Head of Investment Strategy and Stewardship, and Chief of Staff all join in April 2026.

The company is building its team with a clear mission filter. This is a generational opportunity: establishing a world-class investment manager with a uniquely Welsh purpose. That is the most powerful recruitment tool available. People who are drawn to that purpose are the right people for this company.

### Staffing costs

Total staff costs for FY2026/27 are estimated at £4,179k on a pro-rated basis, reflecting phased hiring across the year. The full-year run rate at planned headcount is approximately £4.6 million. This figure represents the Year 2 baseline against which future budgets will be set.

### Operational infrastructure

Operational infrastructure for FY2026/27 covers IT systems, risk and portfolio management platforms, compliance tools, and the office environment. Specialist consultants have been engaged to support the technology build and operational set-up phase. Key platform decisions will be finalised in Q1 and Q2.

### Recruitment costs

Recruitment fees for FY2026/27 are estimated at £282k, reflecting the scale of hiring required to bring the team from its Day 1 position to planned headcount across the year.

## 7. Risk Management and Compliance

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Risk management in FY2026/27 is at an early stage of maturity, consistent with the company's formative status. This section sets out the principal risks identified and the company's current mitigations. It is presented as the Initial Risk Register for FY2026/27 and will be developed into a structured register, aligned with the legacy WPP three-monthly review framework, as the compliance function is established during the year.

### Principal risks

**Staffing and capability risk.** The company's ability to execute its strategy depends on completing the executive team and board on the planned timeline. The CIO is in post. Key remaining executive appointments carry delivery risk if delayed: in particular the General Counsel (target: June 2026), the Director of Private Markets and Local Investments (target: September 2026), and the Director of Operations (target: September 2026). Board composition also carries risk: the appointment of independent non-executive directors is critical to establishing the governance framework on the required timeline. **Mitigation:** active recruitment processes underway for all key positions; interim support in place where required; the phased build programme is designed to manage dependency risk.

**Regulatory risk.** From the point of FCA authorisation, the company must meet all obligations under the Senior Managers and Certification Regime (SM&CR), complete the Internal Capital and Risk Assessment (ICARA) process required of all FCA-regulated investment firms under the Investment Firms Prudential Regime, and meet all ongoing regulatory reporting obligations. Any failure carries material consequences for the licence to operate. **Mitigation:** Director of Risk appointed; regulatory specialist support engaged; compliance monitoring framework in development; ICARA process initiated; FCA authorisation expected before 31 March 2026.

**Budget and cost management risk.** Year 1 costs include significant inherited elements: the investment advisory and implementation mandates transferred from Partner Funds on Day 1, one-off recruitment fees, and operational set-up. Managing the transition from one-off to recurring cost base, and maintaining discipline on all discretionary items, is a Year 1 management priority. **Mitigation:** Director of Finance appointed; full budget reconciliation underway; one-off costs clearly identified and separated in the Financial Summary; cost discipline maintained across the organisation.

**Third-party dependency risk.** Russell Investments has a long-standing relationship with the Partner Funds and is a well-established presence in the WPP structure. The investment implementation and middle office mandate with WPP IM Co is, however, a new arrangement: it has been put in place specifically to manage the operational requirements that come with the transition of assets

to the company's management, rather than being a legacy mandate carried over from the previous structure. The company enters a significant operational dependency on this new arrangement from Day 1. Any disruption to it would carry material consequences for investment continuity and operational stability.

**Mitigation:** close engagement with Russell through the transition planning process; clear contractual and operational frameworks being established ahead of Day 1; transition planning integrated into the operational build programme.

**Operational risk.** Platform and system selection, vendor management, and the build of operational infrastructure all carry delivery risk in a start-up environment. **Mitigation:** specialist consultants engaged for the technology build; key platform decisions being made in Q1 and Q2 to allow adequate implementation time.

**Governance and conflict risk.** Managing governance independence while meeting the legitimate expectations of eight institutional shareholders is an ongoing challenge. **Mitigation:** clear framework established by the SHA and CSA; board composition designed to provide independence; escalation routes established for matters where tensions arise.

**Operating model risk.** The company's operating model reflects the requirements of the Fit for the Future consultation as they are currently understood. Government policy in relation to LGPS pooling continues to develop, and future requirements from central government or other regulatory bodies could materially alter what the company is required to do or how it is required to do it. Any such change would carry implications for budget, regulatory capital, and the delivery timeline set out in this plan. Responding to material operating model change also requires the alignment of eight shareholders through the governance framework established by the Shareholders' Agreement; where change requires collective decision-making, the company's ability to respond within the required timeframe depends on that alignment being in place. **Mitigation:** government policy and regulatory developments are actively monitored; the company engages proactively with shareholders on the implications of any emerging requirements so that alignment can be built ahead of formal decisions being required.

### **Compliance programme**

The compliance monitoring framework for FY2026/27 is in development. It will cover SM&CR obligations, the ICARA process, transaction reporting, and the broader regulatory calendar. Compliance is led by the Director of Risk. The General Counsel, once appointed, will provide legal oversight and support to the compliance function.

### **Risk management framework and policies**

A functioning risk management framework is a prerequisite of FCA authorisation, not a product of it. In parallel with the compliance programme, the company is implementing

the full suite of policies required of a regulated investment firm: conflicts of interest, remuneration, best execution, business continuity, whistleblowing, and data protection, among others. Each is being reviewed, finalised, and embedded during FY2026/27.

The ICARA process, required under IFPR, sits at the centre of the risk framework. It requires the company to identify its material risks, assess the capital and liquid assets needed to manage them, and satisfy itself that its governance is adequate to that task. That work is led by the Director of Risk, with specialist external support engaged where the company's internal capability is still developing.

## 8. Responsible Investment

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Responsible investment is a core component of the company's investment approach; not a supplementary activity. The company holds the credentials appropriate to its stage of development and is building towards a more comprehensive programme as the team is established.

### TCFD

The company is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Climate-related financial risk is integrated into the investment process, consistent with the obligations on UK pension funds and their managers.

### ESG integration

Environmental, social, and governance factors are integrated into the company's investment process, not treated as a separate consideration. The investment framework being developed during FY2026/27 will embed ESG assessment into manager selection, oversight, and portfolio monitoring. The standard will apply to all asset classes and all mandates.

### Stewardship and engagement

The Head of Investment Strategy and Stewardship is in post from April 2026 and leads the development of the company's stewardship programme. Each Partner Fund has its own stewardship objectives and responsible investment priorities. The company's role is to implement those objectives in a manner consistent with FCA regulation and best practice, working in collaboration with Partner Funds as the programme develops. That collaborative approach is already in evidence: the Joint Governance Committee is considering an exclusionary framework in early 2026, and WPP IM Co will work with Partner Funds on the implementation approach that follows from it. The company will exercise voting rights across its equity holdings and engage with companies on material ESG issues. Building on the successful signatory status of the Partner Funds, application for UK Stewardship Code signatory status will be made during FY2026/27 once the stewardship framework and engagement programme are established to the required standard.

### RI policy

A common RI policy for WPP IM Co implementation will be developed in collaboration with Partner Funds during FY2026/27, as an extension of the work already done by the Wales Pension Partnership in its previous guise. The CSA provides the governance framework for this process. Each Partner Fund's Pension Committee will have the opportunity to input its own responsible investment policies and priorities before a common framework is agreed; the intent is to reflect those individual positions in the policy where they are compatible, rather than to impose a single approach. The policy

will cover investment integration, stewardship, engagement, and the Welsh mandate on local investment and environmental, social, and economic outcomes for Wales.

**Welsh investment mandate**

The primary obligation of the company is to safeguard the pensions of LGPS members in Wales. Within that obligation, the company carries a genuine mandate from shareholders and from central government to allocate capital towards investments that deliver measurable outcomes for Wales. That mandate will be pursued where it is consistent with fiduciary duty; it will not be pursued at its expense. A local investment programme will be developed in consultation with Partner Funds. Progress will be reported to shareholders as the investment programme develops.

## **Appendix A: KPI Framework (Initial)**

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The KPI framework for FY2026/27 will be agreed with the Joint Governance Committee. The framework will cover five areas: investment performance; operational delivery; regulatory compliance; staffing and capability build; and financial management.

KPIs will be set at levels appropriate to the company's stage of development and will be reviewed as the executive team is established and as the five-year Business Plan is developed.

### **PLACEHOLDER**

Full KPI schedule to follow on agreement with the JGC during FY2026/27.

## **Appendix B: Risk Register (Initial)**

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The narrative risk register for FY2026/27 is set out in Section 7 of this plan. The principal risks identified are: staffing and capability risk; regulatory risk; budget and cost management risk; third-party dependency risk; operational risk; governance and conflict risk; and operating model risk.

A structured risk register, aligned with the WPP three-monthly review framework and the format expected by the JGC, will be developed during FY2026/27 as the compliance function is established.

**PLACEHOLDER**

Structured risk register to follow as the compliance framework is developed during FY2026/27.

**WPP Investment Management Company Limited**

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February 2026

**To Shareholders**

**Re:** Initial Business Plan FY2026/27

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Dear Shareholders,

We are on the threshold of FCA authorisation. Within weeks, WPP Investment Management Company Limited (WPP IM Co) will hold full responsibility for investment advice and investment implementation across more than £25 billion of assets on behalf of the eight Welsh LGPS. This letter, and the Initial Business Plan it accompanies, are our first formal account to you as we cross it.

**Our mandate**

The primary purpose of this company is to safeguard the pensions of more than 420,000 members of Welsh LGPS funds. That obligation is the standard against which every decision this company makes will be judged. Within those boundaries, the company carries a genuine additional mandate: both central and local government have directed it to allocate an increasing proportion of capital towards investments that deliver measurable outcomes for Wales. We take that mandate seriously and will pursue it where it is consistent with fiduciary duty.

Canada offers the most frequently cited example of a fund management system where both objectives coexist in practice: a pension system that invests meaningfully in its domestic economy while remaining among the most respected in the world. The reason it works is that it has never confused the two, or the order in which they operate. That is the model we intend to follow.

**What we have done**

I was appointed Chief Executive Officer in September 2025 with a clear remit: deliver the company to FCA authorisation, on time, ready to operate.

The FCA application was submitted in November 2025, on plan, and all required Senior Management Functions have been appointed. In parallel, we have worked with pension committees and officers across all eight constituent authorities to progress the legal framework from term sheets to long-form documents. Office space has been secured in Cardiff. Throughout, day-to-day investment management and fiduciary responsibilities have continued unchanged; there has been no disruption to members or employers.

Since the beginning of January, the focus has narrowed to the transition itself: completing the governance framework, bringing the remaining senior appointments across the line, and preparing to assume responsibility for Partner Fund assets on 31 March.

### **The financial picture**

The Fit for the Future Business Case submitted to the UK Government in February 2025, and the Regulatory Business Plan submitted to the FCA, set out cost projections at a formative stage. The picture has evolved, and I want to be direct about that.

The Business Case planned for 16 people from Day 1, with the team expected to grow to around 30 over two to three years. We go live on 31 March with 12 employees and 6 board directors; by the end of 2026, that number is expected to be 24. Some of those additional roles were not anticipated in the Business Case but have proven necessary to build a functioning regulated institution; others were planned for Year 2 or 3 and have been brought forward. The result is a Year 1 staffing cost that is higher than the Business Case projected for this stage but in line with expectations for years 2-3. The full picture on costs is set out in the Financial Summary.

Investment advice is among the services this company will provide to each of the eight Partner Funds. Before we can commit fully to the scope and cost of that service, we need to understand what each Partner Fund currently spends on it; that is the baseline against which our commitment is calibrated. We are working through that with each authority now.

Those costs will not be carried indefinitely in their current form. As the company's internal advisory capability develops, the cost model will change. A clearer view of the consolidated annual cost picture will follow within 12 months.

### **What comes next**

Preparing for Day 1 has been about one thing: assuming responsibility for Partner Fund assets so that the safeguarding of pensions continues without delay or detriment. That is the non-negotiable condition of a successful transition.

Year 1 is different in character. Once the operational foundation is secure, the focus shifts to building the company that the original Business Case described: a centre of excellence in investment management, with a genuinely Welsh purpose and genuinely global standards. The Five-Year Business Plan, which will be submitted for Shareholder approval before 1 April 2027, will set out that ambition in full. This Initial Business Plan is the starting point.

Yours sincerely,



### **Rob Lamb**

Chief Executive Officer

WPP Investment Management Company Limited

<b>MEETING:</b>	Pensions Committee
<b>DATE:</b>	16 March 2026
<b>TITLE:</b>	TRAINING UPDATE 2025/26 AND TRAINING PLAN 2026/27
<b>PURPOSE:</b>	To receive an update on training undertaken during 2025/26 and to approve the 2026/27 Training Plan
<b>AUTHOR:</b>	Meirion Jones, Pensions Manager

## 1. INTRODUCTION

1.1 This report provides the Committee with an update on the training delivered during 2025/26 and seeks approval for the proposed Training Plan for 2026/27 for the Gwynedd Pension Fund.

1.2 The Fund continues to operate in accordance with its **Knowledge and Skills Policy (2022)**, which sets out the expectations placed on Pension Committee members, Local Pension Board members and senior officers to maintain an appropriate level of knowledge and understanding. This is essential to ensure effective decision-making, robust governance and compliance with regulatory requirements.

1.3 Training arrangements are aligned with the expectations arising from:

- Governance reforms under the Government's **Fit for the Future** proposals for the Local Government Pension Scheme (LGPS); and
- The **General Code of Practice** issued by The Pensions Regulator (TPR).

The proposed 2026/27 Training Plan reflects local training needs, national governance developments and the evolving regulatory landscape.

## 2. 2025/26 TRAINING UPDATE

2.1 The Training Plan for 2025/26 is included at **Appendix 1**, with progress against each planned session recorded. Training delivered during the year covered a broad range of topics, including:

- Investment strategy, market developments and macro-economic trends;
- Responsible investment, stewardship and climate-related risks;
- Actuarial valuation principles, funding strategy and employer risk management;
- Governance developments, regulatory updates and the implications of the General Code;
- Pension administration, data quality, internal controls and cyber security.

2.2 In addition to formal Committee and Board training sessions, members attended a number of relevant external conferences, seminars and webinars. These events provided valuable insights into national LGPS developments, investment pooling, responsible investment and governance best practice.

2.3 Officers had been scheduled to attend the CIPFA Accounts Closedown course. However, as there were no material changes to LGPS accounting requirements for 2025/26, attendance was not considered necessary.

2.4 A central training log has been maintained throughout the year. In line with governance requirements, this will be reported within the Fund's **Annual Report and Accounts**.

### **3. LGPS NATIONAL KNOWLEDGE ASSESSMENT**

3.1 No **LGPS National Knowledge Assessment (NKA)** was undertaken during 2025. As a result, the Fund was unable to benchmark Committee and Board knowledge levels against other administering authorities during the year.

3.2 The most recent NKA took place in **2024**, with Committee and Board members participating and receiving individual feedback reports. The Fund also received a national benchmarking report comparing results across participating LGPS funds.

3.3 Hymans Robertson, who coordinate the national exercise, are currently reviewing and updating the NKA framework. The revised assessment is expected to reflect evolving knowledge requirements arising from:

- The Government's **Fit for the Future** governance reforms;
- Strengthened expectations under TPR's **General Code**;
- Developments in investment pooling, responsible investment and governance standards.

3.4 Once the revised NKA is issued, the Fund intends to participate. This will enable the Fund to:

- Benchmark knowledge levels nationally;
- Identify emerging training needs;
- Inform future iterations of the Training Plan and the Governance & Training Strategy.

3.5 In the absence of a 2025 national benchmark, the 2026/27 Training Plan has been informed by:

- The 2024 NKA results;
- Member feedback on training priorities;
- Ongoing governance and regulatory developments;
- Officer observations of knowledge gaps during Committee and Board discussions.

### **4. GOVERNANCE AND REGULATORY CONTEXT**

4.1 The Fit for the Future reforms introduce strengthened governance requirements for LGPS administering authorities, including:

- A requirement to publish a **Governance and Training Strategy**;
- Alignment of knowledge and skills expectations across Pension Committees and Local Pension Boards;

- Create the role of the **Senior LGPS Officer**;
- Mandatory independent governance reviews at least once per valuation cycle.

4.2 While the overarching direction of travel is clear, **full details of the governance requirements under Fit for the Future have not yet been published**. As a result, it is expected that the Fund's **Knowledge and Skills Policy** will need to be reviewed and updated once the final regulations and statutory guidance are issued. This will ensure continued alignment with national expectations and compliance with the strengthened governance framework.

4.3 TPR's **General Code** requires governing bodies to maintain appropriate knowledge and understanding, supported by effective systems of governance and internal controls. Demonstrating a structured and well-documented approach to training is a key component of compliance.

4.4 The Fund's Training Plan forms an integral part of its governance and risk management framework and will support the transition to the new governance requirements once the final regulatory detail becomes available.

## **5. TRAINING PLAN 2026/27**

5.1 The proposed Training Plan for 2026/27 is included at **Appendix 2**.

5.2 The Plan reflects the intention for the Wales Pension Partnership (WPP) to remain the primary provider of training for Committee and Board members. However, due to the ongoing changes within the pooling arrangements, no training sessions are currently scheduled. Once the revised structure and governance arrangements have been finalised, it is anticipated that a programme of sessions will be arranged. The expectation is that these sessions will cover the key areas identified, including:

- Priority areas highlighted through the NKA process (such as actuarial methods, pension administration and financial markets);
- Topics requested by members, including governance, ESG and actuarial matters;
- Emerging governance reforms under Fit for the Future;
- Ongoing developments in investment strategy, pooling and responsible investment.

5.3 Key focus areas for 2026/27 are expected to include:

- Actuarial methods, employer risk management and funding strategy;
- Pension administration, data quality and regulatory compliance;
- Governance standards, the General Code and the Governance & Training Strategy;
- ESG and responsible investment developments;
- Financial markets, investment pooling and strategic asset allocation.

An update will be provided to members once more details are known.

A pension administration update will become a more regular item on Committee agendas. Standards, practices and market developments will continue to be incorporated within Investment Panel reporting.

## **6. CONFERENCES AND EXTERNAL EVENTS (2026/27)**

6.1 Attendance at relevant LGPS conferences forms an important part of members' continuous professional development. The Fund will support attendance by up to **two Committee members per conference**.

6.2 Members attending conferences will be required to:

- Complete a structured feedback form;
- Provide a verbal report to the next Committee meeting;
- Identify any potential implications for the Fund's strategy, governance or risk management.

Attendance will be recorded in the central training log and reported quarterly to the Committee and Local Pension Board.

6.3 The following conferences have been identified for 2026/27:

- i) **LGC Investment Seminar, Carden Park** – 19–20 March 2026
- ii) **LGPS Pooling Symposium, The Belfry** – 5–6 May 2026
- iii) **LAPF Strategic Investment Forum, The Grove** – 29–30 June 2026
- iv) **LGC Investment Summit** – 10–11 September 2026
- v) **LAPFF Conference** – December 2026 (dates TBC)
- vi) **LGPS Governance Conference, Harrogate** – 28–29 January 2027

These events provide coverage of investment strategy, pooling developments, responsible investment, stewardship, governance reform and regulatory updates.

## **7. RISK AND RESOURCE IMPLICATIONS**

7.1 Maintaining appropriate knowledge and understanding mitigates the risk of:

- Poor investment or funding decisions;
- Regulatory intervention or non-compliance;
- Governance failings;
- Reputational damage.

7.2 Training and conference costs are met from the **Pension Fund** and do not impact the Council's General Fund.

## **8. RECOMMENDATION**

The Committee is asked to:

1. Note the training undertaken during 2025/26;
2. Note the absence of a 2025 National Knowledge Assessment and the planned revision of the framework;
3. Approve the 2026/27 Training Plan as set out in Appendix 2.





# Cronfa Bensiwn GWYNEDD Pension Fund

## Update on 2025/26 Training Plan

The 2025/26 Training Plan included a structured programme of sessions covering actuarial matters, governance, responsible investment and pooling developments. The following training sessions have taken place during the year:

### Training Delivered in 2025/26

Topic	Date	Applies To	Provider
Actuarial Methods and Assumptions	March 2025	Officers, Committee and Board Members	Hymans Robertson
Net Zero – Follow-Up Workshop	Summer 2025	Officers and Committee Members	Hymans Robertson
Private Markets Product Knowledge	Q1	Officers, Committee and Board Members	Wales Pension Partnership
Local / Impact Investments within Private Markets Asset Classes	Q1	Officers, Committee and Board Members	Wales Pension Partnership
Voting and Engagement	Q2	Officers, Committee and Board Members	Wales Pension Partnership
Stewardship Code and Reporting Requirements	Q2	Officers, Committee and Board Members	Wales Pension Partnership
Responsible Investing	Q3	Officers, Committee and Board Members	Wales Pension Partnership
Biodiversity and Natural Capital	Q3	Officers, Committee and Board Members	Wales Pension Partnership
Climate Scenarios and Fiduciary Duty	Q3	Officers, Committee and Board Members	Wales Pension Partnership

### Q4 Wales Pension Partnership Training

It should be noted that no Wales Pension Partnership (WPP) training sessions took place during Q4 (January–March 2026). This was due to the significant developments and structural changes currently affecting pooling arrangements and wider LGPS governance reforms.

Further WPP training sessions are expected to resume once the current transition and consultation processes have progressed, and these will be incorporated into the 2026/27 Training Plan as appropriate.

### Conference Attendance 2025/26

In addition to formal training sessions, a number of external conferences and seminars were attended by Committee members and officers during the year. These events form an

important part of members' continuous professional development and provide insight into emerging investment, governance and regulatory developments.

The conferences attended included:

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

### **Overall Position**

Overall, good progress has been made in delivering the 2025/26 Training Plan. The sessions delivered have supported:

- Increased understanding of actuarial assumptions ahead of funding discussions;
- Continued development of responsible investment knowledge, including net zero and stewardship requirements;
- Enhanced governance awareness in light of evolving LGPS regulatory expectations;
- Improved understanding of private markets and pooling developments.

Training attendance has been recorded in the Fund's central training log and will be reported within the Annual Report.



# Cronfa Bensiwn **GWYNEDD** Pension Fund

## **PENSIONS COMMITTEE TRAINING PLAN 2026/27**

### **1. Purpose of the Training Plan**

This Training Plan sets out the framework for ensuring that members of the Pensions Committee maintain appropriate knowledge and understanding to fulfil their statutory and fiduciary responsibilities under the Local Government Pension Scheme (LGPS).

The Plan supports compliance with:

- The Government's *Fit for the Future* LGPS governance reforms;
- The General Code of Practice issued by The Pensions Regulator;
- The Fund's Knowledge and Skills Policy (2022).

### **2. Training Objectives**

The objectives of this Plan are to:

- Ensure Committee members demonstrate appropriate knowledge and understanding of LGPS regulations and governance requirements.
- Support effective scrutiny of investment, funding and administration decisions.
- Address knowledge gaps identified through national assessments, self-evaluation or governance reviews.
- Promote continuous professional development (CPD).
- Maintain clear training records for reporting and governance purposes.

### **3. Core Knowledge Areas**

Training will be structured around the following key areas:

#### **Governance & Regulatory Framework**

- LGPS Regulations and statutory guidance
- Roles and responsibilities of Committee and Board
- General Code requirements
- Conflicts of interest
- Risk management and internal controls

#### **Funding & Actuarial Matters**

- Funding Strategy Statement
- Actuarial valuation methodology
- Employer covenant
- Deficit recovery strategies

## Investment

- Investment Strategy Statement
- Asset allocation and diversification
- Financial markets and economic outlook
- Pooling arrangements
- Performance monitoring

## Responsible Investment

- ESG integration
- Climate risk
- Stewardship and voting
- Reporting requirements

## Administration

- Pension administration processes
- McCloud remedy developments
- Internal dispute resolution
- Data quality and cyber security

### 4. Planned Core Training 2026/27

We intend for the Wales Pension Partnership to continue to be the main provider of training for members of the Committee and the Board. However, due to the ongoing changes within the pooling arrangements, no training sessions have been scheduled at present. Once the revised structure and governance arrangements have been completed, it is anticipated that a programme of sessions will be arranged. The expectation is that these sessions will cover the key areas identified above.

An update will be shared with members once sessions have been scheduled.

<b>Quarter</b>	<b>Topic</b>	<b>Delivered By</b>	<b>Status</b>
<b>Q1</b>	To be confirmed	To be confirmed	To be confirmed
<b>Q1</b>	To be confirmed	To be confirmed	To be confirmed
<b>Q2</b>	To be confirmed	To be confirmed	To be confirmed
<b>Q2</b>	To be confirmed	To be confirmed	To be confirmed
<b>Q3</b>	To be confirmed	To be confirmed	To be confirmed
<b>Q3</b>	To be confirmed	To be confirmed	To be confirmed
<b>Q4</b>	To be confirmed	To be confirmed	To be confirmed
<b>Q4</b>	To be confirmed	To be confirmed	To be confirmed

## 5. Conferences 2026/27

Attendance will normally be supported for **up to two Committee members per event**. Members attending will be required to complete a feedback form and report back to the next Committee meeting.

### Confirmed / Known Events

- **LGC Investment Seminar** – March 2026
- **LGPS Pooling Symposium** – May 2026
- **LAPF Strategic Investment Forum** – June 2026
- **LGC Investment Summit** – September 2026
- **LAPFF Conference** – December 2026
- **LGPS Governance Conference** – January 2027

## 6. Upcoming Training Courses

### **Local Government Association:** Fundamentals – England and Wales

Fundamentals is a bespoke three-day training course aimed at councillors and others who attend pension committees/panels and local pension boards. Each day has a different theme and includes sessions delivered by experts in their field.

This course is essential for all new members of the Committee. Dates for the 2026 sessions are as follows:

<b>Day</b>	<b>Date</b>	<b>Location or online</b>	<b>Maximum numbers</b>
Day 1	7 October	London	40
Day 1	21 & 28 October	Online	No limit
Day 2	5 November	London	40
Day 2	20 & 27 November	Online	No limit
Day 3	3 December	London	40
Day 3	9 & 16 December	Online	No limit

## 7. Other Training Opportunities Available

Committee members are encouraged to take advantage of additional learning opportunities, including:

### **Online Learning**

- Public Service Toolkit modules via The Pensions Regulator
- Webinars hosted by investment advisers and pooling partners

### **Self-Directed Learning**

- Reviewing Committee reports in advance with follow-up questions
- Reading actuarial and investment briefing notes
- Reviewing Annual Reports of other LGPS funds

### **Informal Briefings**

Short pre-meeting briefings can be arranged on request for complex topics.

## **8. Induction for New Members**

New Committee members will receive:

- Introductory LGPS overview session
- Governance responsibilities briefing
- Investment fundamentals session
- Key policy documents (ISS, FSS, Governance Policy, Risk Register)
- Invite to attend the LGA Fundamentals sessions (as outlined in section 6)

## **9. Training Expectations**

- Members are expected to attend core quarterly sessions.
- Conference attendees must report back to Committee.
- Completion of relevant online modules is encouraged.
- Training attendance will be recorded centrally.

## **10. Monitoring & Reporting**

- A central training log will be maintained.
- Quarterly updates will be reported to Committee.
- Annual training activity will be included in the Fund's Annual Report.
- Future National Knowledge Assessment exercises (when relaunched) will inform subsequent training plans.

## **11. Review**

This Training Plan will be reviewed annually and updated to reflect:

- Regulatory developments
- Governance review outcomes
- Knowledge assessment results
- Emerging investment risks

<b>Meeting:</b>	Pensions Committee
<b>Date:</b>	16/03/2026
<b>Title:</b>	PENSION FUND VALUATION REPORT
<b>Author:</b>	Meirion Jones – Pensions Manager
<b>Recommendation:</b>	For information only

## 1. Introduction

Over the past year, we have been working closely with our actuary, Hymans Robertson, on the triennial valuation of the Pension Fund. This work has now been completed, and this report provides a summary of the key results and outcomes of the valuation.

The full Valuation Report and the Rates and Adjustments Certificate are included in Appendix A.

## 2. Purpose of the Valuation

The triennial actuarial valuation fulfills **Regulation 62 of the Local Government Pension Scheme Regulations 2013**. Its primary purpose is to ensure the Fund has a robust funding strategy to meet its long-term benefit obligations while setting employer contribution rates for the period from **1 April 2026 to 31 March 2029**.

## 3. Whole Fund Funding Position

The Fund's financial health has improved significantly since the last valuation in 2022:

- **Assets:** Increased to **£3,232 million** (from £2,776 million in 2022).
- **Liabilities:** Decreased to **£1,946 million** (from £2,308 million in 2022).
- **Surplus:** The Fund now has a surplus of **£1,286 million**.
- **Funding Level:** Improved to **166%**, up from 120% in 2022.

For comparison with other LGPS funds, the **SAB funding level** (calculated on a consistent set of standardised assumptions) is **134%**.

## 4. Employer Contribution Rates

On average, total employer contribution rates have reduced, primarily driven by **higher assumed future investment returns**.

- **Primary Rate:** Reduced to **16.2% of pay** (compared to 21.8% in 2022). This includes a 0.6% allowance for administration and governance expenses.
- **Secondary Rate:** Adjustments have been set for the next three years at **-0.3%** for 2026/27 through 2028/29.
- **Stabilisation:** To support affordability, the Fund has allowed a one-off immediate **3% reduction** in contributions for some employers, while maintaining a long-term stability mechanism that limits annual changes to +/- 1% of pay.

## 5. Key Drivers and Assumptions

The improvement in the funding position is largely due to **future expectations regarding investment outlook** (+£672m) and **inflation outlook** (+£208m).

- **Discount Rate:** Set at **5.9% p.a.**, which represents an **80% likelihood of success**.
- **Prudence:** While assumed returns are higher, the Fund has increased the level of **prudence** in its strategy to buffer against ongoing geopolitical tensions and market volatility.
- **Membership:** As of March 2025, the Fund has **19,082 active members, 21,172 deferred members**, and **13,222 pensioners**.

## 6. Risks and Sensitivities

The funding strategy remains sensitive to various risks:

- **Investment Returns:** A 50% "best estimate" likelihood return would result in a funding level of 239%.
- **Longevity:** Average life expectancy is **20.8 years** for male pensioners and **23.7 years** for female pensioners. If mortality improves faster than the assumed 1.5% p.a., the surplus would fall.
- **Climate Change:** Scenario analysis shows that while the funding strategy is resilient over 20 years, extreme "Climate Catastrophe" pathways could pose a downside risk to the likelihood of success.
- **Regulatory:** An allowance of **£1 million** has been included for the estimated cost of **McCloud** discrimination rectification.

## 7. Gender Pension Gap (GPG)

A new requirement for the 2025 Valuation is the requirement to report on the Gender Pension Gap (GPG).

The Fund reports a notable disparity in pension values between genders:

- **Active Members:** The overall GPG is **30%**. The mean total pension is **£6,927 for males** and **£4,838 for females**.
- **Pensioner Members:** The GPG is higher at **52%**. Male pensioners receive a mean annual pension of **£9,791**, compared to **£4,668 for females**.
- **Drivers:** The gap is heavily influenced by the gender pay gap, which is **25%** for actual pay among active members, reflecting different working patterns such as part-time service.

## 8. Governance and Next Steps

The assumptions used in this valuation were reviewed in January 2025 and formally agreed by the Pensions Committee in **March 2025**. The final Funding Strategy Statement (FSS) is being presented to you at today's meeting, following employer consultations. The next formal valuation is scheduled for **31 March 2028**.



# Gwynedd Pension Fund

Report on the actuarial valuation as at 31 March 2025

March 2026

**Richard Warden FFA C.Act**

**Allan Woodhouse FFA C.Act**

Fellows of the Institute and Faculty of Actuaries

For and on behalf of Hymans Robertson LLP



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Appendix 8: Rates and Adjustments Certificate
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# Executive summary



# 1. Executive summary

We have been commissioned by Cyngor Gwynedd (“the Administering Authority”) to carry out a valuation of the Gwynedd Pension Fund (“the Fund”) as at 31 March 2025. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

## Contribution rates

The contribution rates for individual employers set at the 31 March 2025 valuation can be found in the Rates and Adjustments Certificate. Table 1 shows the combined individual employer rates, compared to the last valuation in 2022.

	31 March 2025		31 March 2022	
<b>Primary rate</b>	16.2% of pay		21.8% of pay	
	2026/27	-0.3%	2023/24	-2.7%
<b>Secondary rate</b>	2027/28	-0.3%	2024/25	-2.7%
	2028/29	-0.3%	2025/26	-2.7%

Table 1: Combined employer contribution rates compared with previous valuation

On average, contribution rates have reduced due to higher assumed future returns at 2025, reducing the estimated cost of funding future benefit payments.

## Funding position

At 31 March 2025, the funding position based on the Fund’s assumptions has improved from the last valuation at 31 March 2022. Table 2 shows the reported funding position, compared to the last valuation in 2022.

Valuation Date	31 March 2025	31 March 2022
<b>Assets (£m)</b>	3,232	2,776
<b>Liabilities (£m)</b>	1,946	2,308
<b>Surplus / (Deficit) (£m)</b>	1,286	468
<b>Funding Level</b>	166%	120%

Table 2: Reported funding position compared with previous valuation

Similar to contribution rates, the improvement in funding level is primarily due to higher assumed future investment returns at 2025.

## Comparison with other LGPS funds

The funding position and contribution rates are based on assumptions about future factors such as investment returns, inflation and life expectancy. As these are uncertain, different assumptions are used by each LGPS fund to reflect their own views, circumstances and strategic objectives. These differences (amongst other factors, including crucially the previous funding level and employer affordability and long-term contribution stability) will lead to differences in funding positions and contribution rates across the LGPS. To support comparison, LGPS funds are required to report a funding position on a consistent set of assumptions (called the “SAB funding level”). The Fund’s SAB funding level at 31 March 2025 is 134%. **SAB assumptions are to allow comparison only and are not intended to be appropriate for funding or setting contribution rates. As such, this result has no impact on the Fund’s funding strategy or employer contribution rates.**

Valuation  
approach



## 2. Valuation approach

### 2.1 Valuation purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a funding strategy that is likely to achieve the objectives set out in the Funding Strategy Statement.

**This report contains the valuation's two key outcomes:**

- Employer contribution rates for the period 1 April 2026 to 31 March 2029
- The funding position of the whole Fund at 31 March 2025.

Further information on the process, methodology and strategy has been communicated to relevant stakeholders throughout the valuation. There is also further information publicly available in the Funding Strategy Statement and [Hymans Robertson's LGPS 2025 valuation toolkit](#).

### 2.2 Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex, as benefits earned today may not be paid until 50+ years has passed. Over that period, there is significant uncertainty over factors which affect the cost of benefits e.g. inflation and investment returns. These uncertainties are considered within the risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions.

#### Key funding decisions

- **Decision 1:** What is the target funding level (how much money the Fund aims to hold) and funding basis (the set of actuarial assumptions used to value the past and future liabilities)?
- **Decision 2:** What is the funding time horizon (the time given to employers to meet the target funding level)?
- **Decision 3:** What is the likelihood of success (how likely it is that employers will meet the target funding level at the end of the funding time horizon)?

The funding decisions will vary between employers within the Fund and are documented in the Funding Strategy Statement.

#### Risk-based approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future under 5,000 different economic simulations. The resulting 5,000 projections of the employer's assets and benefits are used to quantify the likelihood of success.

The simulations are generated using Hymans Robertson's Economic Scenario Service (ESS). Further information on this can be found in [Appendix 2](#).

Contribution rates are then set for each employer which achieve each employer's minimum likelihood of meeting their target funding level on their funding basis at the end of their funding time horizon.

### 2.3 Measuring the past service funding position

The funding position is measured as at the valuation date. While it is limited in providing insight into the future health of the Fund, it is a useful high-level summary statistic. A market-related approach is taken to calculate both the assets and the liabilities to ensure they are consistent with one another:

- The market value of the Fund’s assets at the valuation date has been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these are detailed in [Appendix 2](#)).

#### Calculating the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to, or in payment at, the valuation date, expressed in today’s money. Chart 1 shows the annual split of projected benefit payments for all members in the Fund at the valuation date.

The projections are based on the membership data provided for the valuation ([Appendix 1](#)), the assumptions ([Appendix 2](#)) and our understanding of the LGPS benefit structure as at 31 March 2025 (details at [www.lgpsregs.org](http://www.lgpsregs.org)). There are currently sources of uncertainty and potential change related to the LGPS benefit structure and [Appendix 2](#) sets out how these have been considered.

The “spike” in year 2 reflects the anticipated retirement of a tranche of active and deferred members who are currently older than their assumed retirement age, whilst the “dip” around year 20 reflects the planned increase in State Pension Age to 68.

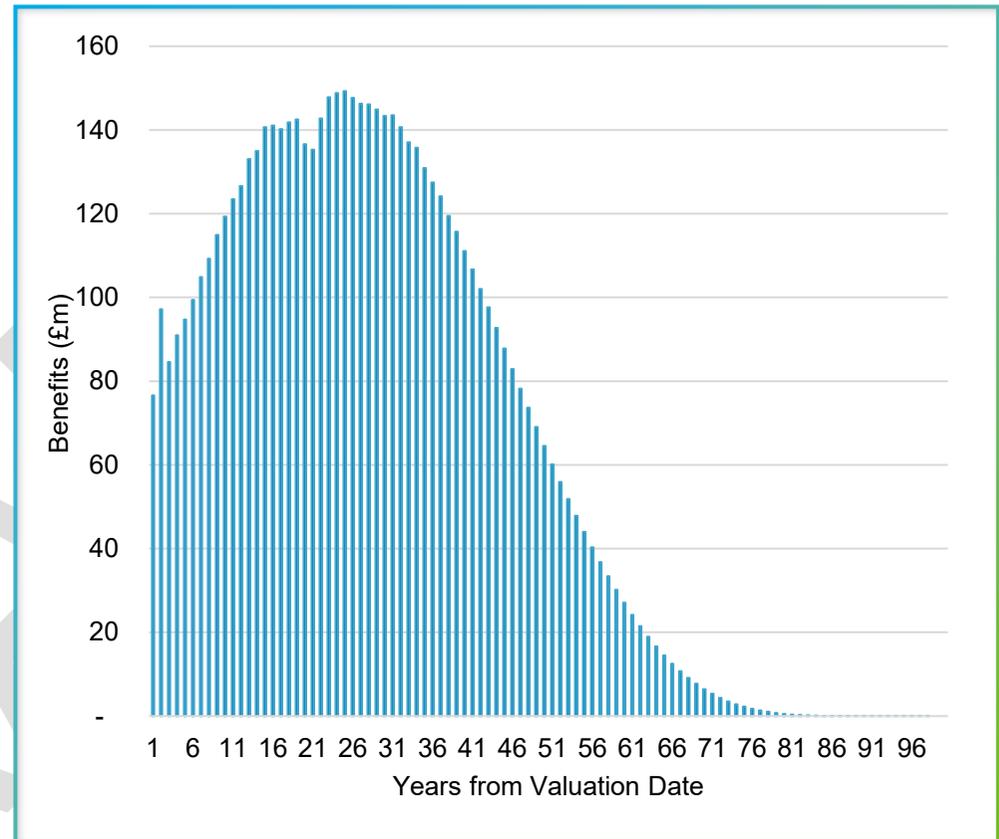


Chart 1: Projected benefit payments for all service earned up to 31 March 2025

To express the future payments in today’s money, each projected payment is discounted back to the valuation date in line with an assumed rate of future investment return (known as the ‘discount rate’).

Valuation  
results



## 3. Valuation results

### 3.1 Employer contribution rates

The primary objective of the funding strategy is to set employer contribution rates that will enable the Fund to have enough assets to pay members' benefits as they fall due. A secondary objective is to ensure the rates are as stable and affordable as possible. The risk-based approach detailed earlier is used to meet these objectives.

**The employer contribution rate is made up of two components:**

- **Primary rate:** the level of contributions sufficient to fund benefits that will be accrued in the future.
- **Secondary rate:** the difference between the primary rate and the total contribution rate. This may be in respect of costs associated with accrued benefits or adjustments to achieve the Fund's stability and affordability objectives.

Table 3 shows the combined individual employer contribution rates to be paid into the Fund over the period 1 April 2026 to 31 March 2029. There is also a comparison with the contributions set at the last valuation in 2022.

	31 March 2025		31 March 2022	
<b>Primary rate</b>	16.2% of pay		21.8% of pay	
<b>Secondary rate</b>	2026/27	-0.3%	2023/24	-2.7%
	2027/28	-0.3%	2024/25	-2.7%
	2028/29	-0.3%	2025/26	-2.7%

Table 3: Combined employer contribution rates compared with previous valuation

The primary rate includes an allowance of 0.6% of pensionable pay for the Fund's administration and governance expenses (0.6% of pay at the last valuation).

Employees pay contributions to the Fund in addition to these rates. The employee contribution rates are set by the LGPS Regulations.

On average, employer total contribution rates (ie Primary plus Secondary) have reduced mainly due to higher assumed future investment returns at 2025 compared to 2022. This reduces the estimated cost of funding future benefit payments.

Each employer has a contribution rate which is appropriate to their circumstances, and these can be found in the Rates & Adjustments Certificate ([Appendix 8](#)).

### 3.2 Funding position as at 31 March 2025

Table 4 sets out the assets and liabilities at the valuation date. The results at the 2022 valuation are shown for comparison.

**The funding position provides a high-level snapshot as at 31 March 2025, but there are limitations:**

- The liabilities are very sensitive to the choice of assumptions about the future
- The market value of assets held by the Fund will change daily.

Employer contribution rates are not set using the reported funding position above. The contribution rates take into consideration how assets and liabilities will evolve over time in different economic scenarios. They also reflect each employer's funding profile and covenant.

The funding position and contribution rates are based on assumptions about future factors such as investment returns, inflation and life expectancy. As these are uncertain, different assumptions are used by each LGPS fund to reflect their own views, circumstances and strategic objectives. These differences (amongst other factors, including crucially the previous funding level and employer affordability and long-term contribution stability) will lead to differences in funding positions and contribution rates across the LGPS. To support comparison, LGPS funds are required to report a funding position on a consistent set of assumptions (called the "SAB funding level"). The Fund's SAB funding level at 31 March 2025 is 134%. **SAB assumptions are to allow comparison only and are not intended to be appropriate for funding or setting contribution rates. As such, this result has no impact on the Fund's funding strategy or employer contribution rates.**

Valuation date	31 March 2025	31 March 2022	
<b>Assets</b>	3,232	2,776	
<b>Liabilities</b>	<b>Actives (£m)</b>	794	1,042
	<b>Deferreds (£m)</b>	268	392
	<b>Pensioners (£m)</b>	884	874
Surplus / (Deficit) (£m)	1,286	468	
Funding Level	166%	120%	

Table 4: Single reported funding position compared with the previous valuation

The improvement in funding level is primarily due to higher assumed future investment returns at 2025. Chart 2 on the next page provides further information on what's caused the funding position to change since 2022.

### 3.3 Other funding metrics

The future investment return required to be 100% funded at this valuation is 3.3% p.a. which has increased slightly since the previous valuation (3.2% p.a.). This means, at 31 March 2025, the Fund needed to earn 3.3% p.a. to have enough money to meet accrued benefits at that date. The estimated likelihood of the Fund's investment strategy achieving the required return is > 95% at 31 March 2025 (84% at 2022).

### Changes since the last valuation – funding position

The factors that have caused the funding position to change since the last valuation are split between:

- actual experience being different from expectations at the last valuation (**known events**)
- changes in assumptions about the future (**future expectations**).

Chart 2 details these factors and their magnitude.

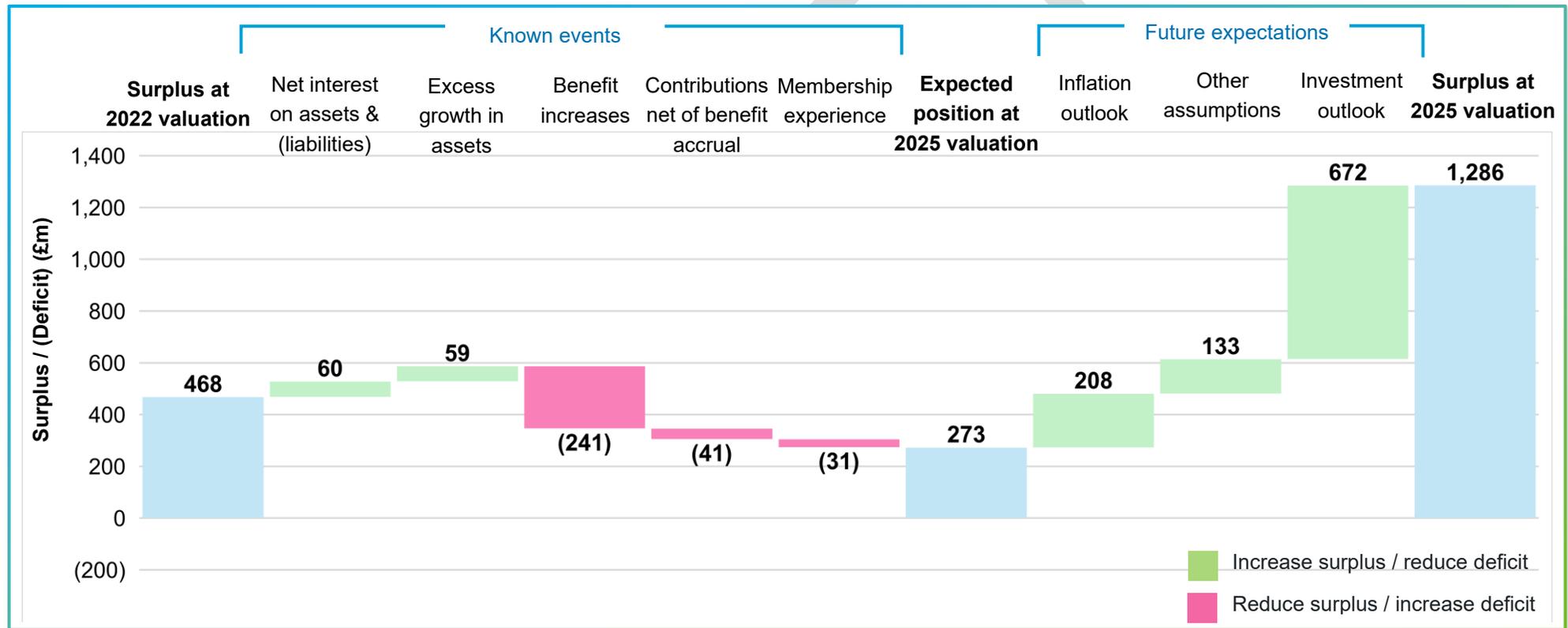


Chart 2: Change in funding position since last valuation

# Risks and sensitivities



## 4. Risks and sensitivities

### 4.1 Background

If all future experience is in line with expectations and there are no changes in the financial or demographic environment, it's projected that the funding level at the next valuation (31 March 2028) will increase to 169%.

However, the funding position, and the Fund's funding strategy, are sensitive to various sources of risks. These funding risks broadly fall into categories of economic, demographic, regulatory and other.

Identifying and specifying these risks, including analysis of their potential impact, is an important part of the risk management cycle.

### 4.2 Economic risks

#### Impact of known events

The main economic risks are in relation to investment returns, benefit increases (ie Consumer Price Index inflation) and salary increases.

For all three sources of risk, the table below details the actual experience since the last valuation compared to 2022 expectations, and the impact on funding.

Source	Expected	Actual	Funding impact
Investment returns	4.1% p.a.	4.7% p.a.	£59m
Benefit increases	2.7% p.a.	6.1% p.a.	(£241m)
Salary increases	3.2% p.a.	6.4% p.a.	(£49m)

Table 5: Impact of known economic events since 2022

#### Impact of changes in future outcomes

The results in this report are based on a set of assumptions about the future outcomes for these economic risks. If the future differs from the assumptions used at this valuation, the Fund's liabilities may be higher (or lower) than the current estimate.

- **Investment returns:** Chart 3 below shows how the funding level at 31 March 2025 changes depending on the level of assumed future investment returns. Each point on the line denotes the estimated likelihood of achieving the level of future return at the valuation date. This indicates that the best estimate (return with an estimated 50% likelihood) funding level at 31 March 2025 is 239%. The Fund’s assumption at this valuation is summarised in [Appendix 2](#) and is illustrated by the solid blue diamond.
- **Benefit increases:** if future inflation was 0.1% pa higher than assumed at this valuation, then the funding level would reduce by c3% (with a c£31m fall in the surplus).
- **Salary increases:** if salary increases were 0.5% pa higher than assumed at this valuation then the funding level would reduce by c2% (with a c£19m fall in the surplus).

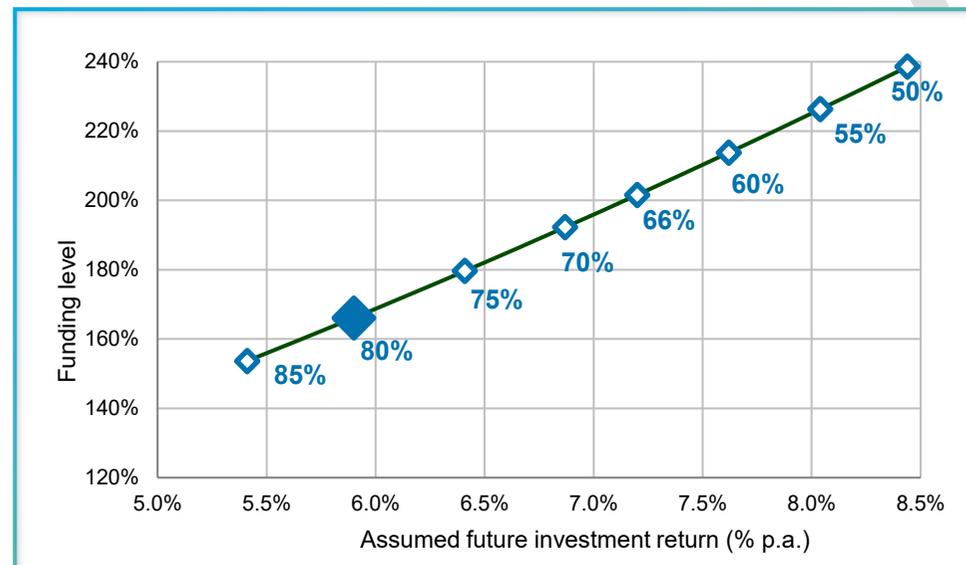


Chart 3: Impact of future return assumption on funding level

### Prudence within assumptions

Reflecting the sharp change in the economic environment since the last valuation in 2022, the Fund has made allowance for higher assumed future investment returns (compared to the 2022 valuation). However, there is also increased uncertainty within the wider environment due to ongoing geo-political tensions and financial market volatility, alongside additional uncertainty about future long-term UK inflation levels and global financial markets. Therefore, the Fund has increased the level of prudence within funding strategies and contribution rates at the 2025 valuation\*. The overall outcome of higher assumed future investment returns, even when combined with higher prudence is, on average, a reduction in employer total contribution rates (ie Primary plus Secondary) at the 2025 valuation.

The Fund believes this approach balances the key objectives of **affordability** and **stability** of employer contribution rates, whilst ensuring the Fund is **solvent** over the long-term.

- **Affordability:** the Fund has taken into account, and given credit for, higher expected future investment returns which reduces the cost to employers of providing LGPS benefits (all other things being equal).
- **Stability:** if the Fund doesn’t achieve the higher level of assumed returns, or future returns expectations reduce, then it doesn’t necessarily mean immediate increases in employer contribution rates in the future. Prudence levels will remain under review and part of the Fund’s wider governance and risk management framework and, given different economic or funding conditions, it may be appropriate to reduce prudence at future valuations to support the Fund’s longer-term aims of stable (and affordable) contributions for employers.

\* Prudence levels are set out in the Fund’s Funding Strategy Statement and the governance audit trail of these key decisions is documented in [Appendix 3](#).

### 4.3 Demographic risks

#### Impact of known events

The main demographic risk is in relation to life expectancy. The Fund's mortality experience between the 2022 and 2025 valuations has resulted in the following impact on the funding position, as shown in Table 6.

Mortality experience	
Actual amount of annual pension ceased	£4.8m
Expected amount of annual pension ceased	£5.0m
Difference	(£0.2m)
<b>Impact on funding position</b>	<b>(£3.1m)</b>

Table 6: Impact of member mortality experience since 2022

#### Impact of changes in future outcomes

The results in this report are based on an assumption that in the long-term, the rate of mortality reduces at 1.5% p.a.. If this rate of reduction turned out to be stronger (1.75% p.a. instead of 1.5% p.a.), then members would live longer than expected. In this scenario, the funding level would fall by c1% (with a c£10m fall in the surplus).

### 4.4 Other risks

#### Regulatory

Changes in central government legislation may affect the future cost of the LGPS. For example, the cost to rectify the McCloud discrimination is estimated to be an increase in liabilities of £1m at this valuation. [Appendix 2](#) sets out potential regulatory changes which may impact future pension costs.

#### Climate change

Climate change has the potential to make extreme outcomes more likely which could in turn have a significant impact on the funding position. The Fund has carried out separate modelling to assess the potential impact of extreme outcomes on longer term funding. Further details on this are presented in [Appendix 4](#).

#### Post-valuation events

The results in this report are as at 31 March 2025. Since this date, asset performance has been positive and the funding position is likely to have improved as a result. However, short-term volatility in the funding position is to be expected due to the Fund's growth-orientated investment strategy. Given that the Fund aims to set long-term, stable funding strategies and contribution rates, and experience since 31 March 2025 is not abnormal, no allowance has been made for post-valuation events in setting employer contribution rates or the funding position at this valuation.

The Fund will continue to monitor the environment in which it participates to understand and manage the impact of any changes.

Final  
comments



## 5. Final comments

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The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement which (in particular) highlights how different employers in different circumstances have their contributions calculated.
- The Investment Strategy Statement, which sets out the investment strategy for the Fund.
- The Fund's risk register.
- The general governance of the Fund, including meetings of the Pensions Committee and Local Pensions Board, decisions delegated to officers, the Fund's business plan, etc.

Throughout the valuation, relevant stakeholders in the Fund have been engaged, consulted and communicated with as appropriate. Details of the governance process followed during the valuation are set out in [Appendix 3](#).

Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2028 where contribution rates payable from 1 April 2029 will be set.

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March 26

For and on behalf of Hymans Robertson

Richard Warden FFA C.Act

Allan Woodhouse FFA C.Act



# Appendices

## Gwynedd Pension Fund

### Appendices

Appendix 1: Data

Appendix 2: Assumptions

Appendix 3: Governance audit trail

Appendix 4: Climate change scenario analysis

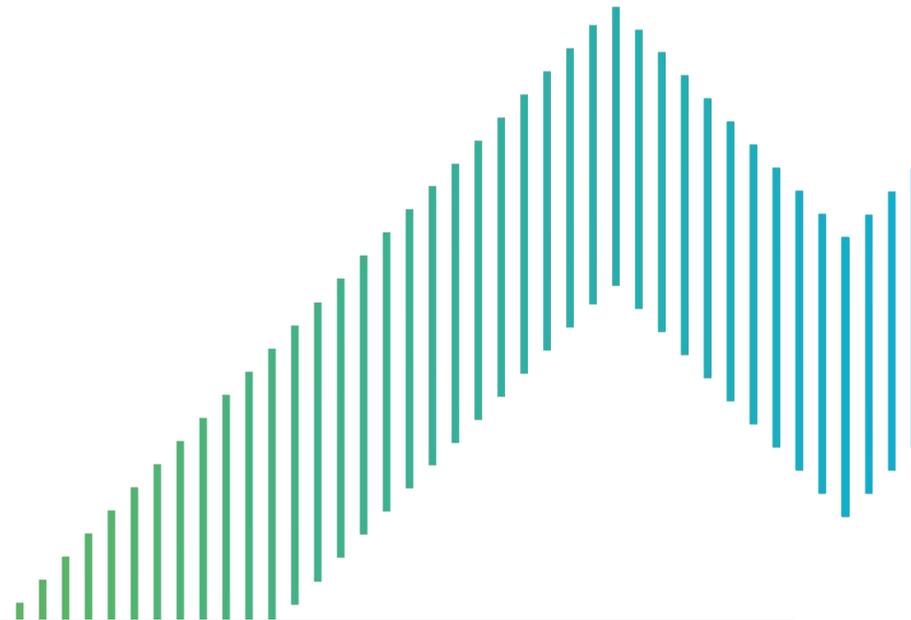
Appendix 5: Section 13 dashboard

Appendix 6: Reliances and limitations

Appendix 7: Glossary

Appendix 8: Rates and Adjustments Certificate

Appendix 9: Gender pension gap



## Appendix 1: Data

### Membership data

The membership data used for the purposes of this valuation was provided by the Administering Authority on 12 August 2025.

A summary of the membership data used for this valuation is set out in Table 7, alongside corresponding data from the previous valuation for comparison. The membership numbers in the table relate to the total number of records.

The results of this valuation are dependent on the quality of the underlying data used. We have relied on information supplied by the Administering Authority and their administrator as being accurate. We have carried out a series of reasonableness validation checks on the supplied membership data and compared against the Fund's (unaudited) accounts to confirm its suitability for the purposes of this valuation.

More information on how we verify the quality of the data used in the valuation has been shared with the Administering Authority in our report 'Data Report for the 2025 Valuation'.

Whole Fund Membership Data	This Valuation 31 March 2025	Last Valuation 31 March 2022
<b>Employee members</b>		
Number	19,082	18,435
Total actual pay (£000)	386,847	305,475
Total accrued pension (£000)	84,359	62,701
Average age (liability weighted)	54	51
<b>Deferred pensioners (including undecideds)</b>		
Number	21,172	20,964
Total accrued pension (£000)	27,837	22,521
Average age (liability weighted)	52	50
<b>Pensioners and dependants</b>		
Number	13,222	11,335
Total pensions in payment (£000)	71,813	54,576
Average age (liability weighted)	69	69

Table 7: Membership data summary

**Investment strategy**

A summary of the investment strategy allocation used to derive the future assumed investment return is set out in Table 8.

This strategy was confirmed by the Administering Authority on 5 September 2024 as appropriate for the purposes of the valuation.

**Asset data**

To check the membership data and derive employer asset values, we have used asset and accounting data and employer-level cash flow data provided by the Fund.

Asset class	Allocation
UK equities	8.0%
Overseas equity	34.5%
Emerging market equity	2.5%
Private equity	5.0%
Property	10.0%
Infrastructure equity	7.5%
UK corporate bonds (A-rated average)	7.5%
Absolute return bonds	12.5%
Multi asset credit	7.50%
Private lending	5.0%
<b>Total</b>	<b>100.00%</b>

*Table 8: Investment strategy allocation used for the calculation of employer contribution rates.*

## Appendix 2: Assumptions

To set and agree assumptions for the valuation, the Fund carried out an in-depth analysis and review in January 2025 with the assumptions agreed by the Pensions Committee during March 2025.

### Summary of assumptions

	31 March 2025	31 March 2022
<b>Financial assumptions</b>		
Discount rate	5.9% p.a. (80% likelihood of success)	4.1% p.a. (75% likelihood of success)
Benefit increases (CPI inflation)	2.3% p.a.	2.7% p.a.
Salary increases	2.8% p.a.	3.2% p.a.
<b>Demographic assumptions</b>		
Baseline longevity	VitaCurves	VitaCurves
Longevity future improvements	CMI2024 model with core parameterisation except Initial addition = 0.25% (Male & Female) Long-term rate of improvement = 1.5% p.a.	CMI 2021 model Initial addition, A = 0.25% (Male and Female) Smoothing factor, Sk = 7.0 Long-term rate of improvement = 1.5% p.a.
Commutation	75% of maximum under HMRC limits	65% of maximum under HMRC limits
50:50 scheme	0% of members elect to change scheme	0.5% of members elect to change scheme
Retirement age	Earliest age at which members can retire with unreduced benefits	
Family statistics	Varying proportion have dependant at death Dependant of a male is 3.5 years younger than him Dependant of a female is 0.6 years older than her	Varying proportion have dependant at retirement Dependant of a male is 3 years younger than him Dependant of a female is 3 years older than her

Table 9: Summary of assumptions

### Deriving future investment return likelihoods

To derive the distribution of future investment returns and obtain associated estimated likelihoods, we use the Fund's long-term investment strategy and our Economic Scenario Service (ESS) model. The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class, eg UK equities. The ESS reflects correlations between asset classes and wider economic variables (eg inflation). In the short-term (first few years), the models are fitted with current financial market expectations. Over the longer-term, models are built around our views of fundamental economic parameters, for example equity risk premium, credit-spreads and long-term inflation. Table 10 sets out the individual asset class return distribution of the ESS model at 31 March 2025.

Time period	Percentile	Annualised total returns										Inflation/Yields		
		UK Equity	Overseas equity	Emerging market equity	Private Equity	Property	Infrastructure equity	UK Corporate bonds (A-rated)	Absolute return bonds	Multi-asset credit	Private lending	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16 <sup>th</sup>	0.1%	-0.5%	-3.2%	-2.5%	0.2%	1.1%	4.0%	3.6%	4.1%	4.5%	1.2%	1.5%	4.8%
	50 <sup>th</sup>	8.2%	8.2%	8.5%	10.0%	6.8%	8.1%	5.2%	5.0%	6.7%	8.2%	2.8%	2.4%	5.8%
	84 <sup>th</sup>	16.4%	16.9%	20.9%	22.8%	14.1%	15.5%	6.1%	6.5%	8.8%	11.4%	4.3%	3.3%	7.1%
10 years	16 <sup>th</sup>	2.5%	2.1%	0.2%	1.2%	2.3%	3.1%	4.8%	4.0%	5.8%	6.4%	0.8%	0.8%	3.9%
	50 <sup>th</sup>	8.6%	8.5%	8.8%	10.2%	7.3%	8.4%	5.8%	5.4%	7.4%	8.8%	2.5%	2.1%	5.3%
	84 <sup>th</sup>	14.6%	14.8%	17.5%	19.6%	12.7%	13.8%	6.7%	6.9%	8.9%	10.9%	4.1%	3.3%	7.1%
20 years	16 <sup>th</sup>	3.8%	3.7%	2.2%	3.4%	3.5%	4.2%	4.6%	3.7%	6.1%	7.0%	0.7%	-0.5%	1.6%
	50 <sup>th</sup>	8.4%	8.3%	8.5%	9.9%	7.3%	8.3%	5.8%	5.3%	7.6%	8.8%	2.3%	1.3%	3.6%
	84 <sup>th</sup>	12.9%	13.1%	15.1%	17.0%	11.3%	12.4%	7.2%	7.1%	9.1%	10.7%	3.9%	3.0%	6.2%
Volatility (1 yr)		16.3%	18.6%	24.3%	26.6%	15.2%	14.5%	3.2%	2.7%	6.3%	9.3%	1.4%	-	-

Table 10: ESS individual asset class return distributions at 31 March 2025

**Demographic assumptions**

The tables below set out sample rates for demographic assumptions at 5-year age intervals. All figures are incidence rates per 1,000 members except salary scale. FT and PT denote full-time and part-time active membership respectively.

**Males**

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		III Health Tier 2	
			FT	PT	FT	PT	FT	PT
20	105	0.17	210.24	365.85	0.00	0.00	0.00	0.00
25	117	0.17	138.87	241.66	0.00	0.00	0.00	0.00
30	131	0.20	98.53	171.44	0.00	0.00	0.00	0.00
35	144	0.24	76.99	133.93	0.10	0.07	0.02	0.01
40	151	0.41	61.98	107.80	0.16	0.12	0.03	0.02
45	159	0.68	58.22	101.23	0.35	0.27	0.07	0.05
50	167	1.09	47.99	83.35	0.90	0.68	0.23	0.17
55	173	1.70	37.79	65.67	3.54	2.65	0.51	0.38
60	174	3.06	33.68	58.51	6.23	4.67	0.44	0.33
65	174	5.10	20.67	35.91	11.83	8.87	0.00	0.00

Table 11: Sample rates for demographic assumptions – Males

**Females**

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		III Health Tier 2	
			FT	PT	FT	PT	FT	PT
20	105	0.10	197.36	336.51	0.00	0.00	0.00	0.00
25	117	0.10	132.80	226.40	0.10	0.07	0.02	0.01
30	131	0.14	111.32	189.75	0.13	0.10	0.03	0.02
35	144	0.24	96.08	163.71	0.26	0.19	0.05	0.04
40	151	0.38	79.96	136.21	0.39	0.29	0.08	0.06
45	159	0.62	74.62	127.09	0.52	0.39	0.10	0.08
50	167	0.90	62.91	107.03	0.97	0.73	0.24	0.18
55	173	1.19	46.94	79.94	3.59	2.69	0.52	0.39
60	174	1.52	37.83	64.35	5.71	4.28	0.54	0.40
65	174	1.95	18.03	30.66	10.26	7.69	0.00	0.00

Table 12: Sample rates for demographic assumptions - Females

### Average life expectancies

Based on the longevity assumptions used for the 2025 valuation, Table 13 details the average life expectancy for the Fund's membership.

Average life expectancy	31 March 2025	31 March 2022
Male pensioner	20.8 years	21.1 years
Male non-pensioner	21.8 years	22.3 years
Female pensioner	23.7 years	24.0 years
Female non-pensioner	25.3 years	25.9 years

Table 13: Average life expectancies

The average life expectancies are from the age of 65. They assume that pensioners are aged 65 at the respective valuation date and non-pensioners are aged 45.

### Benefit structure

Results are based on our understanding of the benefit structure of the LGPS in England and Wales on 31 March 2025 – see [www.lgpsregs.org](http://www.lgpsregs.org). However, there are areas of uncertainty and potential change.

- **McCloud:** in line with the 2022 valuation, we have made an allowance for the cost of these potential improvements, including McCloud data (where available). Further detail on the assumption is available on request
- **Cost sharing mechanism:** we have assumed that there will be no changes required to the LGPS benefit structure due to this mechanism.
- **Guaranteed Minimum Pension equalisation and revaluation:** in line with the 2022 valuation, we have assumed that all increases on GMP for members with a State Pension Age after 5 April 2016 will be funded by the Fund.
- **Virgin Media case:** we have made no allowance for any impact that the Virgin Media case may have on the LGPS benefit structure.
- **Other benefit changes:** there may be benefit changes due to the current “Access and Fairness” consultation. We have not made any allowance for any changes to the benefit structure proposed in this consultation as we would not expect them to be material if implemented.

## Appendix 3: Governance audit trail

The triennial actuarial valuation is a significant exercise carried out by the Fund. This report is a summary of the main outputs from the triennial actuarial valuation. The outputs are the result of funding strategy analysis, discussions and Fund decisions throughout the valuation process. A high-level audit trail of the key funding strategy decisions is set out below.

### Funding strategy

The **actuarial assumptions** were reviewed by the Fund in January 2025, supported by analytics and other information from the Fund Actuary. The assumptions were agreed by the Fund at the Pensions Committee meeting in March 2025.

The funding strategy parameters, which feed into the setting of employer contribution rates, were considered in stages.

- **Local authorities, Police and Parc Cenedlaethol** : review carried out in Q1 2025, including consideration of funding target, funding time horizon, likelihood of success, contribution stability mechanism and interaction with the Fund's investment strategy. The outcomes were discussed at the September 2025 Pensions Committee meeting.
- **Other employers:** the funding strategy for the remaining employers in the Fund was reviewed by the Fund's Officers in October 2025. Other aspects of the funding strategy, including the approach to cessation valuations, exit credits, ill health risk management and new employers, were reviewed in January 2026.

The outcomes of these decisions was collated and documented in an updated copy of the Funding Strategy Statement. The draft FSS was discussed at the February 2026 Pensions Committee meeting. The final version was agreed at the March 2026 Pensions Committee meeting.

### Stakeholder engagement

In addition, the Fund has engaged with employers and the Local Pensions Board throughout the valuation exercise. A summary of the engagement is detailed below.

- **Stabilised employer meetings** : During September 2025 the current funding environment and proposed contribution rates in force from 1 April 2026 were discussed with relevant employers.
- **Employer forum:** the employers' forum on 24 October 2025 discussed the key themes of the 2025 valuation.
- **Employer results:** a results schedule setting out their 2025 valuation funding position and contribution rate was issued to relevant employers in October 2025. Employers were then offered the opportunity to engage with the Fund to discuss their results.
- **Funding Strategy Statement consultation:** an updated version of the FSS was issued to employers in January 2026 with the opportunity to feed back comments or ask questions to the Fund by 6 March 2026.

## Appendix 4: Climate change scenario analysis

Climate change is now widely regarded as one of the main sources of risk for pension funds, with potential implications for future **inflation, investment returns** and **longevity**. LGPS funds, given their long-term horizons, may face greater exposure to climate risks – and many stakeholders are asking what more can be done to understand the possible impact of these risks.

We have used two sets of scenario analysis to test the resilience of the funding strategy under potential climate-related risks.

Scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities.

Identification of these vulnerabilities can inform risk management processes helping to ensure that appropriate controls and mitigations are in place. Scenario analysis can therefore also support informed decision making, as well as ensuring compliance with regulations, including TCFD.

### Scenario approach 1 – Stress testing

We take our usual 5,000 simulations to see how an LGPS fund could evolve over 20 years. We then consider how quickly the world responds to climate risk in three scenarios (broadly speaking now, later or even later), with the simple assumption that in every case the response leads to intense disruption and a period of heightened market volatility. The scenarios are not explicitly designed to be “good” or “bad”, and we tend to see a modest impact on high level risk metrics.

### Scenario approach 2 – Narrative driven

The new, narrative analysis complements the stress tests by imagining a specific climate-related trigger event and considering how that plays out under three different pathways.

We take a specific, extreme, downside risk event (in this instance a shock to the planet’s food supply) that could occur in the coming years. We then map out distinctive potential reactions to the event, considering things like market changes and policy responses and how these may evolve differently over time. This results in three distinct pathways.

### Challenges and limitations

When interpreting the results, users should be aware of the following challenges and limitations in addition to the usual limitations of asset-liability modelling:

- All of the modelling results are ultimately based on the original 5,000 projections from our core model, so we are implicitly assuming that markets continue to function and that the assumed correlations, risk premia, volatilities etc are still valid.
- Neither set of climate scenarios is intended to be exhaustive, and other outcomes beyond what the scenarios cover are of course possible

**Full details and results are included in the 2025 Climate Scenario Analysis Output Report dated June 2025, and further detail on the scenario methodology is included in the [2025 valuation toolkit](#) .**

### Climate scenario stress test analysis – output summary

Below we set out the quantitative outputs from the ‘stressed’ climate scenarios. These reflect how the Fund may be impacted over the coming years should the world’s response to climate change reflect the one of our three qualitative scenario descriptions. The base case reflects the market having already priced in climate change, but not any one specific climate scenario.

Modelling results at 20-year time horizon				
Metric	Base case	Green revolution	Delayed transition	Head in the sand
Likelihood of success	89%	90%	86%	87%
Worst 5% of outcomes	64%	67%	60%	60%

Table 14: Summary modelling results in the base case and stress test scenarios

Overall, the impact on likelihood of success is modest over the 20-year horizon, suggesting that the level of prudence in the funding strategy has not been drastically underestimated due to climate risk. There is generally a greater impact on downside risk which is to be expected given that higher volatility will lead to a broader range of outcomes and this means that the worst outcomes get even worse.

The stress test scenarios are designed to test the entire range of funding outcomes. The above impact on downside risk suggests that the extremes merit further, dedicated investigation, particularly as climate change has the potential to make “extreme” outcomes more likely.

The narrative-driven scenario approach was introduced at the 2025 valuation to complement the stress tests by digging further into potential downside risks.

### Narrative-driven scenario analysis – output summary

The chart below shows the likelihood of success in each of the three narrative scenarios. All of them begin with the same initial shock, and then the results diverge based on different imagined responses.

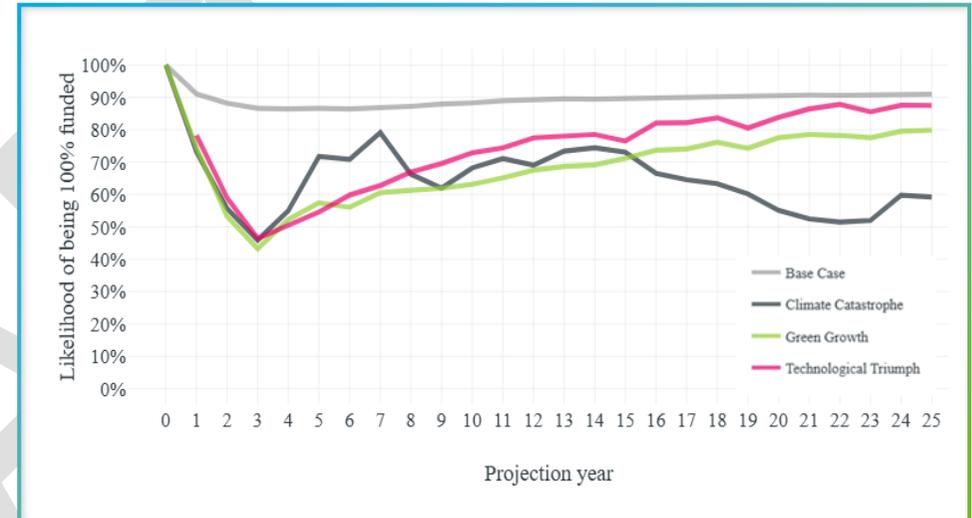


Chart 4: Likelihood of success in the base case and narrative-driven scenarios

Over medium time horizons of 5-10 years, we see improvement in the likelihood of success under each of the three scenarios, although all remain below both the base case and the level of success that is required by the Fund. Over longer time horizons of 10+ years we begin to see a divergence in the likelihood of success, with rapid response and technology investment supporting regrowth under the Green Growth and Technological Triumph pathways, but delayed action under Climate Catastrophe, instead leading to prolonged economic and social disruption and a likelihood of success below the Fund’s desired threshold.

There is therefore a plausible downside scenario prompted by a climate-related event that would put the Fund’s funding strategy at risk.

## Appendix 5: Section 13 dashboard

Metric	Unit	2025 valuation
<b>2025 funding position – local funding basis</b>		
Funding level (assets/liabilities)	%	166%
Funding level (change since previous valuation)	%	46% increase
Asset value used at the valuation	£m	3,232
Value of liabilities (including McCloud liability)	£m	1,946
Surplus (deficit)	£m	1,286
Discount rate – past service	% p.a.	5.9%
Discount rate – future service	% p.a.	Past service and future service are consistently valued with the same underlying assumptions, methodologies and models regarding future expected levels of inflation, interest rates and investment returns.
Assumed pension increase (CPI)	% p.a.	2.3%
Method of derivation of discount rate, plus any changes since previous valuation		There is a 80% likelihood that the Fund's assets will return at least 5.9% p.a. over the 20 years following the 2025 valuation date. This is the same methodology used for the 2022 valuation but with a higher likelihood (75% at 2022).

Metric	Unit	2025 valuation
<b>Assumed life expectancy at age 65</b>		
Life expectancy for current pensioners – men age 65	years	20.8
Life expectancy for current pensioners – women age 65	years	23.7
Life expectancy for future pensioners – men age 45	years	21.8
Life expectancy for future pensioners – women age 45	years	25.3
<b>Past service funding position – SAB basis (for comparison purposes only)</b>		
Market value of assets	£m	3,232
Value of liabilities	£m	2,410
Funding level on SAB basis (assets/liabilities)	%	134%
Funding level on SAB basis (change since last valuation)	%	2% decrease

Metric	Unit	2025 valuation	2022 valuation
<b>Contribution rates payable</b>			
Primary contribution rate	% of pay	16.2%	21.8%
<b>Secondary contribution rate (cash amounts in each year)</b>			
Secondary contribution rate - 1 <sup>st</sup> year of rates and adjustments certificate	£m	-1.329	-8.746
Secondary contribution rate - 2 <sup>nd</sup> year of rates and adjustments certificate	£m	-1.366	-9.021
Secondary contribution rate - 3 <sup>rd</sup> year of rates and adjustments certificate	£m	-1.405	-9.303
<b>Giving total expected contributions</b>			
Total expected contributions - 1 <sup>st</sup> year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	64.105	62.208
Total expected contributions - 2 <sup>nd</sup> year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	65.908	64.221
Total expected contributions - 3 <sup>rd</sup> year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	67.761	66.299
<b>Assumed payroll (cash amounts in each year)</b>			
Total assumed payroll - 1 <sup>st</sup> year of rates and adjustments certificate	£m	404.830	325.937
Total assumed payroll - 2 <sup>nd</sup> year of rates and adjustments certificate	£m	416.212	336.442
Total assumed payroll - 3 <sup>rd</sup> year of rates and adjustments certificate	£m	427.913	347.286
3 year average total employer contribution rate	% of pay	15.9%	19.1%
Average employee contribution	% of pay	6.4%	6.4%
Expected employee contributions (£ figure based on assumed payroll of <b>£404.8m</b> )	£m p.a.	25.850	20.874

Metric	Unit	2025 valuation	2022 valuation
Deficit recovery and surplus spreading plan			
Latest deficit recovery period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
Earliest surplus spreading period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
The time horizon end date, where this methodology is used by the fund's actuarial advisor	Year	2042	2039
The funding plan's likelihood of success, where this methodology is used by the fund's actuarial advisor	%	Minimum 80%	Minimum 75%
Surplus Methodology		Explicit contribution stabilisation mechanism	Explicit contribution stabilisation mechanism
Surplus methodology & parameters explanation (including changes since previous valuation)		Employer contributions are limited to increase/decrease at most by 1% of pay pa to support long-term stability. The Fund has allowed a one-off immediate 3% reduction, covering rates from 1 April 2026 to 31 March 2029, to support affordability. Further detail is in the FSS.	Employer contributions are limited to increase/decrease at most by 1% of pay pa to support long-term stability.
<b>Additional information</b>			
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	0%	0%
Percentage of total liabilities that are in respect of Tier 3 employers	%	0.8%	0.8%
Included climate change analysis/comments in the 2025 valuation report		Yes	Yes
Gender pension gap statistic - Fund active mean CARE pension GPG	%	29%	N/A

Gender pension gap statistic - Fund active mean combined Final Salary and CARE pension GPG	%	30%	N/A
Gender pension gap statistic - Fund pensioner mean pension GPG	%	52%	N/A

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## Appendix 6: Reliances and limitations

We have been commissioned by Cyngor Gwynedd ('the Administering Authority') to carry out a full actuarial valuation of Gwynedd Pension Fund ('the Fund') at 31 March 2025, as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ('the Regulations').

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2025 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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This summary report is the culmination of other communications in relation to the valuation, in particular our:

- [2025 valuation toolkit](#) which sets out the methodology used when reviewing funding plans
- paper dated 24 January 2025 which discusses the valuation assumptions
- paper dated 18 March 2025 which discusses the funding strategy for the Fund's stabilised employers i.e. the three local authorities, Parc Cenedlaethol Eryri and the Police.

- initial results report dated 3 September 2025 which outlines the whole Fund results and inter-valuation experience
- data report dated March 2026 which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

We have also prepared the valuation with regard to the Funding Strategy Statement which details the approach taken by the Fund to fund the current and future benefits due to members.

The following Technical Actuarial Standards apply to this advice and have been complied with where material and to a proportionate degree. They are:

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

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## Appendix 7: Glossary

### ➤ **50:50 option**

An option for LGPS members to pay half employee contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).

### ➤ **Asset-liability modelling**

An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forwards into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.

### ➤ **Baseline longevity**

The rates of death (by age and sex) in a given group of people based on current observed data.

### ➤ **VitaCurves**

The assumptions used for baseline longevity. These assumptions are provided by Club Vita, a firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.

### ➤ **Commutation**

The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.

### ➤ **CPI inflation**

The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.

### ➤ **Deferred pensioner**

A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.

### ➤ **Demographic assumptions**

Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

### ➤ **Discount rate**

A number used to place a single value on a stream of future payments, allowing for expected future investment returns.

### ➤ **Employee (or active) members**

Members who are currently employed by employers who participate in the Fund and are paying contributions into the Fund.

### ➤ **ESS**

Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.

### ➤ Funding position

The extent to which the assets held by the Fund at 31 March 2025 cover the accrued benefits ie the liabilities.

The two measures of the funding position are:

- the funding level - the ratio of assets to liabilities; and
- the funding surplus/deficit - the difference between the asset and liabilities values.

### ➤ Inflation

Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.

### ➤ Liabilities

An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.

### ➤ Longevity improvements

An assumption about how rates of death will change in future. Typically, we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.

### ➤ Pensioner

A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

### ➤ Primary rate

The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the Fund's expenses.

### ➤ Prudence

To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence level of more than 50%. All other assumptions aim to be best estimate.

### ➤ Prudence level

A percentage indicating the likelihood that the assumed rate of investment return will be achieved in practice, based on the ESS model.

The higher the prudence level, the more prudent the assumed rate of investment return.

### ➤ Secondary rate

An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.

### ➤ Withdrawal

Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire but are no longer earning new benefits.

## Appendix 8: Rates and Adjustments Certificate

In accordance with Regulation 62 of the Regulations, we have assessed the contributions that should be paid into the Fund by participating employers for the period 1 April 2026 to 31 March 2029 to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments Certificate are detailed in the Funding Strategy Statement dated March 2026 and in [Appendix 2](#) of the report on the 2025 actuarial valuation dated March 2026. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

Table 15 sets out the combined individual employer primary and secondary contribution rates for the period 1 April 2026 to 31 March 2029. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a percentage of the projected pensionable pay and the equivalent monetary amount.

Primary rate		
	16.2% of pay	
Secondary rate	% of payroll	Equivalent monetary amount (£)
<b>2026/27</b>	-0.3%	-1,329,000
<b>2027/28</b>	-0.3%	-1,366,000
<b>2028/29</b>	-0.3%	-1,405,000

*Table 15: Combined individual employer rates from 1 April 2026 to 31 March 2029*

The required minimum contribution rates for each employer in the Fund are set out in the remainder of this certificate.

Richard Warden FFA C. Act    Allan Woodhouse FFA C. Act  
 03 March 2026  
 For and on behalf of Hymans Robertson LLP

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
<b>Stabilised employers</b>									
	Cyngor Bwrdeistref Sirol Conwy County Borough Council	16.5%	0.1%	0.1%	0.1%	16.6%	16.6%	16.6%	
	Cyngor Gwynedd	16.1%	0.1%	0.1%	0.1%	16.2%	16.2%	16.2%	
	Cyngor Sir Ynys Mon County Council	16.0%	1.1%	1.1%	1.1%	17.1%	17.1%	17.1%	
<b>43</b>	Parc Cenedlaethol Eryri	15.9%	-1.1%	-1.1%	-1.1%	14.8%	14.8%	14.8%	
	Swyddfa Comisiynydd Heddlu a Throsedd Gogledd Cymru	15.9%	-0.2%	-0.2%	-0.2%	15.7%	15.7%	15.7%	
<b>Further education bodies</b>									
	Group Llandrillo Menai	16.7%	-3.0%	-3.0%	-3.0%	13.7%	13.7%	13.7%	
	Addysg Oedolion Cymru	17.0%	-3.0%	-3.0%	-3.0%	14.0%	14.0%	14.0%	
<b>Parish and Town Councils</b>									
<b>13</b>	Cyngor Tref Caernarfon Town Council	18.5%	-6.6%	-6.6%	-6.6%	11.9%	11.9%	11.9%	
<b>14</b>	Cyngor Tref Porthaethwy	16.4%	-16.4%	-16.4%	-16.4%	0.0%	0.0%	0.0%	
<b>16</b>	Cyngor Dinas Bangor City Council	16.4%	-15.8%	-15.8%	-15.8%	0.6%	0.6%	0.6%	
<b>17</b>	Cyngor Tref Llangefni Town Council	18.8%	-3.0%	-3.0%	-3.0%	15.8%	15.8%	15.8%	
<b>22</b>	Cyngor Tref Biwmares	16.6%	-3.0%	-3.0%	-3.0%	13.6%	13.6%	13.6%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
25	Cyd-Bwyllgor Claddu Caergybi	17.4%	-3.0%	-3.0%	-3.0%	14.4%	14.4%	14.4%	
27	Cyngor Tref Caergybi	14.9%	-3.0%	-3.0%	-3.0%	11.9%	11.9%	11.9%	
28	Cyngor Tref Llandudno Town Council	19.3%	-3.0%	-3.0%	-3.0%	16.3%	16.3%	16.3%	
66	Cyngor Tref Tywyn Town Council	18.8%	-3.0%	-3.0%	-3.0%	15.8%	15.8%	15.8%	
68	Cyngor Cymuned Llanllyfni Community Council	17.5%	-16.4%	-16.4%	-16.4%	1.1%	1.1%	1.1%	
70	Cyngor Tref Towyn A Bae Kinmel Town Council	17.8%	-3.0%	-3.0%	-3.0%	14.8%	14.8%	14.8%	
72	Cyngor Tref Abergele Town Council	17.5%	-5.5%	-5.5%	-5.5%	12.0%	12.0%	12.0%	
73	Cyngor Tref Bae Colwyn / Colwyn Bay Town Council	19.2%	-3.0%	-3.0%	-3.0%	16.2%	16.2%	16.2%	
74	Cyngor Tref Ffestiniog Town Council	15.6%	-3.0%	-3.0%	-3.0%	12.6%	12.6%	12.6%	
83	Cyngor Tref Conwy Town Council	16.8%	-3.0%	-3.0%	-3.0%	13.8%	13.8%	13.8%	
704	Cyngor Tref Llanfairfechan Town Council	16.0%	-3.0%	-3.0%	-3.0%	13.0%	13.0%	13.0%	
709	Cyngor Tref Llanrwst Town Council	16.0%	-0.1%	-0.1%	-0.1%	15.9%	15.9%	15.9%	
711	Cyngor Cymuned Llanfair Mathafarn Eithaf	15.4%	-2.4%	-2.4%	-2.4%	13.0%	13.0%	13.0%	
<b>Admission bodies</b>									

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)			
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29	
<b>Open community admission bodies</b>									
11	N.W.S.B.	16.9%	-3.2%	-3.2%	-3.2%	13.7%	13.7%	13.7%	
37	Gyrfa Cymru Careers Wales	16.7%	-7.6%	-7.6%	-7.6%	9.1%	9.1%	9.1%	
41	Cwmni'R Fran Wen	13.8%	-3.0%	-3.0%	-3.0%	10.8%	10.8%	10.8%	
61	Cymorth Cymunedol Gwirfoddol Conwy	15.3%	-3.0%	-3.0%	-3.0%	12.3%	12.3%	12.3%	
62	Medrwn Mon	17.0%	-3.0%	-3.0%	-3.0%	14.0%	14.0%	14.0%	
67	Menter Mon	14.0%	-3.0%	-3.0%	-3.0%	11.0%	11.0%	11.0%	
76	Cartrefi Conwy	15.4%	-9.9%	-9.9%	-9.9%	5.5%	5.5%	5.5%	
77	Adra (Ignoring Risk Share)	15.0%	-3.0%	-3.0%	-3.0%	12.0%	12.0%	12.0%	
<b>Closed community admission bodies</b>									
63	Mantell Gwynedd	29.7%	-29.7%	-29.7%	-29.7%	0.0%	0.0%	0.0%	
71	Adferiad Recovery	31.6%	-31.6%	-31.6%	-31.6%	0.0%	0.0%	0.0%	
<b>Transferee admission bodies</b>									
706	AE & AT Lewis (Anglesey Glendale)	24.0%	-24.0%	-24.0%	-24.0%	0.0%	0.0%	0.0%	
707	Chartwells	21.0%	-21.0%	-21.0%	-21.0%	0.0%	0.0%	0.0%	

Employer codes	Employer name	Primary rate (% of pay)	Secondary rate (% of pay)			Total contributions (Primary rate plus secondary rate)		
			2026 /27	2027/28	2028/29	2026/27	2027/28	2028/29
<b>Pass-through with Cyngor Gwynedd</b>								
102	North Wales Trunk Road Agency	16.1%	0.1%	0.1%	0.1%	16.2%	16.2%	16.2%
705	Byw'N Iach	16.1%	0.1%	0.1%	0.1%	16.2%	16.2%	16.2%
<b>New Employers from 1 April 2025</b>								
713	Cyd-Bwyllgor Corfforedig Y Gogledd	16.6%	-3.0%	-3.0%	-3.0%	13.6%	13.6%	13.6%
712	Menter Iaith Gwynedd	16.1%	0.1%	0.1%	0.1%	16.2%	16.2%	16.2%

#### Notes to the Rates and Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations.
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.
- Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.
- Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

## Appendix 9: Gender pension gap

As required under the LGPS Regulations 2013, we have reported on the gender pension gap within the Fund. The reporting approach, including derivation of statistics, is consistent with the [guidance](#) '2025 Fund Valuations: Guidance for Gender Pension Gap reporting' dated 2 February 2026. :

For the purpose of this analysis, we have

- relied upon the membership data provided by the Fund for the purpose of the 2025 actuarial valuation
- used the gender information provided in the submitted membership data

The Gender Pension Gap (GPG) is calculated as:

$$GPG = \frac{\text{Mean pension value for males} - \text{Mean pension value for females}}{\text{Mean pension value for males}}$$

The GPG is expressed as a percentage. For example, a GPG of 10% indicates that, on average within the population analysed, for every £1 of pension accrued by males, females will have accrued £0.90. A negative GPG implies the mean pension value for females is greater than the mean pension value for males.

### Active members

The results in this section set out the analysis for members who were active at 31 March 2025.

### Fund level analysis

At overall Fund level, the GPG for active members of the Fund is 30%. Further detail is set out in the tables below.

	Males	Females	
Number of members	4,693	10,526	-
% of overall membership	31%	69%	-
Mean age	45.0	44.7	-
			<b>Gender pay gap</b>
Mean FTE pay	33,248	29,747	11%
Mean actual pay	30,610	23,104	25%
			<b>Gender pensions gap</b>
Mean CARE pension	4,710	3,353	29%
Mean Final Salary pension	6,206	4,197	32%
Mean total pension	6,927	4,838	30%

Table 16: Gender pensions gap for active members – Fund level analysis

**Employer category analysis**

In line with the Guidance, analysis at employer category level is set out below (N/A entries apply where the number of active members in a group is less than 100):

Category	CARE pension GPG	Final Salary pension GPG	Total pension GPG
Local authorities and connected bodies	28%	33%	29%
Centrally funded public sector bodies	28%	27%	30%
Other public service bodies	23%	30%	28%
Private/voluntary/other bodies	37%	71%	36%

Table 17: Gender pensions gap for active members – Employer category analysis

Employer category Additional statistics	Local authorities		Central PS bodies		Other PS bodies		Private/voluntary	
	Males	Females	Males	Females	Males	Females	Males	Females
Number of members	4,017	9,477	371	777	298	238	25	89
% of overall membership	30%	70%	32%	68%	56%	44%	22%	78%
Mean age	44.4	44.3	48.6	48.8	47.3	43.9	48.4	46.4
Mean FTE pay	32,912	29,678	31,897	28,821	38,071	34,221	43,503	30,529
Mean actual pay	30,111	22,933	26,920	20,869	39,154	31,124	41,701	25,039
Mean CARE pension	6,056	4,347	5,531	3,997	7,898	6,042	7,767	4,907
Mean Final Salary pension	6,275	4,221	5,574	4,071	6,054	4,240	9,102	2,629
Mean total pension	8,226	5,834	7,620	5,317	10,864	7,788	9,587	6,148

Table 18: Gender pensions gap for active members – Employer category analysis (additional statistics)

**Pensioner members**

The GPG for pensioner members of the Fund is 52%. Further detail is set out in the table below.

	Males	Females	GPG
Number of members*	3,792	6,783	-
% of overall membership	36%	64%	-
Mean age	73.0	71.5	-
Mean pension	9,791	4,668	52%

Table 19: Gender pension gap for pensioner members – Fund level analysis

\* In line with the guidance, this represents the number of unique members within the Fund i.e. all multiple membership records have been summed for the purpose of the Fund calculation.