
PENSION BOARD 09-02-26

Present:

Anthony Deakin, Eifion Jones and Osian Richards (Member Representatives)

Sioned Parry, Ned Michael and Roland Thomas (Employer Representatives)

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: Cllr Elin Hywel (Chair of the Pensions Committee).

1. APOLOGIES

None to note

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

None to note

4. MINUTES

The Chair signed the minutes of the previous meeting of this committee held on 3 November 2025 as correct.

5. MINUTES OF PENSIONS COMMITTEE

Submitted for information – the minutes of the Pensions Committee held on 24 November 2025.

6. WALES PENSION PARTNERSHIP UPDATE

The Investment Manager highlighted that the report was for information, setting out what was recently discussed at a Pension Board Chairs Engagement Meeting – an update on the work of the Wales Pension Partnership that now played a leading role within the Fund. It was noted that the Chairs of the Pension Boards met every six months and that the October discussions included an update on the review of the Business Plan, responsible investment issues and the risk register.

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

It was highlighted that Yr Wyddfa Project was progressing rapidly to establish the investment company (WPP IM Co) with the Financial Services Register (Financial Conduct Authority – FCA) application submitted and regular recruitment and

engagement taking place. It was added that JGC officers and members had been discussing establishing agreements between the investment company and the eight Constituent Authorities as clients and shareholders. It was noted that a meeting would be arranged to share specific information on the relevant developments and agreements with the Committee and the Pension Board before moving to formal approval by the Pensions Committee.

Thanks were expressed for the report

In response to an observation that the Clwyd Fund had pooled 32%, Powys 63% and Swansea 66% and whether the technical nature of the funds or political issues were the reasons for the slow transition to the WPP, it was noted that the risk had been identified; these Councils had increased investments in private markets and measures had been put in place to respond to the situation with the appointment of an Asset Handling Officer to lead on the work.

In response to an observation that the WPP continued to refer to the project as the Snowdon Project and not Yr Wyddfa Project, it was noted that this observation had been submitted to the WPP, and at every possible opportunity thereafter, the officers had attempted to convey the correct name – there was a need to continue to press the WPP to refer to the Snowdon Project as Yr Wyddfa Project.

Mr Eifion Jones (who had observed a meeting of the Pensions Committee on the morning of 09-02-26,) asked for more information regarding the notices of motion the WPP had received from individual Councils. In response, it was confirmed that the WPP had received a number of notices of motion from Local Councils in Wales, including Cyngor Gwynedd (Full Council, October 2025) on responsible, ethical and sustainable investment issues. It was noted that the motions had been considered, and in light of the work currently being undertaken in relation to the WPP exclusions policy, it was agreed that a response would be prepared for each of the eight Constituent Authorities to publish, with a revised policy to be shared following its approval by the JGC in March 2026.

Observations arising from the ensuing discussion

- While embracing an exclusions policy, it would be necessary to ensure that the investments bring good returns to the members of the Fund
- That there was a need to be able to exclude some high-level, obvious investment elements, but with the eight Constituent Authorities likely to have different ideas on how to implement that, a starting point would have to be agreed
- Welcomed the significant work being done to comply with the principles, and Russell Investments who had been completing work on potential impacts

The information was accepted

7. THE PENSION FUND'S INVESTMENT PERFORMANCE UP TO 30 SEPTEMBER 2025

A report was submitted by the Investment Manager, reporting on the performance of the Fund over the quarter in question. It was noted that the Fund had returned 5.6% over the quarter, outperforming the benchmark with the total assets increasing by £186 million to bring the value of the fund to over £3.5 billion for the first time; the growth, income and performance protection assets had performed well during the quarter.

It was reiterated that the Fund, over the year, had returned 10.7%, which was just behind the benchmark; there was no doubt that the benchmark set was challenging,

but the performance of the Gwynedd Pension Fund had historically been higher than the British funds' average.

The performance of equity investment managers was highlighted, explaining that the underperformance of the Sustainable Active Equity Fund was evident because stocks within the equity markets had been able to take advantage of artificial intelligence, namely the Magnificent 7, e.g. Apple, Microsoft and Tesla, which had performed well. The effect of this was underperformance within other stocks, e.g. long-term stocks within the portfolio that looked at energy transition. It was reiterated that Russell Investments intended to look at the Fund's split and introduce a new investment manager to the portfolio to try to restore performance.

It was explained that fixed income managers had been through a difficult time with the impact of Russia's invasion of Ukraine, and the impact of inflation and interest rates. It was reiterated that as conditions stabilised, the performance was closer to the benchmark. Similarly, it was reported that property managers had seen the impact of Covid on the use of offices and high street units, but the property market had also now stabilised.

In the context of the WPP's private markets and Partners funds, it was noted that it was difficult to assess their performance because the investment was a longer term one and no concerns had been raised by Hymans Robertson.

With the triennial valuation showing a strong funding position, a review of the strategic asset allocation was implemented in consultation with Hymans Robertson and the Pensions Committee in November. As a result of the review, there would be an attempt to reduce risk to the Fund by reducing the growth assets (equity and investment in income assets and gilts) and introducing an allocation to natural capital to contribute to improving the Fund's net zero target. It was reiterated that work was underway to move towards the new allocation.

Thanks were expressed for the report

In response to comments about the underperformance of property managers and the lessons learned (e.g. in performance, type, and location) so that others were unlikely to make the same investments, it was noted that the Fund in question was coming to an end, with the Gwynedd Pension Fund's property funds transferring to the WPP. By implementing this, there would be an opportunity for alternative investment options such as, for example, international property and impact property (e.g. investing in Housing Associations).

The information was accepted

8. REVIEW OF STRATEGIC OBJECTIVES FOR THE FUND'S INVESTMENT ADVISERS

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

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

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

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

Thanks were expressed for the report

In response to a comment that the objectives contained only one reference to risk and were the officers happy that all other risks had been addressed, it was noted that the one reference was correct, but that the Fund had a dedicated risk register.

In response to an observation on the objective to 'Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment' and whether there was a target for that, given the Fund's current strong position and therefore less need to invest, it was noted that the Fund's officers were working closely with Hymans to set out a new strategy, to discuss investments and create different scenarios on the performance. It was reiterated that Hymans would be keeping an eye on the situation.

The information was accepted

9. 2026/27 BUDGET

Submitted – the report of the Investment Manager. It was noted that the budget of the Pensions Administration Unit and the Investment Unit for the financial year 2026-2027 had been approved by the Pensions Committee (the morning of 09-02-26) and that the information was being shared with the Board as an opportunity for them to provide an overview of the situation.

Reference was made to the Pensions Administration Unit's budget, which employed 25 members of staff, together with systems, printing, and central reimbursement costs. Attention was drawn to supplies and services, highlighting that the budget had to be increased to £185,500, mainly due to increases in postage costs, and software costs – costs that were unfortunately unavoidable.

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

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

Thanks were expressed for the report

In response to a question by Mr Eifion Jones, who had observed a meeting of the Pensions Committee on the morning of 09-02-26, at which the response to the regulations was discussed, and the need to appoint a Chief Officer for the Fund, and an individual who was independent of the Committee by 1 October 2026, and the risk involved in appointing a suitable person who met the specific requirements, it was noted that risks encompassing 'Fit for the Future' implications had been added to the risk register. It was reiterated that there would also be specific qualifications for the role of the Independent Officer therefore this appointment was also challenging, with a risk attached. Work on setting up the job descriptions would begin as soon as possible.

In response to a question about adjustments to the Committee's duties and whether there would be an impact on the Board's duties, it was noted that there were changes to the Committee because they were doing a lot of work with the investment element, but the Board's duties would remain the same.

In the context of a 60% increase in service provision costs and why this was so high, it was identified that this was mainly an increase in software development and licensing costs, e.g. the Dashboard, creating a video for the Hunanwasanaeth self-service system, and an increase in postage costs.

In response to a supplementary question about the costs of software and why it was not a capital expenditure given the impact that the increase in costs was having on the budget, it was noted that these were mostly one-off expenditures and were funded by the Fund. Because of that, it made more sense from an accounting point of view to treat it as revenue expenditure within one year rather than capitalising it, which would have long-term implications for the accounts, with no real advantage to that.

In response to a comment regarding staff numbers and whether it would be correct to note that there were four members of staff out of 23 on temporary contracts, it was noted that temporary staff had been appointed for additional work, such as the McCloud Project, but with the work on the horizon for the Unit, more would need to be appointed. It was reiterated that the intention was to look again at the structure in light of the increased requirements and challenges that the Unit would face in the future.

The information was accepted

10. FUNDING STRATEGY STATEMENT

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

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

It was noted that the draft document was being shared with all the Fund's employers for consultation before being formally adopted in the March 2026 Pensions Committee. While accepting that the statement was lengthy and technical, it had been prepared in detailed consultation with Hymans, with input from the Fund's officers. Reference was made to the individual policies that informed the document, meaning that if one of the policies needed amending in future, only the individual policy would have to be amended, and not the Strategy as a whole.

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

Thanks were expressed for the report

In response to a question about whether consideration should be given to setting an employer contribution target, seeing that the funding level for the entire Fund was 166%, it was noted that a target had not been set because the size of employers varied and therefore set limitations. It was noted, however, that the Fund's large employers had a stabilisation mechanism, namely a financial facility, usually temporary, to restore balance to a system in the event of instability.

In the context of the contribution rate and whether some of the employers were challenging for reduced rates or were prepared to accept the actuary's opinion, it was noted that discussion forums were being held with the actuary along with engagement work where the rate was discussed. It was reiterated that the level was usually determined on a legal basis by what the actuary set, but that officers were open to being challenged, behaved proactively and were willing to explain the rates.

The information was accepted

11. THE PENSIONS REGULATOR: PUBLIC SERVICE GOVERNANCE PROCEDURE SURVEY 2025/26

The Pensions Regulator Survey was submitted, to receive the Board's feedback on the governance arrangements of the Gwynedd Pension Fund.

The Pensions Manager explained that a draft response based on the Board's responses to the previous Survey had been submitted, but that Members were required to agree, challenge or amend the response to correspond with the activities and developments in 2025/26.

During the discussion, the following matters were noted as ones requiring attention:

- A need to identify cyber risk as one of the three risks to the governance and administration of the operational plan (B4)
- For protected characteristics such as age, sex, ethnicity and disability (A11) – need to revise the answer

In response to a reply to a statement (A3) 'that the Scheme Manager and Pension Board do not have sufficient time to run the scheme properly', and what therefore the Board can do to support the need to improve the situation, it was noted that the core work and payment work were being implemented in a timely manner, but that the elements of good governance, training and establishing policies took up more staff time. A Board Member reiterated that it was not fair that the service had to run on a minimum number of staff in response to the Council's requirements; if the staff were under pressure, this needed to be considered. With adjustments to the structure, further changes and annual requirements on the horizon, consideration would have to be given to increasing staffing levels so that the response to the question next time could be 'yes'.

The Head of Finance indicated that he would be willing to consider the team's resources. He reiterated that there were many issues 'up in the air at the moment' with the appointment of a Senior Pension Fund Officer on the horizon; once that was in place, the Senior Officer would lead on the funding element of the two units.

In the context of question B1, 'Does your scheme have adequate processes for governing the following?' – the answer was 'no' to conflicts of interest; it was noted that the Monitoring Officer was preparing a draft plan and that a Data Management Framework would fall under the same piece of work.

Thanks were expressed for the work

The survey responses were agreed subject to the above modifications – the final version to be shared with the Chair before being presented to the Pensions Regulator.

The meeting started at 1:00 and ended at 14:15.