PENSION BOARD 20-04-26

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 9 February 2026 as a true record.

5. MINUTES OF PENSIONS COMMITTEE

Submitted for information - the minutes of the Pensions Committee held on 26 February 2026 and 16 March 2026.

6. WALES PENSION PARTNERSHIP UPDATE

The Investment Manager highlighted that the report was for information, setting out developments within the Wales Pension Partnership (WPP). Whilst feedback from Pension Board Chairpersons' Engagement meetings, which are held every six months, was shared with the Board, due to the number of recent developments it was considered that it would be appropriate and important for Members to receive a regular update.

Members were reminded that, as a result of the 'Fit for the Future' Westminster Legislation, WPP had had to proceed with the formation of a new investment company now known as 'WPP Investment Management Company' (WPP IMCo). It was reported that there had been a delay in the approval of the Legislation and as a result the company had not been launched – it now appeared that the launch would take place after the election.

Reference was made to the investment company's new arrangements, summarising that it would be responsible for the implementation of all aspects and advice on the Investment Strategy of the eight Constituent Authorities. In the context of the Governance of the Partnership, attention was drawn to the governance structure of the Partnership once the investment company would be operational as well as how the Pensions Committee, the individual Constituent Authorities, and the Pension Board would contribute to the structure. Reference was made to a) the shareholder structure (namely the officers and the Elected Members) with the Board of Shareholders being created to protect the rights of the Constituent Authorities – the Board would consist of either a Section 151 Officer or a Senior LGPS Officer from each of the Constituent Authorities; and b) the structure of the new company with the WPP IMCo Board accountable to the Board of Shareholders.

The WPP IMCo Initial Business Plan was submitted, which had already been approved by the Joint Governance Committee and the Pensions Committee of the Gwynedd Pension Fund. It was noted that the Plan detailed how the company was going to achieve eight strategic objectives and set out a plan to achieve specific goals such as governance and oversight, financial summary, approach to investment management, operations and staffing, risk management and compliance and responsible investment.

The members thanked the officer for the report.

Observations arising from the ensuing discussion:

- Staffing costs seemed enormously high
- It was welcomed that the Board of Shareholders had the power to challenge the performance of WPP IMCo
- There was a need to ensure that the Pensions Committee and the Pension Board scrutinised effectively and pre-emptively identified problems – the role within the structure needed to be strengthened to become active and operational.

In response to a question as to whether the key functions had been filled, it was noted that a number had now been appointed and the Senior Investment Officer had started in the new role and was already building weekly contacts with the officers of the Constituent Authorities. In response to a supplementary question about whether the costs of the structure would offer value for money, it was noted that the situation was a unique one – that an entirely new company was being created and therefore time would tell what the outcomes would be. It was reiterated that the Pension Fund officers had not had input into the new structure.

In response to a question, given that there was a delay in the establishment of the company, and therefore who would pay staff salaries, it was noted that in such circumstances there was an arrangement in place for the Host Council to pay over the short-term and to invoice the Constituent Authorities for a reimbursement. It was reiterated that the expenditure also had to be approved by the Financial Conduct Authority (FCA) to move forward to establish an agreed procedure.

In the context of the Board of Shareholders and when nominations would be submitted, it was noted that names had been forwarded to the FCA which would be responsible for the formal interview process and for approving the nominations.

In response to a question regarding the responsibilities of the Committee and the Pension Board to the Members of the Gwynedd Pension Fund and the need to monitor the WPP IMCo business plan and the significant increase in costs, it was noted that the Board's role remained the same, prioritising support for the officers to administer the Gwynedd Pension Fund. While accepting that the costs were high, the pay scales were equivalent to salaries within the sector and therefore WPP IMCo officers would be expected to do a good job and get the best for the Fund's members. It was reiterated that governance arrangements were in place and that every attempt was made to report transparently and openly on the situation.

It was noted that the new arrangement had been forced by the UK Government through a legal procedure and therefore there was no choice but to spend. It was suggested that the expenditure already existed within fees and that the new procedure would be more transparent.

The report was accepted and the information noted.

7. CASH FLOW MODELLING PROJECTIONS REPORT

The Investment Manager submitted a report in response to the need to project the expected cash flow of the Fund over a long-term period, so that it was possible to understand the sensitivity of the Fund's net cash flow position in a number of inflation scenarios. It was reported, although the triennial valuation had shown that the Fund was in a healthy position in terms of assets, the Fund's cash flow needed to be monitored, and for consideration to be given to converting some assets to cash or into assets that would pay a regular income (in order to pay the pensioners), and whether enough money would come into the Fund from day to day to do so.

Attention was drawn to the types of income and regular expenditure which happens within the Fund, as well as the cash flow situation of recent years, which highlighted that the situation had been positive over the past three years. It was explained that it was normal for a Pension Fund to enter a negative cash flow situation when benefit payments exceeded the income coming in, and therefore the importance of the need to monitor the situation and use the Investment Strategy to sell or change the type of assets that were most appropriate was outlined, rather than rushing to sell assets.

Reference was made to a report provided by Hymans Robertson which assessed the situation, highlighting that they had also carried out a scenario analysis on the Fund to ascertain what would be the impact of different levels of inflation. It appeared that if there was a baseline scenario, then there would be potential for the Fund to face a negative cash flow situation in 2027 and earlier than that if there was high inflation. It was reiterated that, in the short term, the Fund had liquid reserves which could be called upon at short notice; monitoring and operating the cash flow would also be a consideration for WPP IMCo Investment Management Company and there would be a need to work with the company over the next period to ensure sufficient liquidity was available.

The members thanked the officer for the report.

In response to a question regarding the sale of assets and whether eliminating the non-performing assets would lead to the decision, it was noted that assets would not be sold in a hurry, but consideration would be given to the liquid assets which were a useful resource and available within days without a significant loss in value. It was noted that liquid assets were valuable for emergencies, e.g. should cash flow fluctuate in comparison to the projections.

In response to a question about salary inflation, it was noted that 2.8% had been set as a constant rate for pension calculations, to balance high inflation scenarios (which increased liabilities) with lower growth scenarios.

The report was accepted and the information noted.

8. PENSION FUND INVESTMENT PERFORMANCE UP TO 31 DECEMBER 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 2.5% over the quarter, performing equal to the benchmark with total assets increasing by £120 million to bring the value of the fund to over £3.56 billion for the first time; equity assets performed well, especially in Europe and Asia.

It was reiterated that the Fund, over the year, had returned 10.4%, which was just behind the benchmark, but there was no doubt that the benchmark set was challenging, but that 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 while 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, conditions had stabilised, and the performance was now 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 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.

It was reported that the Pensions Committee had approved a new strategic assets allocation in consultation with Hymans Robertson in November, and that work was underway to move towards the new allocation and to work with WPP IMCo to implement the changes.

The members thanked the officer for the report.

The report was accepted and the information noted.

9. TRAINING UPDATE 2025/26 AND TRAINING PLAN 2026/27

A report was submitted by the Pensions Manager updating Members on the 2025/26 training plan and asking them to approve the proposed training plan for 2026/27. The 2025/26 plan was deemed to have been successful, and Members were thanked for attending a variety of training sessions which offered a broad range of topics, as well as relevant external seminars, conferences and webinars which were praised as useful and timely.

It was highlighted that the National Knowledge Assessment, which was usually coordinated by Hymans Robertson to benchmark Members' knowledge levels, had not been carried out during 2025 due to the need to review the framework in light of Fit for the Future governance reforms, strengthening expectations under the General

Code, and developments in the pooling of investments, responsible investment and governance standards. Once the amended Assessment had been published, this would enable the Fund to benchmark levels of knowledge nationally, identify emerging training needs and inform future iterations of the Training Plan and Governance and Training Strategy.

In presenting the 2026/27 Training Plan, and in the context of core training, it was noted that the Plan reflected the intention for the Wales Pension Partnership to continue as the main training provider for members of the Committee and Pension Board. However, due to the continuous changes within the pooling arrangements, no training sessions had been arranged. It was reiterated, once the amended structure and governance arrangements had been completed, that it was anticipated that a programme of sessions would be arranged. The expectation was that these sessions would encompass the key areas.

Reference was made to conferences noted for 2026/27, reiterating the expectation for the Members attending to complete a structured feedback form to be included on the agenda of the next Pensions Committee meeting. Board Members were encouraged to take advantage of additional learning opportunities such as on-line learning modules and self-guided learning.

The members thanked the officer for the report.

Observations arising from the ensuing discussion:

- The WPP's training sessions were commended, and it would be good to reinstate them as soon as possible. Request that the Investment Manager made enquiries and sent a message to the Host Council (Carmarthenshire County Council) to reinforce the need for the sessions to continue.
- That the Conferences had been beneficial and informative.
- A request to share the feedback template.

In response to a question about situations of non-compliance that we should be aware of, the Pensions Manager stated that there was no situation at the moment of which she was aware.

The information was accepted,

- **Noting the training carried out during 2025/26**
- **Noting the absence of the 2025 National Knowledge Assessment and the proposed revision of the framework**
- **Approving the 2026/27 Training Plan**

10. PENSION FUND VALUATION REPORT

The valuation report was presented by the Pensions Manager, for information. It was reported that the officers had been collaborating with the actuary, Hymans Robertson over the past year on the triennial valuation of the Gwynedd Pension Fund. It was explained that the purpose of the valuation was to ensure that the Fund had a robust funding strategy to meet the long-term benefits obligations when setting employer contribution rates for the period between 1 April 2026 and 31 March 2029.

Reference was made to the Fund's healthy financial position and to the employer contribution rates, which would drop to 16.2% of the salary (compared with 21.8% in 2022). Attention was also drawn to the new requirement for the 2025 Valuation, which was to report on the Gender Pension Gap. It was noted that there would be a review of the changes in the regulations in an attempt to close the gap which was greatly impacted at present by the gender pay gap, which reflected different work patterns, such as part-time work. The hope was that the results of the review will be released soon.

The assumptions used in this valuation were reviewed in January 2025 and were formally approved by the Pensions Committee in March 2025. It was reiterated that, following a period of consultation with employers, the final Funding Strategy Statement had been approved by the Pensions Committee on 16 March 2026, and that the next formal valuation had been arranged for 31 March 2028.

The members thanked the officer for the report.

Osian Richards noted that the Public Service Pensions Act 2013 introduced a framework for new public service pension schemes, mainly changing it from Final Salary to the Career Average Revalued Earnings (CARE) scheme from April 2014. As part of the changes, the Act introduced a Cost Management Bill to maintain a fair balance of risk between members and taxpayers to ensure the long-term sustainability of the schemes. The measure was a statutory mechanism (Section 12, Public Service Pensions Act 2013) that comes into effect if the cost of providing benefits increases or decreases by more than the specified average of 3%, relative to the target cost. It was also noted that the LGPS had a specific cost management process for the scheme which in Wales used an employer cost cap of 14.6% and a target of 19.5% for future service.

In response to a question about the measure and whether there was an intention to revise the percentage, it was noted that it was a national issue and there had been no change since the last review. It was reiterated that within the period there had also been a change in government and therefore another reason why a national survey had not been implemented.

In response to a question about the secondary contribution rate and why there was a wide range in the percentages (from -3% to -31.6%), it was noted that the range varied by employer, due to the diversity of functions and the age range of their staff. It was reiterated that the percentage derived from a formula by the actuary.

The report was accepted and the information noted.

11. AMENDED WORK PLAN

A revised work plan for 2026/27 had been introduced. It was noted that the plan included matters proposed by Members along with standing items to be placed on the agenda of each meeting from now on. It was highlighted that matters emerging during the year could be added to the plan in accordance with the need, together with any matters/ideas arising by members following training sessions and/or relevant events. It was noted that the Pension Fund was facing a challenging year due to the advent of WPP IMCo, but it was hoped that the work plan would respond to those challenges.

Officers were thanked for the report and the good work being done was acknowledged.

The work programme was accepted.

The meeting started at 1:00 and ended at 14:10.