



Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSIONS COMMITTEE

Date and Time

2.30 pm, THURSDAY, 12TH JUNE, 2025

Location

Virtual Meeting

NOTE

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

Contact Point

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(DISTRIBUTED 05/06/25)

PENSIONS COMMITTEE

MEMBERSHIP (9)

Plaid Cymru (4)

Councillors

Iwan Huws

Elin Hywel
Medwyn Hughes

Ioan Thomas

Independent (2)

Councillors

John Pughe Roberts

John Brynmor Hughes

Lib / Lab (1)

Councillor Stephen Churchman

Co-opted Members (2)

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

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

1. ELECT CHAIR

To elect Chair for 2025 / 2026

2. ELECT VICE CHAIR

To elect Vice Chair for 2025 / 2026

3. APOLOGIES

To receive any apologies for absence

4. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

5. URGENT ITEMS

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

6. MINUTES

5 - 10

The Chairman shall propose that the minutes of the meeting of this committee held on 17th March 2025 to be signed as a true record

7. WALES PENSION PARTNERSHIP BUSINESS PLAN

11 - 27

To consider and approve the Business Plan.

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

28 - 124

To consider the report and recommend to the Council (at its meeting on 3 July 2025):

1. Note the WPP Fit for the Future Business Case (Appendix 3, Appendix 4 and section 4)
2. Approve the formation of a corporate entity wholly owned by the WPP Administering Authorities (AAs) to be the WPP Investment Management Company (IMCo.) and all other actions necessary to submit an application to the Financial Conduct Authority (FCA) for the authorisation of the IMCo. including but not limited to the selection and recruitment of Senior Management Function (SMF) roles as required by the FCA and the preparation and submission of the application to the FCA. (Section 5)

3. Approve the revised WPP Business Plan & budget 2025/28 which includes design/enabling costs for Project Snowdon (Appendix 5 and Section 6)
4. Delegate the S151 Officer in consultation with The Pension Fund Committee Chair to progress Project Snowdon alongside WPP Administering Authorities (AAs) in line with the Government timetable within the approved budget.
5. Delegate the final approval of the final formal documentation required for IMCo. to be operational, described as “Go Live Work” as outlined in Section 7, to The Pension Fund Committee to give effect to The WPP Fit for the Future Business Case.

9. LGPS POOLING SYMPOSIUM 125

To consider and receive the information.

10. INVEST IN WALES CONFERENCE 126

To consider and receive the information

PENSIONS COMMITTEE 17-03-25

Attendance:

Chair Councillor Elin Hywel
Vice-chair Councillor Ioan Thomas

Councillors:

Stephen Churchman, John Brynmor Hughes, Iwan Huws and Goronwy Edwards (Conwy County Borough 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:

Osian Richards (Pension Board Member – observer)

1. APOLOGIES

Apologies were received from Councillor Richard Medwyn Hughes, Councillor John Pughe Roberts and Councillor Robin Williams (Isle of Anglesey County Council)

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 25 November 2024 as a true record.

5. TRAINING PLAN

A report was presented by the Investment Manager updating the Members on the 2024/25 training plan and setting out a brief training plan for 2025/26. It was considered that the 2024/25 plan had been successful, and the Members were thanked for attending the Wales Pensions Partnership (WPP) sessions and the Conferences which were praised as useful and timely.

When discussing the 2025/26 training plan, reference was made to the results of the Hymans Robertson National Knowledge Assessment completed by the Members recently. Members were reminded that Hymans Robertson had identified some areas that required further attention, as well as areas that the Members themselves had

chosen. The Manager noted that a training session on actuarial assumptions and methods had already been held and that training on net zero and governance would be held soon. She elaborated that a pension administration item would be submitted regularly to the Committee and that it would be possible to provide training as required at the Investment Panels; the Members would also continue to receive training sessions by WPP, and could attend and receive information in several conferences and had the opportunity to receive online training.

The members thanked her for the report.

In response to a question regarding receiving a training session on Natural Capital, it was noted that this field had been included as a session with the Investment Panel.

RESOLVED

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

6. TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2025/26

A report was submitted by the Investment Manager highlighting the arrangement that all the Fund's surplus cash was pooled with Cyngor Gwynedd's financial balances and invested with counterparties in accordance with Cyngor Gwynedd's Treasury Management Strategy. At the end of the financial year, Cyngor Gwynedd would pay interest to the Pension Fund based on the Fund's daily balances over the year.

It was explained, in accordance with the Welsh Government's Statutory Guidance on Local Government Investments, that the Council was required to prepare an Annual Investment Strategy as part of its treasury management function. As good practice, it was considered that the Gwynedd Pension Fund (the "Fund") should adopt Cyngor Gwynedd's Treasury Management Strategy Statement (TMSS) for 2025/26, as revised for the purpose of the Pension Fund. Cyngor Gwynedd's TMSS for 2025/26 was approved by the full Council on 6 March 2025.

Members were reminded that the CIPFA code of practice and Welsh Government guidance made it mandatory for the Council to invest its money prudently and consider security and liquidity before seeking the highest rates of return or the highest yield, and to strike a balance with these factors. Reference was made to the sectors that had been approved for investment, e.g. local government, local authorities, banks, money market funds and pooled funds, as well as the investment deadlines for them. Reference was made to the projections of the Council's financial advisers, Arlingclose, and the Council's investment portfolio situation at the end of 2024.

The Committee was requested to adopt the Treasury Management Statement and confirm the request to allow the Pension Fund's surplus cash to continue to be pooled with the Council's general balances for the financial year from 1 April 2025 onwards.

The members expressed their thanks for the report.

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

- The report was now a regular item on the Committee's work programme
- The arrangement had already been approved by the Full Council

In response to a question, given that the report was now a regular item on the Committee's work programme and therefore whether the details of the deadlines / counterparty and sector restrictions had been reviewed, it was noted that the information was reviewed annually with every figure revised appropriately.

RESOLVED:

- **To adopt the attached Treasury Management Strategy Statement for 2025/26 as adapted for the purpose of the Gwynedd Pensions Fund.**
- **To request that the Council (although not a separate body) allows the Pension Fund's surplus cash balances to continue to be pooled with the Council's general cash flow from 1 April 2025 onwards.**

7. ASSUMPTIONS SETTING FOR THE 2025 VALUATION

A report was submitted by the Pensions Manager outlining the assumptions setting for the Gwynedd Pensions Fund's 2025 valuation. It was explained that the report provided details on the financial, life expectancy and other demographic assumptions that the Fund is required to make, and that these assumptions had been set by the Fund's Actuary following discussions and a training session with Officers and Committee Members. It was highlighted that the relevance of the current assumptions had been considered before introducing changes that would reflect the Fund's specific characteristics and take a very long-term view. It was elaborated that the assumptions also kept to the LGPS guidelines requiring prudence in the discount rate, whilst the other assumptions were the best possible estimates.

In the context of financial projections, it was highlighted that there had been significant changes in economic conditions since the 2022 valuation, which included higher interest rates, higher than expected inflation, and more volatility in the market. It was noted that political and climate risk had also been mentioned as influential factors. It was reiterated that the discount rate (which represented the average annual rate of future investment return), had seen a significant change in the economic environment since 2022, which consequently led to higher expected investment returns in the future, and funding levels, but also increased uncertainty. It was highlighted that the recommendation of the Actuary was to increase the prudence level for the discount rate from 75% to 80%.

In the context of increases to benefits and the revaluation of the Career Average Scheme, which were linked to CPI, it was noted that the method remained the same as the 2022 valuation but reflected the current inflation expectations. It was reported that the average level of future inflation on 30 November 2024 was 2.3% per annum (compared with 2.7% per annum in March 2022) and therefore it was recommended to offer salary increases at CPI + 0.5%, to reflect the uncertainty despite the current inflation expectations.

Reference was made to life expectancy assumptions, noting that the recommendation was to adopt an overall assumption of 'default' future improvement, and with other assumptions such as demography assumptions, the intention to adopt assumptions based on analysing information from the Fund, together with the actual membership experience of the Fund, was noted.

The members expressed their thanks for the report.

In response to an observation that the funding level of the fund was now 200% and whether there was a point or a level where it would have to stop, it was noted that there was no maximum level as long as the Fund remained prudent. It was elaborated that recent observations in the Press had challenged what was reasonable for taxpayers to pay to fund the Fund (in the context of some of the Fund's principal employers who received public funding – Cyngor Gwynedd, Môn, Conwy and Eryri National Park). As a result, discussions would need to be held to respond to these pressures to ensure balance.

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

- The training session had been useful with clear presentations
- A suggestion to host similar sessions in the future when making decisions
- The Fund was in a healthy situation
- There was a vast range of assumptions and robust figures to support them

RESOLVED:

- **To approve the assumptions setting for the Gwynedd Pension Fund's 2025 Valuation.**
- **To welcome the information sharing session with Hymans**

8. FEEDBACK FROM THE LGA GOVERNANCE CONFERENCE

Feedback and an overview of key items discussed in the LGA Governance Conference (Bournemouth in January 2025) were presented by Councillor Ioan Thomas (Vice-chair of the Pensions Committee) and Meirion Jones (Pensions Manager). It was reported that the event had been very beneficial, and the following matters were noted as fields that required attention from the Gwynedd Pension Fund after receiving information at the Conference.

- Reducing the Number of Pools – concern that Wales was unsafe as one pool for the future as a result of the 'Fit for the Future' review by the UK Government on the number of pools.
- There was a need to ensure that the work of the valuation started soon with enough engagement on the strategy
- There was a need to ensure that the dashboards were ready by October 2025
- A general note – various Councils sent many members to the conference – requested that Gwynedd offered an opportunity for a Member of the Pension Board to attend.

The members gave thanks for the feedback.

In response to the observations, in the context of the 'Fit for the Future' review to reduce pooling numbers, it was noted that the Wales Pension Partnership (WPP) had submitted a Business Plan to the Government which proposed a way forward. It was elaborated, from the unofficial feedback received to this current consultation, that WPP would be able to stay as one investment company for Wales. He added that although no formal feedback to the Business Plan had been received, work streams were being prepared in the background to establish a company.

Responding to the observation about the work of the valuation, it was noted, although the process was long, that consultation work had already started and Committee Members had received a training session on actuarial assumptions and methods.

In response to the need to ensure that the dashboards were ready by October 2025, it was noted that the Fund had been working with the Heywood Pension Technologies company to establish the dashboards and that the system was now in a trial period. It was elaborated that Gwynedd would be ready to connect when the public dashboards went live.

Members gave thanks for the response to the observations and the officers were thanked for their good and timely work and for their proactive attitude.

RESOLVED:

To accept the report for information.

Note:

A member of the Pension Board to also attend the conference in the future.

9. SUMMARY OF GENDER PENSION GAP ANALYSIS

The Pensions Manager submitted a report which presented the findings of a recent analysis conducted by Hymans Robertson on the data of the Gwynedd Pension Fund's membership (2024/25 data) as part of a Gender Pensions Gap investigation, which was the difference between the retirement income of men and women. It was noted that the difference was measured based on the difference in wealth after retirement, including items such as property.

Reference was made to the key findings of the analysis which confirmed the existence of a Gender Pension Gap and inequality in the pension amounts of current pensioners and active Members. Attention was drawn to those factors that contributed to the gap, as well as the recommendations suggested to fully address the gap. It was noted, despite accepting that there was a need to change and act on a national level, that it was possible to also implement some actions locally, with the employer, rather than the Pension Fund leading on these matters. It was elaborated that amongst the work required, there was a need to review policies, work patterns and better educate women on maternity leave implications.

The members expressed their thanks for the report.

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

- More fairness for women in work was required
- The differences must be reduced
- There was a need to draw attention to the findings – a suggestion to present the information to the Local Joint Consultative Committee
- When evaluating jobs, the gender gap must be taken into account
- What were the projections for the future?
- That there was certainly an injustice here – discussions needed to be held with the employers
- There would be a need for an update in six months of what had been implemented

In response to the observations, the Pensions Manager noted that the first step would be to have a discussion with Cyngor Gwynedd's Human Resources Service and try to see how to respond to the findings locally.

RESOLVED

- **There was a need to fully address the gender pension gap**
- **However, there were also some actions that could be taken at local level, albeit employer-driven, rather than the pension fund leading on matters such as,**
 - **Reviewing job profiles and pay scales to ensure genuine equality across the full spectrum.**
 - **Checking that back-to-work policies, including flexible working, fully support and encourage people who have taken career breaks back into the workplace.**
 - **Introducing or enhancing shared parental leave policies.**
 - **Educating employees about implications for their pension any time there is a life point change that may have financial consequences.**
 - **Informing new members and part-time workers that they can opt-in to the pension scheme, even if they do not meet the qualifying criteria.**

- **Presenting the information to the Local Joint Consultative Committee**
- **To receive a further update in 6 months on the actions (local level)**

10. THE PENSION FUND'S ADMINISTRATIVE POLICIES

The Pensions Manager submitted a report that presented six key administrative policies for the Committee to examine. He noted that the policies were essential for the effective management and administration of the pension fund, and also marked a significant step towards good governance. It was added that the Pension Board had reviewed the policies, and their observations were reflected in the versions presented to the Committee.

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

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

The members expressed their thanks for the report and for the work of formalising the policies.

In response to a question regarding the need to justify only paying into accounts in the member's name and whether problems had arisen from that decision, it was noted that the procedure had been implemented successfully thus far and that an exception was in place should the account be held by an individual with a valid Power of Attorney for the member.

In response to a concern that the arrangement appeared to move towards a digital arrangement, it was highlighted that members had the option to choose a paper option if they wished.

DECISION:

- **To accept and note the information.**
- **To approve the adoption of the following policies from 1 April 2025**
 - **Proof of Life Policy for Pensioners Living Abroad**
 - **Overpayment of Pension Policy**
 - **Communication Language Policy**
 - **Gwynedd Pension Fund Document Distribution Policy**
 - **The Pension Fund's Payslip Issuance Policy**
 - **Payment of Pensions Benefits and Lump Sum Policy**

The meeting commenced at 15:00 and concluded at 16:00

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CHAIR

MEETING:	PENSIONS COMMITTEE
DATE:	12 JUNE 2025
TITLE:	WALES PENSION PARTNERSHIP BUSINESS PLAN
PURPOSE:	To approve the Business Plan
RECOMMENDATION:	APPROVE BUSINESS PLAN
AUTHOR:	DELYTH JONES-THOMAS, INVESTMENT MANAGER

1. INTRODUCTION

The Wales Pension Partnership has updated its Business Plan and is seeking approval from the individual committees within the partnership.

The Business Plan was approved by the Joint Governance Committee in March 2025, and subsequently revised to capture the design and enabling costs of Project Snowdon and was approved in its meeting on 4th June 2025.

2. BUSINESS PLAN

The Wales Pension Partnership business plan details how the partnership is going to achieve its goals. The business plan is constantly monitored and is formally reviewed and agreed every year. The purpose of the business plan is to:

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

It lays out the plan from a marketing, financial and operational viewpoint, outlining the priorities for the partnership during 2025-2028 and ensuring that resources are allocated to meet its objectives.

The Business Plan is attached for your review in Appendix 1.

3. RECOMMENDATION

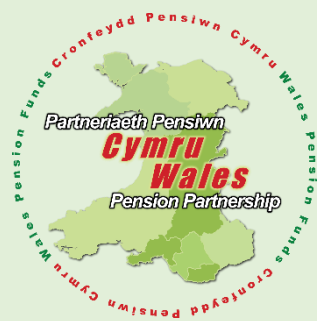
To approve the Business Plan.



Wales Pension Partnership

Revised Business Plan

2025-2028



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Introduction

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

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

About the Wales Pension Partnership

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

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

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

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

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

Governance

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

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



[illegible]

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

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

Risk Management

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

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

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

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

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

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

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

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

Objectives

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

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

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

Beliefs

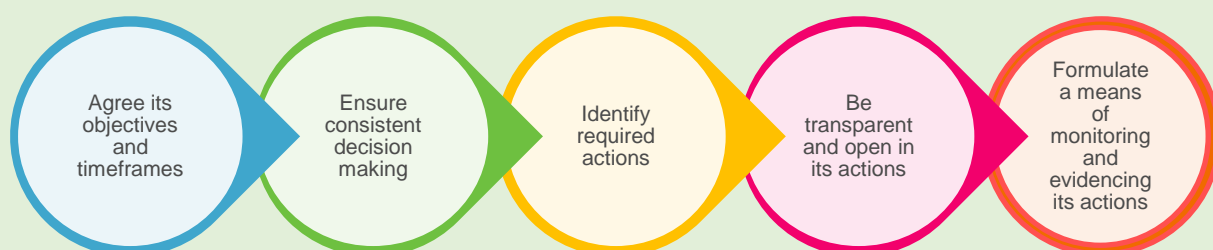
The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

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

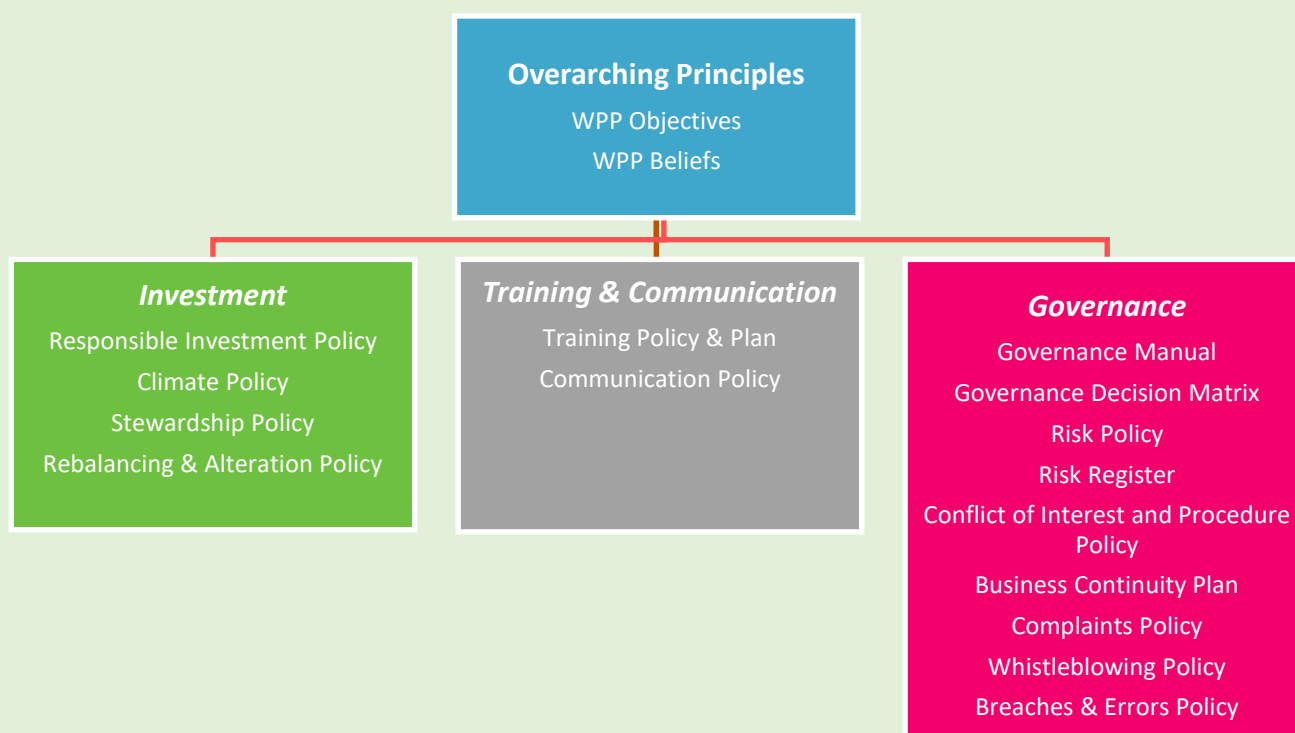
The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

Policies

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



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



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

Work Plan

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

- **Governance** - The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework and carry out ongoing reviews of its existing governance documents and structure.
- **Ongoing Investment Programme developments** – To date the WPP has pooled c74% of its assets and a number of other Investment Programmes are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.
- **Operator Services** - The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers is crucial.
- **Investment Reporting** - The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities. The WPP will continue to deliver on its reporting requirements covering areas such as investment performance, risk, Stewardship activities, Responsible Investment and Climate, and will develop further reporting, as and when required.
- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.
- **Resources, Budget and Fees** - The WPP recognises that insufficient resources pose a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

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

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

Training Plan

It is best practice for WPP personnel to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions;
- the pooling of Local Authority Pension Schemes; and
- relevant investment opportunities.

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

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

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

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

Product Knowledge:

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

Stewardship:

- Voting & Engagement
- Stewardship code and reporting requirements

Responsible Investment (RI):

- Biodiversity and Natural Capital
- Climate Scenarios and Fiduciary Duty

Pooling Consultation & Regulatory Requirements:

- Pooling Consultation
- Any new regulatory / guidance developments

Budget

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

	Forecast 2024-25 outturn	2025-26	2026-27	2027-28
	£'000	£'000	£'000	£'000
Host Authority	186	241	247	253
External Advisors	1,270	1,376	1,288	1,288
Project Snowdon (see below)	470	2,915	TBC	TBC
TOTAL to be recharged *	1,926	4,532	1,535	1,541
Operator Services	39,922	46,110	50,721	55,793
Allocator	7,094	9,673	10,844	10,844
TOTAL to be deducted from the NAV **	47,016	55,783	61,565	66,637

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

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

Project Snowdon Budget 2025/26

The establishment of the WPP Investment Management Company (IMCo) includes both set-up costs and ongoing running costs. The WPP has estimated a project budget of approximately £2.9 million for delivery of the project, covering legal advisors, specialist compliance support, investment consultants, and project managers, in addition to salary costs for IMCo personnel hired before March 2026.

Investments & Performance

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

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

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

Equity Sub-Funds



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

Fixed Income Sub-Funds

Absolute Return Bond Fund

Managed by Russell Investments

Global Government Bond Fund

Managed by Russell Investments

Multi-Asset Credit Fund

Managed by Russell Investments

Global Credit Fund

Managed by Russell Investments

UK Credit Fund

Managed by Waystone Management (UK) Limited

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

Private Markets

Infrastructure – closed ended

Managed by GCM Grosvenor

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

Infrastructure – open ended

Managed by CBRE, IFM and Octopus

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

Private Credit

Managed by Russell Investments

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

Private Equity

Managed by Schroders Capital

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

Contact Details

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

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Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

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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: 12 JUNE 2025

TITLE: LGPS: FIT FOR THE FUTURE- WPP'S SUBMISSION TO GOVERNMENT

AUTHORS: DEWI MORGAN, HEAD OF FINANCE
DELYTH JONES-THOMAS, INVESTMENT MANAGER

Decision Sought

Recommend to the Council (at its meeting on 3 July 2025):

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

1 Background

- 1.1 The Local Government Pension Scheme is a defined benefit pension scheme operated for the benefit of its member workforce who work for local authorities and a range of scheduled and admitted employing bodies in England and Wales. The scheme is run separately by 87 Administering Authorities (AAs), in accordance with legislation laid down by Westminster Government.

- 1.2 The Gwynedd Pension Fund has £3.2 billion worth of assets and is projected to be over 150 % funded at the 2025 triennial valuation. It has over 53,000 members and has 46 employers in the scheme. More information can be found in its Annual Report here:

[Adroddiad Blynyddol 2024 Saesneg](#)

- 1.3 In 2015, the (then) Chancellor outlined his expectations that the 87 administering authorities form a smaller number of Asset Pools (for investment management purposes only) on a voluntary basis, with a view to improve cost efficiencies, drive out economies of scale, improve investment outcomes and encourage investment into UK infrastructure and concentrate assets in a smaller number of larger asset pools.
- 1.4 The resultant 8 Pools formed were largely derived from geographical proximity, (with a couple of exceptions):
- London CIV – 33 London Borough funds
 - Central – 8 Midlands based funds
 - Access – 11 Home County funds
 - Brunel – 10 West Country funds
 - Northern – 3 Large Northern funds
 - Border to Coast (B2C) – 11 North East England and Southern County funds
 - Local Pension Partnership (LPP) – LPFA, Lancashire and Berkshire
 - Wales Pension Partnership (WPP), comprising of the following 8 Welsh funds:
 - Cardiff & Vale Pension Fund
 - City & County of Swansea Pension Fund
 - Clwyd Pension Fund
 - Dyfed Pension Fund
 - Gwynedd Pension Fund
 - Rhondda Cynon Taf Pension Fund
 - Powys Pension Fund
 - Torfaen Pension Fund

The above Pools were set up in various ways and adopted different methods of delivery, where some Pools opted to build their own FCA regulated IMCo., others, like WPP chose to rent the infrastructure required to pool their partner funds' assets. WPP, having evaluated all options determined that the best choice was to engage key strategic partners to deliver the Pooling infrastructure and compliance/regulatory framework with the support of an Investment Advisory Partner. It did not form an FCA regulated Investment Management Company.

- 1.5 The WPP is a geographic collaboration representing all 8 LGPS pension funds in Wales.
- 1.6 Collaboration across the 8 LGPS pension funds in Wales was not new, with a long and proven track record of collaborative working, having identified in its 2013 report "Welsh LGPS - Working Together" that a joint approach delivers the economies of scale, operational efficiencies and improved investment outcomes that underlying funds want, whilst being

the catalyst to identify local investments and establish responsible investment and other policies.

- 1.7 The strategic business case for the 8 Welsh LGPS to form an investment pool for Wales was built on the solid foundations laid in the existing close working relationships but also importantly offered an opportunity to establish an investment pool for Wales reflecting the unique cultural and national characteristics of a devolved nation with the chance to make a difference for the LGPS stakeholders in Wales. From a practical perspective, the distinct proposal addressed the regulatory obligations around The Welsh Language Act, The Future Generations of Wales Act and the distinct audit regime present in Wales.
- 1.8 The formal establishment and structuring of the WPP in 2017 was fully compliant with Government criteria at that time, whilst meeting the strategic requirements of the underlying 8 Welsh LGPS pension funds, reflected in the representative, open governance and operational framework established. The model was fully committed to leveraging the skills and expertise of the market, hiring both the underlying pool architecture and investment management capability whilst exercising its status as an investor of significant scale to deliver fee savings and operational benefits to the underlying funds.
- 1.9 There is a formal WPP corporate governance structure in place recognised in the Inter Authority Agreement (IAA) between all 8 AAs. Each underlying AA is represented on the decision making WPP Joint Governance Committee (JGC) by its respective Pension Fund Committee Chairman, supported and advised by an Officer Working Group (OWG) comprised of S151 Officers and Pension Fund Practitioners.
- 1.10 The efficient operation of WPP since, has been evidenced by the pragmatic and meaningful progress the Pool has delivered in the subsequent years, in terms of pace and scale of the pooling of assets, developing fund offering that underlying funds want to invest in and ensuring maximum participation from partner funds. WPP has also developed a whole host of investment policies and frameworks within which it can deliver these strategies, whilst latterly has carefully crafted its private market fund offerings to ensure maximum local and impact inward investment into Wales. The significant achievements to date include:
 - Over 74% of assets pooled
 - Robust governance and a highly aligned collaboration between the Administering Authorities in Wales
 - Delivered fee savings of (min) £40m
 - Dedicated pooled investment vehicles for WPP investors
 - Establishing a range of 10 multi-manager listed sub-funds with multiple investors
 - Establishing private market funds in Private Debt, Infrastructure, Private Equity and Real Estate
 - Delegated Portfolio Management and Implementation Services across listed assets and private markets

- Responsible Investment Policy, Stewardship & Engagement Policy, Risk Management framework
- Establishing a stakeholder engagement group
- Local / national (Wales) impactful deployment of capital (by investing in renewable infrastructure, affordable housing, battery storage, natural capital (forestry)).

2 Executive Summary

- 2.1 The Government launched its Local Government Pension Scheme (LGPS) Fit for The Future Consultation on 14th November 2024:

[Local Government Pension Scheme \(England and Wales\): Fit for the future - GOV.UK](#)

outlining a range of proposals to strengthen the management of LGPS investments in 3 key areas:

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

Alongside invited responses from all stakeholders to the consultation by 16th January 2025, each of the 8 nationally established LGPS Pools (7 in England and 1 in Wales) were asked to submit a Business Case outlining how they could meet Government's required criteria in respect of areas 1 and 2 above, deliverable in line with the stated deadline of 31st March 2026. The deadline for submission of these business cases was 28th February 2025. It has been indicated by Government Civil servants that specific LGPS enabling legislation outlining the legal requirements resultant from the consultation exercise shall be included within the Pensions Bill due later this year (which may be supplemented further by regulations and statutory guidance).

- 2.2 WPP initiated what is now designated Project Snowdon to formulate its Business Case submission (Appendix 3, Appendix 4, and Section 4 of this report) to address the fundamental question raised by the consultation, which was, to either:

- i) build its own WPP IMCo. and retain its own independent Investment Management Pool?

or

- ii) merge with one of the other LGPS Pools in England?

- 2.3 WPP concluded that it was in the best interests of all the direct and wider stakeholders in Wales that WPP set out to build its own IMCo. and retain its independence as a Pool with all 8 Welsh LGPS as sole shareholders and clients. The formation of WPP IM Co. presents a once in a generation opportunity to create a stand-alone LGPS Investment Company for the benefit of all the stakeholders of the underlying 22 local authorities in Wales, 382 employers and 412,000 members. Not only can the WPP continue to invest for, and safeguard the LGPS pensions of its members, it shall have the chance to continue in its role investing locally throughout Wales and the rest of the UK, working with Councils,

Corporate Joint Committees, The Development Bank of Wales, British Business Bank and Welsh Government, promoting economic growth, providing employment, safeguarding clean energy and enhancing the wider infrastructure of the country, for the benefit of the people of Wales.

- 2.4
1. Gwynedd Pension Fund and WPP submitted their formal responses to the Westminster Government LGPS Fit For The Future consultation on Jan 16th 2025, attached at Appendix 1 and Appendix 2.
 2. WPP submitted its required business case submission on 28th February 2025 (Appendix 3 and summarised in Section 4 of this report). WPP Officers have also produced a Fit For the Future FAQ document at Appendix 4.
 3. WPP Joint Governance Committee (JGC) retrospectively approved the WPP business case submission on 12th March 2025.
 4. This Council's Constitution delegates all matters in relation to the strategic and operational management of the Gwynedd Pension Fund LGPS to its own Pension Fund Committee. The Gwynedd Pension Fund Committee has noted the WPP business case submission.

2.5 **Government Approval**

WPP have received the welcome news that Government have approved the WPP business case submission, in a letter (Appendix 6) received from The Minister for Local Government and The Minister for Pensions on 9th April 2025. Government officials have requested that WPP proceed to implement its communicated plans and to keep them appraised of progress. It should be noted that 2 of the Pools in England, Brunel and ACCESS have been unsuccessful in their business case submissions and the underlying AAs have now been invited to seek to join another Pool.

- 2.6
- In order to meet the challenging Government deadlines, the Financial Conduct Authority (FCA) application to establish the WPP IMCo needs to be submitted shortly. FCA requirements dictate that the entity applying for authorisation (i.e. WPP IMCo.) must be incorporated before submission of the FCA application and that the holders of certain identified Senior Management Function (SMF) roles, including the Chief Executive Officer need to be identified and included in the FCA application. (Section 5 of this report)
- 2.7
- The Annual WPP Business Plan & Budget 2025/28 has been revised (Appendix 5) to reflect the additional preparatory and enabling work required by Project Snowdon e.g project consultancy costs, recruitment and selection costs, FCA application costs, IMCo. set up costs (Section 6 of this report) and was approved by the JGC on June 4th 2025.
- 2.8
- A further report, outlining detailed plans, agreements and governance documentation (outlined in Section 7) and budget for the delivery of the proposals contained within the WPP Business case shall be submitted to the Pension Fund Committee for approval in due course following the

Government's determination after the consultation exercise and subsequent enabling legislation contained in the forthcoming Pensions Bill due to be read in The House of Commons before the Summer Recess.

3 **LGPS Fit for the Future Government Consultation**

- 3.1 The Government launched its Local Government Pension Scheme (LGPS) Fit for the Future Consultation on 14th Nov 2024:

[Local Government Pension Scheme \(England and Wales\): Fit for the future - GOV.UK](#)

outlining a range of proposals to strengthen the management of LGPS investments in 3 areas:

1.Reforming the LGPS asset pools by mandating certain minimum standards deemed necessary for an optimal and consistent model in line with international best practice. The minimum standards proposed are:

- Administering Authorities (AAs) would be required to fully delegate the implementation of investment strategy to the pool, and to take their principal advice on their investment strategy from the pool.
- Pools would be required to be investment management companies authorised and regulated by the Financial Conduct Authority (FCA), with the expertise and capacity to implement investment strategies.
- AAs would be required to transfer legacy assets to the management of the pool by 31st March 2026

2.Boosting LGPS investment in their localities and regions in the UK, by requiring AAs to:

- set out their approach to local investment in their investment strategy including a target range for the allocation and having regard to local growth plans and priorities,
- to work with local authorities, Combined Authorities, Mayoral Combined Authorities, Combined County Authorities and the Greater London Authority to identify local investment opportunities; in Wales, AAs would work with relevant Corporate Joint Committees on their proposed economic development priorities and plans, and with local authorities more broadly to identify investment opportunities.
- to set out their local investment and its impact in their annual reports.
- Pools would be required to conduct suitable due diligence on potential investments and make the final decision on whether to invest.

3.Strengthening the governance of both LGPS AAs and LGPS pools in the following ways, building on the recommendations of the Scheme Advisory Board (SAB) in their 2021 Good Governance Review:

- committee members would be required to have the appropriate knowledge and skills.
- AAs would be required to publish a governance and training strategy (including a conflicts of interest policy) and an administration strategy, to appoint a senior LGPS officer, and to undertake independent biennial reviews to consider whether AAs are fully equipped to fulfil their responsibilities.
- pool boards would be required to include representatives of their shareholders and to improve transparency.

Alongside invited responses from all LGPS stakeholders to the consultation by 16th Jan 2025, each of the 8 nationally established LGPS Pools were asked to submit a Business Case by 1st March 2025 outlining how it could meet Government's minimum required criteria in respect of areas 1 and 2 of the above criteria in line within the required timetable deadline of 31st March 2026.

3.2 WPP mobilised a project steering group to formulate its proposals and named the project, 'Project Snowdon'. It was a tight timescale to deliver such a comprehensive and detailed piece of work. The Project Steering Group endeavoured to keep all stakeholders apprised with briefings as the timetable has allowed with input from the JGC and stakeholder engagement group being incorporated into the final business case submission.

1. The Gwynedd Pension Fund submitted its own and supported the submission of The WPP Response to the LGPS Fit For The Future Consultation on January 16th 2025. These submissions were subsequently approved on January 27th 2025.
2. WPP submitted its business case submission on 28th Feb 2025 (Appendix 1 and summarised in Section 4 of this report).
3. WPP JGC approved the WPP business case submission on 12th March 2025.
4. This Council's Constitution delegates all matters in relation to the strategic and operational management of the Gwynedd Pension Fund LGPS to its own Pension Fund Committee.

4 WPP Fit For The Future Business Case

4.1 It is clear that WPP in its current form, does not meet the minimum criteria outlined, in that it is NOT an FCA regulated Investment Management Company (IMCo). Therefore, the main content of WPP's formulated business case concentrates on how it can attain those minimum criteria by answering a fundamental question raised by the consultation, does WPP either:

- i) build its own WPP IMCo. and retain its own independent Pool?
- or
- ii) merge with one of the other LGPS Pools in England?

WPP concurs with the Government conclusions in paragraph 62 of the consultation:

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

4.2

Having undertaken a thorough consideration of other options, it is clear that merger or becoming a client of another pool would NOT be a “more cost effective or otherwise preferable approach to achieving compliance” and therefore the business case sets out how WPP shall build its own IMCo. with each of the 8 Welsh LGPS AAs as shareholders and clients of the newly established IMCo. (The full business case and FAQ are attached at Appendix 3 and Appendix 4)

4.3

The submission sets out the compelling business case for the WPP to retain a stand-alone investment pool for Wales and proceed with building the additional proposed new Government requirements for the pool operating model. This builds on the success of WPP to date and delivers across the range of objectives that the Government has set out in its ambitions for the progress of the LGPS, and specifically the LGPS in Wales. The submission demonstrates WPP’s ability to deliver across all fronts as a standalone investment pool.

4.4

WPP proposes to establish a stand-alone Financial Conduct Authority (“FCA”) authorised investment management company (“IM Co”) in line with Government criteria and to move all WPP assets into IM Co management in line with the timescales outlined. This submission also demonstrates the objective evaluation of our plans against the Government’s identified criteria (Benefits of Scale, Resilience, Value for Money, Viability against timeline) and how this is optimal compared with other options. The decision to build a WPP IM Co offers a unique opportunity to establish a material centre of excellence in LGPS investment in Wales creating valuable career opportunities whilst enhancing the financial services sector in Wales.

4.5

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

4.6

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

4.7

The strategic relationships established with our existing service delivery partners enables a logical evolution of the current WPP model into a standalone FCA regulated IM Co. The model harnesses the experience

and resourcing of these already FCA regulated partners, which will greatly assist on the process to form an FCA regulated IM Co. and satisfy the rigorous application criteria, advising and assisting re. the appointment of the key senior management personnel required by the FCA upon authorisation whilst providing the resourcing to deliver IM Co. investment advisory services in the first instance.

- 4.8 When appraising other pool options, avoiding the need to transition WPP assets into another LGPS pool was a significant factor given the considerable transition costs involved, which have been conservatively modelled at approximately £45m on listed actively managed assets alone. (Source: Russell Investment Management). There would be further additional transition costs on passive listed and private market assets.
- 4.9 Under merger, there would be dilution of WPP's voice in governance as a shareholder or client compared to the preferred alternative. This could limit our ability to direct local investment to communities in Wales for example. Merger also requires partner fund agreement, FCA authorisation, asset transition and would take several years, diverting resources from delivery without obvious compensating benefits.
- 4.10 Establishing the WPP IM Co ensures the retention of the corporate memory of Administering Authorities in Wales to enable the continued efficient management of the portfolio of legacy assets, which would be lost, if forced to transition to another Pool. The submission shows that on balance, for all the reasons identified here, other pool options have been discounted. At the same time, we shall continue to seek opportunities for collaboration across pools, including co-investment opportunities that support UK growth.
- 4.11 The formation of WPP IM Co. presents a once in a generation opportunity to create a stand-alone LGPS Investment Company for the benefit of all the stakeholders of the underlying 22 local authorities in Wales, 382 employers and 412,000 members. Not only can the WPP continue to invest for, and safeguard the LGPS pensions of its members, it shall have the chance to continue in its role investing locally throughout Wales and the rest of the UK, working with Councils, Corporate Joint Committees, The Development Bank of Wales, British Business Bank and Welsh Government, promoting economic growth, providing employment, safeguarding clean energy and enhancing the wider infrastructure of the country, for the benefit of the people of Wales.
- 4.12 **Government Approval**
On the 9th April 2025, WPP received a letter (Appendix 6) from Government on behalf of the Minister for Local Government and the Pensions Minister approving the WPP Business case and encouraging progress to meet the March 2026 deadline date. It should be noted that 2 of the Pools in England, Brunel and ACCESS have been unsuccessful in their business case submissions and the underlying AAs have now been invited to join another Pool.

5 WPP Investment Management Company (WPP IMCo)

- 5.1 At the heart of WPP's business case submission to government is its intention to build its own IMCo. wholly owned by the existing 8 Welsh AAs as shareholders and clients of the newly formed IMCo., to continue delivering investment management services to the 8 AAs whilst developing the additional required service requirements with the help of the existing strategic partners over time.
- 5.2 In order to adhere to Government timelines, the implementation plan (at section 6 of the business case) identifies the submission of the IMCo's FCA application as a key task in the critical path for success.
- 5.3 The FCA application requires that the entity applying for authorisation (i.e. WPP IMCo.) must be incorporated before submission of the FCA application and that the holders of certain Senior Management Function (SMF) roles, including the Chief Executive Officer, have to be explicitly named within the formal FCA application in order to be suitably vetted and assessed for their role by the FCA.
- 5.4 Therefore, in order to adhere to the implementation plan it shall be required to set up a corporate entity wholly owned by the WPP Administering Authorities (AAs), progress the recruitment and selection process required to fill the SMF roles as an integral part of the FCA application process, and undertake such other actions as are necessary to prepare and submit the application to the FCA.

6 WPP Annual Business Plan 2025/28

- 6.1 In line with best practice, WPP currently produces an Annual Business Plan and budget for the forthcoming year and formally approved the same for 2025/28 at its JGC meeting of 12th March 2025. All expenditure in respect of running and managing the LGPS comes from each AA's pension fund account **NOT** the Council's General Fund (GF).
- 6.2 The WPP Business Plan and budget 2025/28 has now been revised to incorporate enabling and preparatory work for Project Snowdon. The revised WPP Annual Business Plan and budget 2025/28 including Project Snowdon enabling and preparatory work is attached at Appendix 5 for approval. WPP JGC approved this revised business plan 2025/28 on the 4th June 2025.

7 “Go Live” Approvals and Documentation

- 7.1 In addition to the preparatory work required to seek FCA authorisation, it is recognised that each of the following key items (which is a non-exhaustive list) will require the approval of the pension committee for each WPP AA ahead of the proposed “go live” date in March 2026:
- (i) approval of final articles of association and the shareholder agreement for IMCo.;
 - (ii) approval of termination of the operator contract with a new contract to be put in place between the current operator and IMCo.;
 - (iii) approval of a new contract between other providers and IMCo. (to the extent required and subject to further structuring decisions);
 - (iv) approval of a new IAA (to ensure consistency with the IMCo. shareholder agreement / new shareholder board arrangements) (subject to final decisions of governance structures);
 - (v) investment management agreements between IMCo. and the constituent authorities (in respect of legacy assets);
 - (vi) agreement of IMCo.’s regulatory capital and the relevant injection of that capital into IMCo;
 - (vii) ancillary arrangements in respect of IMCo. and the FCA authorisation process;
 - (viii) approval of contractual arrangements between IMCo and the WPP AAs in respect of strategy implementation services and investment advice (subject to further structuring discussions)

8 Legal Implications

- 8.1 The current legislative framework for the pension fund investments carried out by Administering Authorities is set by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The law governing pensions is a complex and specialist area. National Government guidance indicates that the pooling of LGPS assets is permissible under current law.
- 8.2 The Pension Fund Committee Terms of Reference and Scheme of Delegation sets out the Committee’s responsibility for the strategic and operational governance of the Pension Fund.

9 Financial Implications

- 9.1 The financial implications directly outlined by this report are included in the attached WPP Annual Business Plan & Budget 2025/28 (Appendix 5) and are wholly recharged as a 1/8th share to the Gwynedd Pension Fund budget and does **NOT** impact Cyngor Gwynedd’s General Fund.

10 Risks and Issues Assessment

- 10.1 The proposals outlined are as a direct result of Government direction and Government have confirmed their support for the WPP proposals outlined. As identified in Section 4.12 of this report, 2 other Pools in England have NOT been successful in convincing Government of their ability to deliver the same. Therefore, the robust business case and detailed plan and timetable approved by Government goes some way to mitigate those existential risks.
- 10.2 The WPP target operating model outlined in the business case is an evolution of the current model adopted and seeks to implement the additionally required FCA registration, service deliveries and capabilities going forward, therefore the operational risks of moving to from WPP to WPP IMCo. are materially mitigated without the necessity to transition assets.

11 Integrated Impact Assessment Implications

- 11.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure.
- 11.2 An Integrated Impact Assessment (IIA) screening has been undertaken, and no adverse implications have been noted

APPENDICES

Appendix 1 Individual Fund's Fit For The Future Consultation Response

Appendix 2 WPP Fit For The Future Consultation Response

Appendix 3 WPP Fit For The Future Business Case

Appendix 4 FAQ WPP Fit For The Future Business Case

Appendix 5 WPP Business Plan 2025/28

Appendix 6 Ministerial Letter 9th April 2025

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

Consultation response by Gwynedd Pension Fund

Question 1

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

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

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

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

Question 2

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

Yes.

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

Question 3

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

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

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

Question 4

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

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

Question 5

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

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

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

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

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

Question 6

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

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

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

Question 7

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

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

Question 8

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

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

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

Question 9

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

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

Question 10

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

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

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

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

Question 11

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

If collaboration between pools benefits the client funds in terms of lower costs or access to greater range of specialist portfolios, then increasing collaboration would be beneficial. It could be potentially a decision for the pool company to drive collaboration and demonstrate it is in the interest of its

clients. Furthermore, the pool company should be able to decide whether to invest via another pool if that is also in the clients' best interests.

Question 12

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

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

WPP already has an annual training plan for AAs.

Question 13

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

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

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

Question 14

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

Yes.

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

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

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

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

Question 15

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

Yes.

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

Question 16

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

Yes.

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

Question 17

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

Yes.

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

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

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

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

Question 18

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

Yes.

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

Question 19

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

Yes.

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

Question 20

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

Yes.

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

- Sufficient recognition of the LGPS function – whilst the pensions provision within a council is not a frontline service, it is an important part of the local government system, and there are potentially significant financial and reputational risks of weak governance at the local level. A senior LGPS officer should help to ensure that LGPS issues are given appropriate consideration and prominence within the local authority, and that LGPS issues are duly represented.
- Sufficient senior resource – the LGPS has become increasingly complex in recent years and the creation of a senior LGPS officer position should help ensure that there is sufficient senior resource supporting the wider pensions team.
- Consistency across the scheme – local authorities can differ from each other significantly in size, culture, functions and resource, and these differences can lead to differences in how the LGPS function is delivered. Having a requirement for there to be a senior LGPS officer in each fund will ensure that, in spite of the differences in the local landscape, there is a designated officer in each administering authority who has responsibility for the LGPS.

Question 21

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

Yes.

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

Question 22

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

Yes.

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

Question 23

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

Yes.

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

Question 24

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

Yes.

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

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

Question 25

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

Yes.

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

Question 26

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

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

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

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

Question 27

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

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

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

Question 28

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

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

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

Question 29

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

Yes.

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

Question 30

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

No.

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



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

This response to the LGPS “Fit for the Future” consultation has been prepared by the Wales Pension Partnership (WPP).

We support the direction of the proposals, to conclude the transfer of all remaining assets to pool management quickly and the intention to further increase the benefits of LGPS investment pooling, including increasing the focus on local investment and supporting UK growth.

We welcome the opportunity to provide input to the consultation. In our response we have stated where we fully support proposals and where we have concerns on the benefits, practicalities and timing. On timing, it will be important for government to (a) allow time for local authority governance approval of changes to existing Inter-Authority Agreements which, in some cases, require full Council approval; and (b) confirm final proposals as soon as possible after the consultation stops since without this it may be difficult for local authorities to approve implementation steps and allocation of additional financial resources to support implementation including hiring suitably qualified personnel for the FCA regulated pool company.

WPP is committed to further developing its pool operating model to fully comply with government requirements once confirmed. We are developing plans for the WPP to continue as a standalone pool, uniquely placed to deliver benefits to LGPS scheme members in Wales and bring wider benefits through local investment in Wales. Work is already underway.

Cllr. Elwyn Williams, Chair of the WPP Joint Governance Committee

For and on behalf of WPP

	Question	Response
LGPS Pooling		
1	Do you agree that all pools should be required to meet the minimum standards of pooling set out above?	<p>Somewhat agree.</p> <p>Looking at each of the minimum standards in turn:</p> <p>1) Pool company¹ – “pools ... <i>required to be established as investment management companies authorised & regulated by the FCA</i>”</p> <p>We believe that the benefits of pooling can be achieved using WPP’s current pool operating model. Adding the pool company to the structure adds another significant layer of cost and operating complexity.</p> <p>2) Strategy Implementation – “AAs ... <i>required to fully delegate the implementation of that strategy to the pool</i>”</p> <p>Yes. WPP currently operates on this basis via the Fund operators for listed and unlisted assets and through the appointment of Russell Investment and unlisted fund allocators.</p> <p>3) Strategy advice - “AAs ... <i>required to take principal advice on their investment strategy from the pool.</i>”</p> <p>WPP shares the SAB view that administering authorities should retain the option of taking independent advice and be able to review any advice provided by pool companies. This would help allay concerns around the potential for actual or perceived conflicts for the Pool Company. See our response to Q5 for more detail.</p> <p>4) Legacy assets - “<i>transfer legacy assets to management of the pool.</i>”</p> <p>We have concerns on potential risks in requiring all AAs to transfer all legacy illiquid assets to pool company management immediately. There may be little or no economic benefit in doing so and we believe that in some cases it may be safer to continue to manage the run-off to maturity of legacy unlisted assets locally since local AA officers and their advisors have historic knowledge of the specific investments (e.g. various vintages of private market closed ended investments) and established processes for managing them (including for example management of capital calls). If the government does require transfer of management of legacy assets to the pool companies, it will be necessary to ensure that pool</p>

		<p>companies steward legacy assets on behalf of owners in a way that avoids economic detriment to the owning Funds e.g. by avoiding forced sale of unlisted assets at an inappropriate time. Pool companies should consult AAs on appropriate timing and approach to transferring legacy assets to pool vehicles. Please see our response to Q8.</p> <p>5) Local investments – <i>“Pools ... required to develop the capability to carry out due diligence on local investments and to manage such investments.”</i></p> <p>WPP already assesses local investments on behalf of the AAs using its unlisted asset managers and other external advisors. Setting up a permanent in-house team may be a disproportionate cost given the frequency and variety of such investment opportunities. WPP will continue its current approach (via the new pool company) and look for opportunities to collaborate with other pools in respect of local / impact investment opportunities.</p>
2	Do you agree that the investment strategy set by the administering authority should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?	<p>Yes, but it is not sufficient for AAs to set only the high level investment objectives high level strategic asset allocation (SAA).</p> <p>Investment strategy set by AA should include</p> <ol style="list-style-type: none"> 1) High level objectives 2) High level strategic asset allocation 3) Additional details including for example <ol style="list-style-type: none"> (i) risk-return preferences (there can be large variations between different mandate types within the same asset class); (ii) preferences* for passive and active investment; (iii) strategic needs in respect of cashflow (some individual funds will be cashflow negative); (iv) employer specific investment strategies where these form part of the fund’s Funding Strategy Statement; (v) net zero targets for its investments.

		<p>*In figure 1 of the consultation, under “investment objectives” which are a decision for administering authorities, the government references “investment preferences” explicitly.</p> <p>We agree that pool companies should undertake the activity required to implement the investment strategy specified by each Administering Authority in the pool. WPP already operates on this basis.</p>
3	Do you agree that an investment strategy on this basis would be sufficient to meet the administering authority’s fiduciary duty?	<p>No, there are additional considerations for AAs in meeting their fiduciary duty.</p> <p>The AA’s core fiduciary duty is to meet pension payments when due. A critical aspect of this is being able to meet cashflow requirements, ideally avoiding forced asset sale. So, specification of cashflow requirements is essential to meet fiduciary responsibilities.</p> <p>Other important aspects of fiduciary duty include:</p> <ul style="list-style-type: none"> - decisions on net zero ambitions (which may differ from fund to fund); - maximising returns subject to the risk tolerance agreed as part of the Funding Strategy Statement; and - local preferences for active vs passive investment (also related to locally decided risk tolerance).
4	What are your views on the proposed template for strategic asset allocation in the investment strategy statement?	<p>There is not sufficient granularity in the proposed template.</p> <p>Missing elements of the template include AA choices in respect of:</p> <ul style="list-style-type: none"> (i) risk return preferences (there can be large variations between mandate types within an investment class); (ii) active v passive investment; (iii) net zero ambitions; (iv) liability matching; and (v) specifying local investment allocation.

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

WPP shares the SAB view* that administering authorities should retain the option of taking independent advice and be able to review any advice provided by pool companies. This would help allay concerns around the potential for actual or perceived conflicts for the Pool Company. (*SAB consultation response: *“the Board has some concerns about funds being required to (as opposed to choosing to) take investment advice from the pool ... Where a fund takes its principal advice from the pool and separate, independent advice from another source, then there should be no suggestion that it is required to follow the pool’s advice where they differ.”*)

There is merit in investment strategy advice being provided independently from the provider of investment solutions (the pool company). There is potential for actual or perceived conflict for the pool companies in the approach proposed by government. An example would be advice restricted to asset classes and investment solutions currently available to the pool where the pool has not developed the investment solution required by the AAs in order to meet their liabilities when due and their fiduciary responsibility e.g. lack of appropriate income generating assets required by AAs which are in a cashflow negative position.

Use of investment advisors independent from the pool company also enables periodic review and replacement by competitive procurement, encouraging market competition and innovation that delivers better outcomes for LGPS funds and their members.

The government must allow AAs to critique any investment advice they receive from pool companies, supported by independent advisors if required.

Government should allow AAs freedom in choice of who provides advisory support to critique and challenge to advice provided by pool companies. Using independent “individuals” may not be sufficient. AAs should be free to take advice from consulting firms which can provide a full range of subject matter experts, up-to-date and comprehensive research capabilities, FCA regulated advice where required and peer reviewed advice with appropriate professional indemnity insurance and liability coverage.

AAs need to be satisfied that pool companies are capable of delivering the required range and quality of advice and that the pool company advice teams have the appropriate experience, knowledge and understanding of LGPS liabilities. As the government notes in the consultation, this capability will not be in place by March 2026 and will need to be developed over time. In the meantime, the government should allow pool companies to outsource the work to experienced LGPS investment consultants.

6	Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?	<p>We are committed to putting in place an FCA regulated investment management company (the “pool company”) if required to do so.</p> <p>That said, WPP’s current operating model currently achieves government pooling objectives without the significant additional cost and complexity of a pool company owned by AAs. It is not clear that this will provide any immediate financial benefits to offset additional costs.</p> <p>Independent investment advice has advantages compared to advice provided by pool companies due to (i) potential for actual or perceived conflicts for pool companies; (ii) the ability to periodically review and replace independent advisors; (iii) competition driving best practice, innovation and efficiency that benefits LGPS funds; and (iv) the difficulty for pool companies in developing the full range of capabilities and LGPS experience (including understanding of local liabilities and projected cashflow needs) provided by consulting firms currently.</p> <p>There is merit in having some work centralised and done collectively at pool level e.g. manager review and replacement, developing policies and processes in respect of responsible investment and voting and engagement. Under the current WPP pool model, all of these activities are already undertaken collectively at pool level with the support of external service providers.</p>
7	Do you agree that administering authorities should be required to transfer all listed assets into pooled vehicles managed by their pool company?	<p>Yes for actively managed listed assets.</p> <p>WPP and other LGPS pools already have passive investments in pooled vehicles not managed by pool companies (such as life policies). For listed passive investments, current arrangements for WPP and other pools are highly cost effective (“crossing benefits” and other scale benefits achieved by passive managers that are greater than those that could be delivered in respect of a single pool’s passive investments alone). If transfer of passive investments to pool company managed vehicles is mandated, AAs will suffer additional costs (including significant asset transition costs) without compensating benefits.</p>
8	Do you agree that administering authorities should be required to transfer legacy illiquid investments to the management of the pool?	<p>There should be no new investment in unlisted / illiquid assets in non-pool vehicles going forward.</p> <p>There are potential risks in requiring all AAs to transfer all legacy illiquid assets to pool company management immediately in March 2026. There is potentially little or no economic benefit in doing so and in some cases it may be safer to continue to manage the run off to maturity of legacy unlisted assets locally since local AA officers have historic knowledge of the specific investments (e.g. various vintages of private market closed ended investments) and established processes for managing them (including for example monitoring and management of capital calls). To address this potential risk, it may be preferable to</p>

		<p>allow AAs and their advisors to manage such investments to maturity or ensure that pool companies continue to draw on local knowledge and experience of the specific assets.</p> <p>If the government does require transfer of management of legacy assets to pool companies, it will be essential to ensure that pool companies exercise the appropriate level of due care. Specifically, it will be necessary to ensure that pools steward legacy assets on behalf of owners in a way that avoids economic detriment to the owning Funds e.g. by avoiding forced sale of unlisted assets at an inappropriate time. Pool companies should consult AAs on appropriate timing and approach to transferring legacy assets to pool vehicles.</p>
9	<p>What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds and when could this be delivered?</p>	<p>Please see response to Q8. The necessary knowledge of specific unlisted legacy assets and established processes for managing them currently reside with the AAs that own these legacy assets. Moving management to pool companies that lack this historic knowledge of these investments and established processes for managing them may add risk and cost.</p> <p>If government does compel the transfer of management of legacy assets to pool companies, WPP will appoint a pool officer with responsibility for legacy assets. Each WPP AA would have an Investment Management Agreement with the WPP pool company in respect of its own legacy assets. The IMA will empower the WPP pool company to manage those assets with appropriate care and diligence on behalf of the AA to which they belong. Legacy assets will remain allocated to that AA until such times as they mature and are transferred to pool solutions.</p> <p>This pool officer responsible for legacy assets would be assisted by WPP's listed and unlisted investment managers in considering appropriate timing and means of disposal of legacy assets and appropriate pool vehicles for investment of sale proceeds. Support would also be obtained from appropriate specialist consultants.</p> <p>The pool officer responsible would engage with and consult asset owners on proposed timing and means of disposal of legacy assets, and proposed pool vehicle to take sale proceeds, consistent with the AA's locally decided investment strategy. It is important to note that it will take a number of years to transition all legacy assets. For example, existing private equity holdings would likely be held until their natural maturity rather than having an earlier disposal in secondary markets at discounted valuations which would destroy value for the asset owner.</p>
10	<p>Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?</p>	<p>Although WPP is committed to meeting government timelines, we do think the timescales are very challenging. In particular, the suggested timeline disadvantages pools that currently have different operating models from that which is now preferred by government. A timeline that is excessively short could also lead to sub-optimal or compromise implementation approaches that could, with more time, be avoided.</p>

		<p>It is important that the timeline for implementation should accommodate local authority governance approval timescales.</p> <p>For all or most pools, changes requiring AA approval (by full Council and/or S101 committees) are likely. WPP is governed by a legally binding Inter Authority Agreement (IAA) which contains certain reserved matters that require local agreement. This will need to be unwound and replaced.</p> <p>It may be difficult or impossible for AAs to approve implementation steps with material costs (such as hiring personnel for pool companies) in the absence of regulations (in draft form at least). It is critical that any changes in regulation that government makes based on this consultation are published as soon as practical to prevent local authority approval delays which could make it impossible to meet the government's timeline.</p>
11	What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?	<p>WPP is open to opportunities to collaborate on specific asset class solutions and will continue dialogue with other pools that may identify areas of mutual benefit.</p> <p>A longer implementation timeline would allow proper exploration of such possibilities. Short timescales for implementation will cause pools to prioritise steps required to ensure their own pool is compliant with new requirements by whatever means the timeline allows.</p>
12	What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?	<p>We believe that there is potential for collaboration between partner funds in the same pool in areas such as member administration and training. Implementing collaboration on member administration is a non-trivial exercise and it is unlikely that it could be progressed in parallel with the next phase of pooling.</p> <p>WPP already has an annual training plan for AAs.</p>
Local Investment		
13	What are your views on the appropriate definition of 'local investment' for reporting purposes ?	<p>WPP recognises the government expectation that "local" should be considered UK wide, using LGPS assets to support UK growth. At the same time, given its unique position and motivation to support investment in Wales, which is where WPP will prioritise its local investment efforts, building on work done to date.</p> <p>We would expect "local" investments to focus on unlisted investments (infrastructure, private equity, etc), including some smaller investment opportunities with potential to have high impact and value locally.</p>

		<p>We would therefore expect reporting to exclude investments in UK listed equities, bonds and credit (but include real estate – the WPP Impact Fund will have a Wales target).</p> <p>WPP will report local investment in Wales and, separately, local investments in the rest of the UK.</p>
14	<p>Do you agree that administering authorities should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?</p>	<p>Yes.</p> <p>WPP plans to appoint an officer with responsibility for local investment opportunities. Their responsibilities will include liaising with local authorities, Corporate Joint Committees and other public bodies in Wales to identify potential investment opportunities that support local growth priorities.</p> <p>WPP's head of local investment will have assistance from WPP's unlisted investment managers who will support DD for relevant opportunities in various asset classes (infrastructure, private debt, private credit, etc).</p> <p>Specialist external advisors will also be used for DD on specific local opportunities that do not fit with the mandates of the pool's unlisted managers.</p>
15	<p>Do you agree that administering authorities should set out their objectives on local investment, including a target range in their investment strategy statement?</p>	<p>Yes.</p> <p>As noted earlier, the proposed template for AAs to specify locally decided investment strategy should be changed to include specification of the target range for local investment.</p>
16	<p>Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?</p>	<p>Yes. WPP plans to appoint an officer with specific responsibility for local investment opportunities (see Q14)</p> <p>Given the likely modest numbers of such opportunities it may not make sense to have all of the necessary skills as hired internal roles (investment, due diligence, and legal expertise and experience across a wide range] of local / impact investment types). Instead, pool companies should be able to draw on relevant experienced external specialists to assess opportunities and carry out DD before proceeding.</p>

		In theory this is an area where collaboration between pool companies may be helpful (e.g. shared DD for co-investment by different pool companies). In practice, this may not be workable for WPP given its objective of focusing on local investment in Wales.
17	Do you agree that administering authorities should report on their local investments and their impact in their annual reports? What should be included in this reporting?	Yes. As well as normal investment performance reporting, reporting on local investment should include the benefits realised by the investment (economic, environmental and social).
Fund governance		
18	Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?	N/A. Please refer to responses from individual LGPS administering authorities in Wales.
19	Do you agree that administering authorities should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?	N/A. Please refer to responses from individual LGPS administering authorities in Wales.
20	Do you agree with the proposals regarding the appointment of a senior LGPS officer?	N/A. Please refer to responses from individual LGPS administering authorities in Wales.
21	Do you agree that administering authorities should be required to prepare and publish an administration strategy?	N/A. Please refer to responses from individual LGPS administering authorities in Wales.
	Do you agree with the proposal to change the way in which strategies on	N/A. Please refer to responses from individual LGPS administering authorities in Wales.

	governance and training, funding, administration and investments are published?	
23	Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?	N/A. Please refer to responses from individual LGPS administering authorities in Wales.
24	Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?	N/A. Please refer to responses from individual LGPS administering authorities in Wales.
25	Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?	N/A. Please refer to responses from individual LGPS administering authorities in Wales.
26	What are your views on whether to require administering authorities to appoint an independent person as adviser or member of the pension committee, or other ways to achieve the aim?	<p>Our views on this are similar to those on Q5.</p> <p>Yes, administering authorities should appoint an independent advisor / advice firm (not necessarily an individual) to provide advice to the pensions committee (not to be appointed as a member of the committee).</p> <p>Given their fiduciary responsibilities, it is important that AAs are free to take independent advice. Part of this role should be to critique and challenge to any advice provided by pool companies.</p> <p>AAs should be free to select independent advisory support from individuals or consulting firms. However, using independent “individuals” may not be sufficient. AAs should be free to take advice from consulting firms which can provide a full range of</p>

subject matter experts, up-to-date and comprehensive research capabilities, FCA regulated advice where required and peer reviewed advice with appropriate professional indemnity insurance and liability coverage.

Pool governance

27	Do you agree that pool company boards should include one or two shareholder representatives?	<p>It is essential that the AAs who are joint shareholders of the pool company and clients / investors should have representation on the pool company board.</p> <p>Ideally the number of shareholder reps would not be stipulated. The FCA will require to see the proposed constitution and remit of the pool company Board as part of the process for authorisation of the pool co. It should be the arbiter of the appropriate mix and skills of Board member reps.</p>
28	What are your views on the best way to ensure that members' views and interests are taken into account by the pools?	<p>This should be via client-side pool governance. Each pool has a number of client-side governance groups, often including a Joint Committee of Chairpersons of the AAs' S101 committees. In many or most pools, there is already scheme member representation. This provides a channel for scheme member voice and representation in the oversight of the pool co and the investment vehicles in aspects relevant to scheme members (e.g. performance, RI policies, etc)</p>
29	Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?	<p>Yes, we agree there should be transparent and consistent reporting on performance and costs.</p> <p>Most pools already have reasonably well-developed investment performance reporting for investors (investments returns, costs) and some pools with also have service delivery KPIs that are monitored regularly. Further development of these should continue.</p> <p>Cost reporting should include not only investment management costs, but full transparency of pool co management costs and the costs of all third-party services (outsourced functions, consultants, depositary, custody and all other service provider costs). This should be in £ and percentage of asset terms.</p> <p>Cost data should be published showing breakdown between pool company costs, investment management costs (internal and external) and other costs in a way that enables fair comparisons.</p> <p>Investment performance should be benchmarked against appropriate mandate objectives and against peer group investment managers. Investment cost benchmark comparisons should also be undertaken periodically. We acknowledge that peer group</p>

comparisons require care to ensure fair, like-for-like comparisons. Professional benchmark service providers can provide such analysis periodically to identify any areas of concern.

Equality Impacts

30

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

No.

We note that WPP will require to be able to provide all communications in Welsh language as well as English.



LGPS “Fit for the Future”

Wales Pension Partnership Submission to Government:

A standalone LGPS pool for Wales

February 2025

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

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

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

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

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

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

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

Members of the WPP Joint Governance Committee

For and on behalf of WPP

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1. Introduction: WPP today and Building for the Future

The WPP to date

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

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

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

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

Successes of WPP to date include:

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

The WPP – Fit for the Future

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Executive Summary

Options analysis and decision to build

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

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

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

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

IM Co implementation and running costs

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

Implementation Plan

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

Benefits delivery

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

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

Government assessment criteria

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

Longer term aspirations – 2030 and beyond

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

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

Next steps

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

3. Consideration of other options and decision to build

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Benefits of a standalone pool for Wales

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

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

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

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

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

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

4.1 Current Pool Operating Model

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

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

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

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

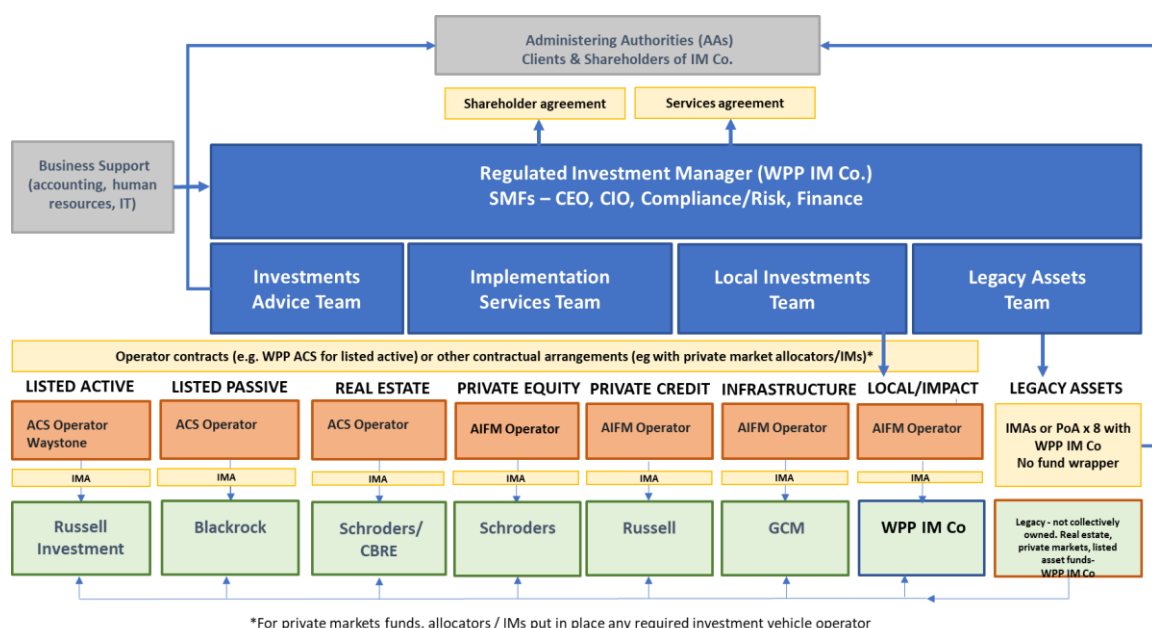
4.2 Government's proposed new Pool Operating Model requirements

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

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

4.3 New Target Operating Model

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



Key features of the new operating model are as follows:

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

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

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

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

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

4.4.1 WPP Strategy Implementation Services

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

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

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

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

4.4.2 How WPP Strategy Implementation Services will be delivered

March 2026

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

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

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

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

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

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

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

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

How WPP Implementation Services will evolve over time

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

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

4.4.3 WPP Investment Advice Services

The main services to be provided are listed below.

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

How will WPP Investment Advice Services be provided?

March 2026

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

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

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

How service delivery will evolve over time

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

4.4.4 WPP Local Investment Services

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

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

4.4.5 WPP Legacy Asset Services

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

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

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

4.4.6 Other WPP IM Co Services for Administering Authorities

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

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

4.5 Organisation chart – senior management and functional units

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

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

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

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

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

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

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

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

Personnel requirements are covered in more detail in section 5.

4.6 Governance

4.6.1 WPP IM Co

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

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

The application for authorisation will include:

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

4.6.2 Administering Authorities as Shareholders

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

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

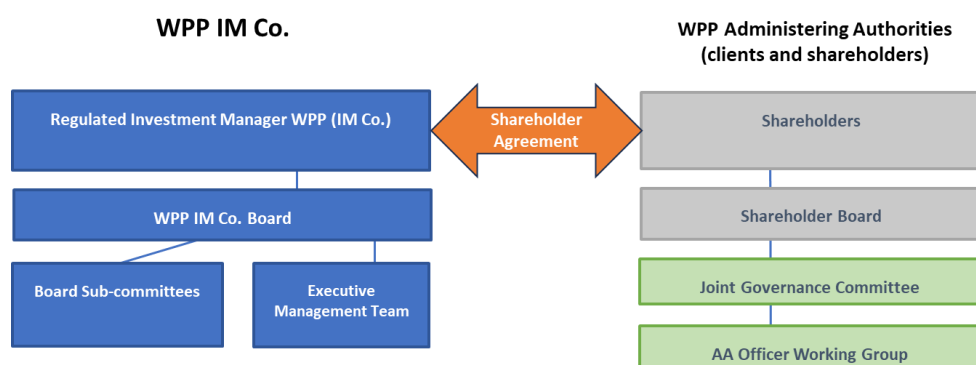
We intend to establish a “Shareholder Board” (elected councillors and S151 officers) to make decisions in respect of “Reserved Matters” under the Shareholder Agreement.

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

4.6.3 Administering Authorities as Clients

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

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



5. Implementation

5.1 Approach to establishment of new IM Co

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

Our approach, therefore, is:

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

5.2 Senior Managers (SMF roles)

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

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

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

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

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

5.3 Strategic delivery partners

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

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

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

The main new procurements required are:

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

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

5.4 WPP IM Co personnel requirements

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

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

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

Day 1 personnel

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

5.5 Technology

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

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

Details are shown below.

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

5.6 Costs

5.6.1 Additional annual running costs

Additional annual running costs of the new operating model include:

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

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

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

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

5.6.2 Set-up costs

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

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

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

6. Implementation plan

6.1 Plan overview, project team and project governance

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

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

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

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

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

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

Each workstream is progressing with detailed planning and specific tasks.

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

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

6.2 Critical Path

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

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

6.3 Administering Authority Approval steps ("Governance Pathway")

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

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

6.4 Hiring and procurement plan

6.4.1 Recruitment

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

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

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

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

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

6.4.2 Procurement

Existing arrangements

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

New arrangements

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

The main new procurements are shown below.

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

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

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

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

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

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

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

7. Government assessment criteria

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

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

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

Value for money – Government considerations

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

Value for Money – WPP standalone pool

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

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

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

Viability against deadline – Government considerations

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

Viability against deadline – WPP standalone pool

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

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

8. Longer-term aspirations – 2030 and beyond

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

Building in-house capability – 5-year ambition

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

How this will be achieved

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

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

Expected growth in WPP IM Co resources

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

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

Developing our long-term strategy

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

8. Conclusions and next steps

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

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

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

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

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

Appendix 1 – Investment Transition Cost in Event of Merger

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

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

Appendix 2 – Day 1 and Day 2 Hires and Payroll

Day 1 roles and payroll cost

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

FTE= 16

Total **£2,913,750**

Potential additional roles over following 2-3 years

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

FTE= 16

Total **£1,645,000**

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

Appendix 3 – Project Plan and Workstreams

			2025												2026		
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Main Milestones	Takeholder Engagement & Governance	Tracy Williams															
		Hymns Robertson, Bures Salmon	Wed 22/01/25	Ongoing													
		Tracy Williams	Wed 22/01/25	Ongoing													
		Hymns Robertson, Bures Salmon	Wed 22/01/25	Ongoing													
	Governance Sign Off Structure	Tracy Williams	Wed 22/01/25	Fri 26/02/25													
		Hymns Robertson, Bures Salmon	Wed 22/01/25	Fri 26/02/25													
		Hymns Robertson, Bures Salmon	Wed 22/01/25	Fri 26/02/25													
	Business Case	Jeffrey Dong	Mon 27/01/25	Fri 14/02/25													
		Compliance Solutions, Waystone Russell Investments	Mon 27/01/25	Fri 14/02/25													
		Hymns Robertson, Waystone Russell Investments	Fri 14/02/25	Fri 14/02/25													
Other resources	Business Case	Jeffrey Dong	Fri 14/02/25	Fri 14/02/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Fri 14/02/25	Fri 14/02/25													
		Hymns Robertson	Fri 20/02/25	Fri 26/02/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Fri 20/02/25	Fri 26/02/25													
	CA Authorisation	Anthony Parrell	Mon 03/03/25	Mon 03/03/25													
		Compliance Solutions, Bures Salmon, Russell Investments, FCA Case Officer	Mon 03/03/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 03/03/25	Fri 30/05/25													
	Business Plan Finalised	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
Dependencies	Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
	Business Plan	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
	Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
Dependencies	Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
	Business Plan	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
	Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
	Dependencies	Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25												
Compliance Solutions, Bures Salmon, Russell Investments			Mon 27/01/25	Mon 30/06/25													
Hymns Robertson, Waystone Russell Investments			Mon 27/01/25	Mon 30/06/25													
Business Plan		Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
Business Case		Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
Dependencies		Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25												
	Compliance Solutions, Bures Salmon, Russell Investments		Mon 27/01/25	Mon 30/06/25													
	Hymns Robertson, Waystone Russell Investments		Mon 27/01/25	Mon 30/06/25													
	Business Plan	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
	Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
	Dependencies	Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25												
Compliance Solutions, Bures Salmon, Russell Investments			Mon 27/01/25	Mon 30/06/25													
Hymns Robertson, Waystone Russell Investments			Mon 27/01/25	Mon 30/06/25													
Business Plan		Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
Business Case		Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
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	Compliance Solutions, Bures Salmon, Russell Investments		Mon 27/01/25	Mon 30/06/25													
	Hymns Robertson, Waystone Russell Investments		Mon 27/01/25	Mon 30/06/25													
	Business Plan	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
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		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
	Dependencies	Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25												
Compliance Solutions, Bures Salmon, Russell Investments			Mon 27/01/25	Mon 30/06/25													
Hymns Robertson, Waystone Russell Investments			Mon 27/01/25	Mon 30/06/25													
Business Plan		Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
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		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
Business Case		Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
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	Hymns Robertson, Waystone Russell Investments		Mon 27/01/25	Mon 30/06/25													
	Business Plan	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
	Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
	Dependencies	Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25												
Compliance Solutions, Bures Salmon, Russell Investments			Mon 27/01/25	Mon 30/06/25													
Hymns Robertson, Waystone Russell Investments			Mon 27/01/25	Mon 30/06/25													
Business Plan		Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
Business Case		Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
Dependencies		Business Case	Anthony Parrell	Mon 27/01/25	Mon 30/06/25												
	Compliance Solutions, Bures Salmon, Russell Investments		Mon 27/01/25	Mon 30/06/25													
	Hymns Robertson, Waystone Russell Investments		Mon 27/01/25	Mon 30/06/25													
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		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													
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Business Case		Anthony Parrell	Mon 27/01/25	Mon 30/06/25													
		Compliance Solutions, Bures Salmon, Russell Investments	Mon 27/01/25	Mon 30/06/25													
		Hymns Robertson, Waystone Russell Investments	Mon 27/01/25	Mon 30/06/25													

Appendix 4 – WPP Portfolio Managers

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

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

Appendix 4 – FAQ Wales Pension Partnership: Fit for Future Business Case

What is the Wales Pension Partnership (WPP)?

The Wales Pension Partnership (WPP) is a collaborative arrangement representing all eight Local Government Pension Scheme (LGPS) funds in Wales. Established formally in 2015 (and structured in 2017), it was formed to create an investment pool for these funds, leveraging their existing close working relationships. The WPP has already achieved economies of scale, operational efficiencies, and improved investment outcomes for its member funds, while also focusing on identifying local investments and establishing responsible investment policies. As a pool for a devolved nation, it also considers the unique cultural and national characteristics of Wales and addresses regulatory obligations under legislation such as The Welsh Language Act and The Well-being of Future Generations (Wales) Act.

Why is the WPP proposing to establish a standalone FCA-regulated Investment Management Company (IM Co)?

The proposal to establish a standalone FCA-regulated IM Co is in response to the UK Government's "Fit for the Future" consultation (November 2024) and subsequent guidance. The consultation outlined minimum standards for LGPS asset pools, including the requirement for pools to be FCA-regulated investment management companies with the expertise and capacity to implement and advise on investment strategies. The WPP has thoroughly considered other options, such as merging with another English LGPS pool or becoming a client of one but concluded that building its own IM Co is the most effective and preferable approach to meet the Government's requirements while retaining crucial benefits for Wales and maintaining the unique collaborative culture within the WPP which exists today.

What are the key benefits the WPP sees in remaining a standalone pool and establishing its own IM Co?

There are many compelling benefits to remaining a standalone pool and establishing an IM Co., key amongst these being:

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

4) Transferring components of the existing WPP pooling model to the new operating model (including existing pooled vehicle structures), continuing to benefit from the global scale and purchasing power of service delivery partners (currently including Russell Investments, Blackrock, GCM Grosvenor, CBRE, Schrodgers and Waystone). The IM Co will have the ability to review and replace service providers over time where it is felt that services can be managed in-house. A key driver for this would be to generate further efficiencies and obtain fee reductions through competitive procurement (in future a responsibility of the WPP IM Co).

5) Delivering the specific responsible investment goals of LGPS stakeholders in Wales. Examples of this is the development by Blackrock of a passive investment vehicle for WPP with a range of passive mandates specifically aligned to WPP's responsible investment policies and the bespoke WPP mandate for sustainable active equities managed by Russell Investments.

6) A unique opportunity to establish a centre of excellence in LGPS investment in Wales, creating career opportunities and enhancing the financial services sector in Wales.

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

8) The rationale for retaining a standalone LGPS pool for Wales is well documented in the business case submission. However, one of the key considerations was to avoid incurring unnecessary costs on transitioning to alternative pooling arrangements.

How does the WPP plan to establish the FCA-regulated IM Co by the March 2026 deadline?

The WPP has an implementation plan in place to establish the IM Co by the Government's deadline of end March 2026. This involves a structured project with external advisors and existing strategic delivery partners supporting administering authority officers. Key steps include:

- **Governance Pathway:** Securing necessary local governance approvals from each of the eight administering authorities.
- **Senior Hiring:** Prioritising the recruitment of key senior management roles for the IM Co, such as the CEO and Chief Risk Officer, ahead of the FCA application.
- **FCA Application:** Finalising and submitting the application for FCA authorisation, aiming for this to happen by September, supported by compliance consultants and legal advisors.
- **Procurement necessary to deliver the Target Operating Model:** Existing contracts will be transferred to the IM Co where possible, minimising disruption and expense. Additionally, IM Co will be undertaking new procurements for services like investment advice delivery partners, while leveraging existing relationships where possible and complying with procurement law.
- **Asset Transition:** WPP has analysed non-pooled assets and plans to transition them into existing or new pool solutions by March 2026, ensuring the vast majority of non-pooled assets are under pool management.

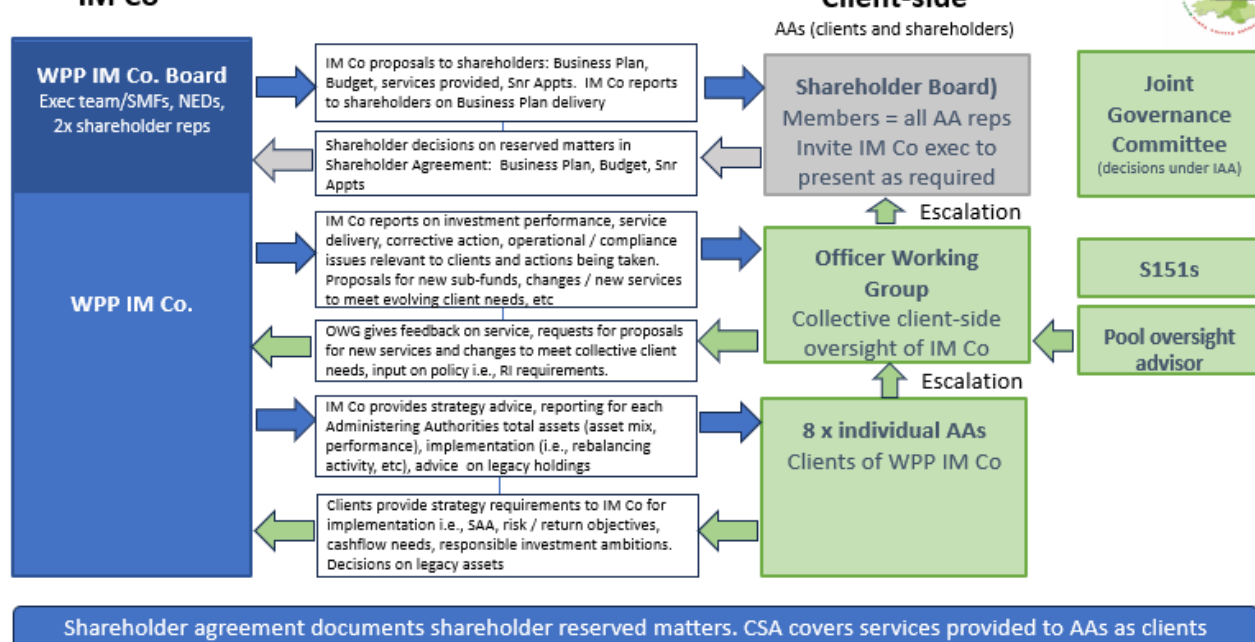
- **Board and Executives:** Establishing an IM Co Board to oversee the process and hire required Senior Management Function (SMF) executives to lead operational matters and front the FCA application until the "Go Live" date. To accommodate initial time pressures and key project dependencies (i.e., submitting an FCA application) it might be necessary to consider some interim appointments in both Board and executive capacities.
- **Further appointments:** Undertake further appointments necessary to ensure that the IM Co can operate from March 2026 as outlined in WPP's business case submission to Government.

How will the administering authorities maintain oversight and governance of the new WPP IM Co?

The new Target Operating Model will provide enhanced governance mechanisms, building on those already in place (Pension Committees, Pension Boards, Officer Working Group, Joint Governance Committee). In particular, a number of key decision matters will be reserved for a newly created Shareholder Board per the diagram below.

Membership of both the Shareholder Board and the IM Co Board is still to be determined. However, it is clear that all eight administering authorities will be represented on the Shareholder Board reflective of an existing oversight structure under current arrangements for WPP (i.e., member and officer oversight, pool oversight advisor). Shareholders will retain a 'one fund, one vote' entitlement as is the case under current arrangements.

Target Operating Model: IM Co & Client-side - Governance



The role of Pension Committees will continue to be integral, setting the investment strategy and requirements for implementation of the strategic asset allocation on behalf of their respective administering authority. Pension Committees will oversee the operation and performance of the

IM Co, ensuring that it performs in line with the shareholder agreement and individual administering authority objectives. The Chair of each Pension Committee will be represented on the Shareholder Board.

The Local Pension Board will retain its oversight and governance role of the administering authority, which is expected to extend to oversight of pooling arrangements and supporting the Pension Committee accordingly as a shareholder to the IM Co.

What services will the new WPP IM Co provide?

The WPP IM Co will provide a range of services to the administering authorities as its clients. These services will be delivered by dedicated teams within the IM Co and initially supported by external strategic delivery partners, with a view to increasing in-house capabilities over time. The planned services include:

- **Investment Advice:** Providing strategic investment advice to the administering authorities.
- **Strategy Implementation Services:** Implementing the strategy set by administering authorities (e.g. manager selection, rebalancing, cashflow management).
- **Local Investment Services:** Sourcing, assessing, and managing local investment opportunities within Wales and the wider UK.
- **Legacy Asset Management:** Managing identified legacy assets in line with administering authorities agreed mandate, ensuring they are under pool management from day one.
- **Other Services:** Including centralised production of reporting across all assets for each administering authority.

What are the expected costs associated with establishing and running the WPP IM Co?

The establishment of the WPP IM Co involves both set-up costs and ongoing running costs. The WPP has estimated a project budget of approximately £2.9 million for delivery of the project, covering legal advisors, specialist compliance support, investment consultants, and project managers, in addition to salary costs for IM Co personnel hired before March 2026.

The estimated additional annual running costs of the new operating model on Day 1 (March 2026) are projected to be £5-5.5 million after accounting for administering authority cost savings. These costs are expected to rise to around £8-9 million annually as the IM Co increases its in-house staff numbers (from around 16 on Day 1 to an expected 32 within 2-3 years).

In addition, Regulatory Capital of an estimated £5m – 10m will be required from the administering authorities.

How will the WPP IM Co deliver value for money?

The standalone IM Co model will deliver value for money through several mechanisms:

- **Continued Scale Benefits:** The IM Co will continue to benefit from the global scale and purchasing power of existing and new strategic delivery partners for services like fund operations and delegated investment management.
- **Increased In-house Management:** Over time, the WPP IM Co plans to take on an increasing number of portfolio management responsibilities in-house, which is expected to further reduce external partner costs and deliver additional cost savings.
- **Reduced Local Costs:** The new operating model will reduce administering authorities' local costs related to investment advice, reporting, and any remaining investment implementation activities as these functions are transferred to the IM Co.
- **Periodic Review of Service Providers:** The IM Co will have the ability to periodically review service providers to ensure best-in-market service delivery and competitive fees.
- **Overall Savings:** implementing the "Fit for the Future" proposals is projected to reduce external portfolio management costs to 34bps by 2030, representing annual savings of circa £25m by 2030.
- **Investment Performance:** as was the rationale for pooling back in 2016/17, strong investment performance over time is expected to outweigh additional costs of running the IM Co over time.

What are the WPP's longer-term aspirations beyond March 2026?

Beyond the immediate goal of meeting the Government's requirements by March 2026, the WPP has longer-term aspirations, particularly looking towards 2030 and beyond:

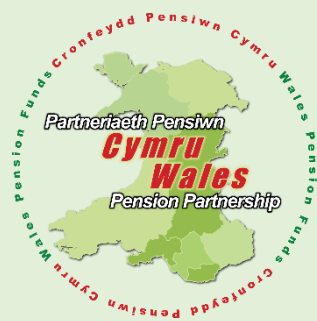
- **Enhanced In-house Capabilities:** The WPP IM Co aims to further enhance its operating model by developing increased in-house portfolio management capabilities for both listed and private market assets. This will involve increasing the size and expertise of the IM Co team, potentially doubling personnel within the first 2-3 years and hiring additional portfolio managers and a Head of Responsible Investment.
- **Leadership in Local and Impact Investment:** The WPP has ambitions to become a leader in local and impact investment, actively engaging and collaborating with other LGPS investment pools on UK investment opportunities.
- **Reduced Reliance on External Partners:** Over time, the WPP expects to reduce the use of strategic investment partners for investment implementation and investment advice services as in-house capacity and resilience are built.
- **Detailed 5-Year Plan:** Once the WPP IM Co is established, its senior management team will develop a more detailed 5-year plan for the Shareholder Board, prioritising the development of the operating model to achieve the greatest value.



Wales Pension Partnership

Revised Business Plan

2025-2028



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Introduction

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

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

About the Wales Pension Partnership

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

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

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

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

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

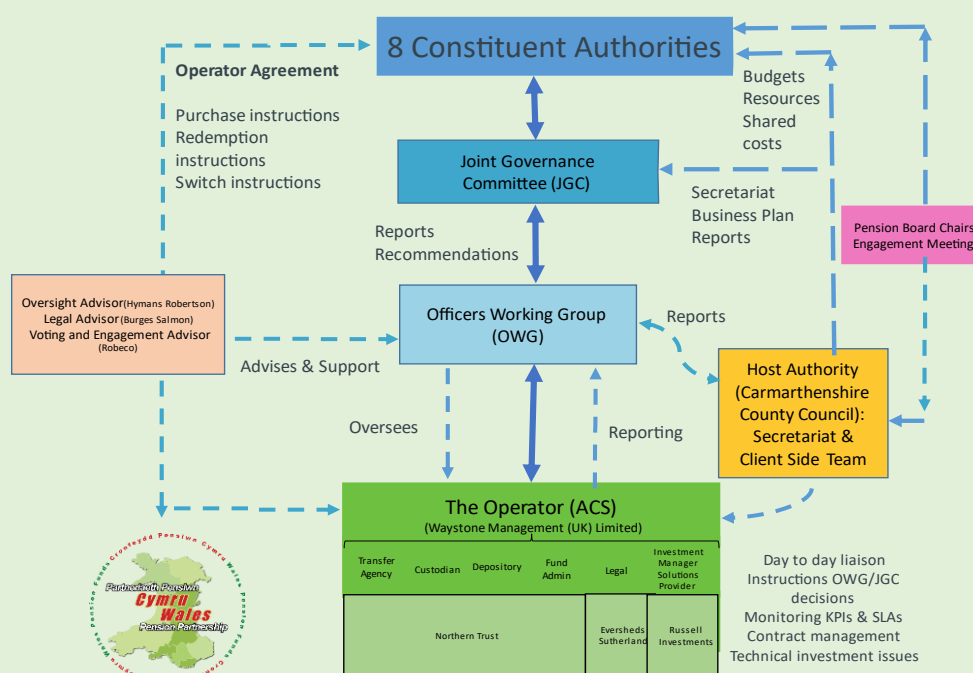
Governance

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

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



The diagram below shows WPP's governance structure:



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

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

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

Risk Management

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

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

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

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

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

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

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

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

Objectives

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

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

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

Beliefs

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

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

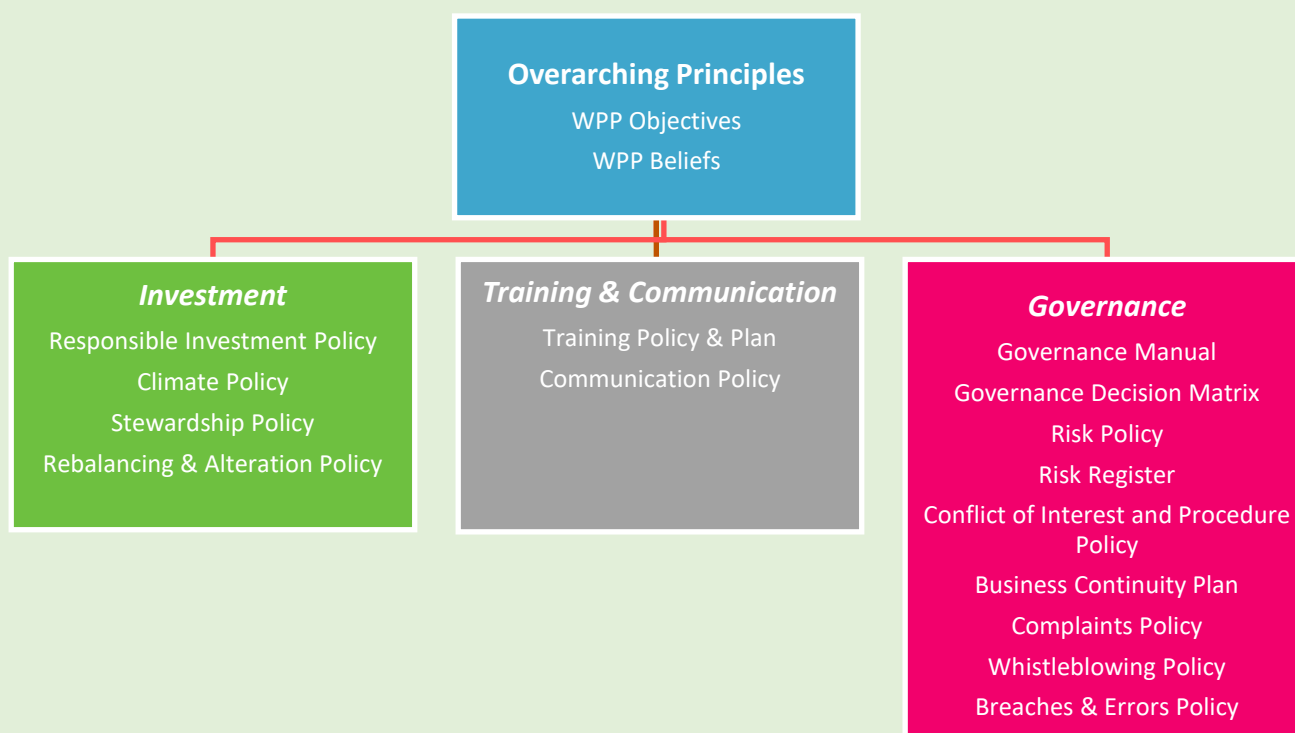
The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

Policies

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



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



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

Work Plan

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

- **Governance** - The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework and carry out ongoing reviews of its existing governance documents and structure.
- **Ongoing Investment Programme developments** – To date the WPP has pooled c74% of its assets and a number of other Investment Programmes are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.
- **Operator Services** - The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers is crucial.
- **Investment Reporting** - The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities. The WPP will continue to deliver on its reporting requirements covering areas such as investment performance, risk, Stewardship activities, Responsible Investment and Climate, and will develop further reporting, as and when required.
- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.
- **Resources, Budget and Fees** - The WPP recognises that insufficient resources pose a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

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

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

Training Plan

It is best practice for WPP personnel to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions;
- the pooling of Local Authority Pension Schemes; and
- relevant investment opportunities.

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

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

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

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

Product Knowledge:

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

Stewardship:

- Voting & Engagement
- Stewardship code and reporting requirements

Responsible Investment (RI):

- Biodiversity and Natural Capital
- Climate Scenarios and Fiduciary Duty

Pooling Consultation & Regulatory Requirements:

- Pooling Consultation
- Any new regulatory / guidance developments

Budget

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

	Forecast 2024-25 outturn	2025-26	2026-27	2027-28
	£'000	£'000	£'000	£'000
Host Authority	186	241	247	253
External Advisors	1,270	1,376	1,288	1,288
Project Snowdon (see below)	470	2,915	TBC	TBC
TOTAL to be recharged *	1,926	4,532	1,535	1,541
Operator Services	39,922	46,110	50,721	55,793
Allocator	7,094	9,673	10,844	10,844
TOTAL to be deducted from the NAV **	47,016	55,783	61,565	66,637

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

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

Project Snowdon Budget 2025/26

The establishment of the WPP Investment Management Company (IMCo) includes both set-up costs and ongoing running costs. The WPP has estimated a project budget of approximately £2.9 million for delivery of the project, covering legal advisors, specialist compliance support, investment consultants, and project managers, in addition to salary costs for IMCo personnel hired before March 2026.

Investments & Performance

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

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

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

Equity Sub-Funds



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

Fixed Income Sub-Funds

Absolute Return Bond Fund

Managed by Russell Investments

Global Government Bond Fund

Managed by Russell Investments

Multi-Asset Credit Fund

Managed by Russell Investments

Global Credit Fund

Managed by Russell Investments

UK Credit Fund

Managed by Waystone Management (UK) Limited

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

Private Markets

Infrastructure – closed ended

Managed by GCM Grosvenor

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

Infrastructure – open ended

Managed by CBRE, IFM and Octopus

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

Private Credit

Managed by Russell Investments

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

Private Equity

Managed by Schroders Capital

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

Contact Details

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

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

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

The website can be found here:

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





9 April 2025

Dear Wales Pension Partnership,

LOCAL GOVERNMENT PENSION SCHEME (ENGLAND & WALES)

We are writing with regard to the Government's proposed reforms to the Local Government Pension Scheme in England and Wales (LGPS) and its approach to asset pooling as part of the Pensions Review.

In November, Government set out its proposed reforms in our *Fit for the Future* consultation with the aim of establishing a world-class LGPS made up of large pools of professionally managed capital, held to account by Administering Authorities who have confidence in robust and transparent governance structures and who are delivering the best value to members and their communities. We want to see strong and resilient foundations for a scheme projected to reach £1tn by 2040 and have been clear that this is the moment for creative and collaborative proposals to that end.

Government wrote to each pool, asking for transition proposals setting out how they would seek to achieve the minimum standards proposed in the consultation by March 2026, focusing on the benefits of scale, long-term resilience, value for money and viability against the deadline, with consideration given to the opportunity for closer collaboration across the scheme and merger of pools. We recognise how significant an undertaking this has been for each pool in a short space of time and thank you for the spirit in which you have participated in this process and for your close engagement throughout. Your submission and engagement have formed a critical part of our assessment of the viability and strength of the proposals set out in the consultation. Government has considered the responses to the consultation and is currently preparing next steps, including our consultation response and the implementation of the reforms via legislation.

We have reviewed your proposal and are supportive of you proceeding as you have set out, and in line with the March 2026 deadline. Your proposal meets the above criteria as well as the overall ambition that was set out in the Government's consultation to put the LGPS on the strongest possible footing for the future. It is clear Wales Pension Partnership has embraced the ambition to create a standalone LGPS investment company to deliver for your eight partner Authorities and for the benefit of Wales as whole. We also note the WPP ambition to become a leader on local and impact investing within the scheme, as part of your 5-year plan.

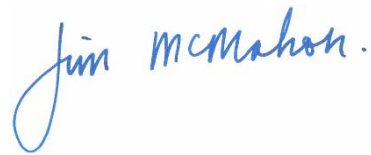
For your awareness, we have concluded that the proposals from some pools do not meet the requirements set out by Government. The partner Authorities of those pools should now seek to join another pool and we have asked them for in-principle decisions to join a different pool by 30 September 2025.

Our officials stand ready to support you throughout the period to the March 2026 deadline for meeting the minimum standards for pooling and will check in with you regularly. We look forward to seeing your continued progress towards establishing world-class investment management for the LGPS, protecting its long-term sustainability and acting in the interests of members, employers and local taxpayers.



TORSTEN BELL MP

Minister for Pensions



JIM MCMAHON OBE MP

Minister for Local Government

MEETING	PENSIONS COMMITTEE
DATE	12 JUNE 2025
TITLE	LGPS POOLING SYMPOSIUM
PURPOSE	To receive relevant feedback and information from the conference
RECOMMENDATION	Receive the information
AUTHOR	Councillor Iwan Huws

1. INTRODUCTION

The LGPS Pooling Symposium was held in May and Councillor Iwan Huws attended on behalf of the Committee.

2. LGPS POOLING SYMPOSIUM

The conference agenda can be found here:
<https://www.dgpublishing.com/lgps-pooling-symposium/agenda/>

Councillor Iwan Huws will provide verbal feedback and share relevant information from the conference.

3. RECOMMENDATION

The Committee is requested to receive the information.

MEETING	PENSIONS COMMITTEE
DATE	12 JUNE 2025
TITLE	INVEST IN WALES CONFERENCE
PURPOSE	To receive relevant feedback and information from the conference
RECOMMENDATION	Receive the information
AUTHOR	Dewi Morgan, Councillor Elin Hywel and Councillor Goronwy Edwards

1. INTRODUCTION

The Invest in Wales Conference was held in April and Dewi Morgan, Councillor Elin Hywel and Councillor Goronwy Edwards attended on behalf of the Committee.

2. INVEST IN WALES CONFERENCE

Dewi Morgan, Councillor Elin Hywel and Councillor Goronwy Edwards will provide verbal feedback and share relevant information from the conference.

3. RECOMMENDATION

The Committee is requested to receive the information.