Cronfa Bensiwn
GWYNEDD
Pension Fund

Gwynedd Pension Fund

Governance Strategy

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1. Introduction

Purpose of the Strategy

This Governance Strategy sets out the governance framework for the Gwynedd Pension Fund ("the Fund"), administered by Cyngor Gwynedd as the designated Administering Authority for the Local Government Pension Scheme (LGPS).

The Strategy establishes how the Fund will be governed, managed and monitored to ensure that decisions are taken transparently, effectively and in the best interests of scheme members, employers and local taxpayers.

It has been prepared having regard to:

- The Public Service Pensions Act 2013.
- The Local Government Pension Scheme Regulations 2013 (as amended).
- Guidance issued by the Ministry of Housing, Communities and Local Government.
- Guidance issued by The Pensions Regulator.
- The recommendations of the LGPS Good Governance Review.
- Emerging LGPS governance reforms.
- Existing governance arrangements adopted by Gwynedd Pension Fund.
- The Well-being of Future Generations (Wales) Act 2015 and the sustainable development principle

Governance Objectives

The Fund aims to:

- Act in the best interests of members and employers.
- Maintain robust governance arrangements.
- Deliver effective scrutiny and accountability.
- Ensure legal and regulatory compliance.
- Support long-term sustainability of the Fund.
- Promote transparency in decision making.
- Deliver value for money.
- Maintain high standards of stewardship and fiduciary responsibility.
- Continuously improve governance arrangements.
- Support the well-being goals and sustainable development principle set out in the Well-being of Future Generations (Wales) Act 2015 when carrying out Pension Fund functions.

2. Governance Principles

The Fund will operate in accordance with the following principles:

Accountability

Decision-makers must be accountable for their actions and decisions.

Transparency

Governance arrangements and decision-making processes shall be open and accessible wherever possible.

Integrity

All participants must act honestly, fairly and professionally.

Stewardship

The Fund will exercise prudent management of assets and resources on behalf of members and employers.

Effectiveness

The governance framework must support informed and timely decisions.

Equity

The interests of all employers and members will be considered appropriately.

Continuous Improvement

Governance arrangements will be regularly reviewed against developing best practice and legislative requirements.

Sustainable Development

The Fund will seek to incorporate the sustainable development principle into decision-making by considering the long-term impact of decisions, preventing future risks where possible, working collaboratively with stakeholders, integrating wider impacts into decision-making and involving those affected by decisions

3. Governance Framework

The Gwynedd Pension Fund operates within a layered governance structure designed to provide effective decision-making, scrutiny, challenge and assurance.

Governance Bodies

The Fund's governance framework comprises:

- Cyngor Gwynedd as Administering Authority.
- Pensions Committee.
- Local Pension Board.
- Head of Finance (Section 151 Officer).
- Senior LGPS Officer,
- Pensions Manager.
- Monitoring Officer.
- Professional Advisers.
- Wales Pension Partnership

These bodies collectively provide strategic leadership, operational management, independent oversight and assurance.

4. Role of Cyngor Gwynedd as Administering Authority

Cyngor Gwynedd is legally responsible for:

- Maintaining and administering the Fund.
- Exercising all functions delegated under LGPS legislation.
- Ensuring compliance with legal requirements.
- Maintaining appropriate governance arrangements.
- Appointing the Pensions Committee and Local Pension Board.
- Ensuring adequate resources are available for the administration of the Fund.

The Council acts as Scheme Manager under the Public Service Pensions Act 2013.

5. Role of the Pensions Committee

Purpose

The Pensions Committee is the principal decision-making body for the Fund and exercises delegated authority from Cyngor Gwynedd.

The Committee is responsible for the strategic direction and management of the Fund while officers are responsible for day-to-day operations.

Membership

The Committee consists of nine voting members:

- Seven elected members nominated by Cyngor Gwynedd.
- One representative from Conwy County Borough Council.
- One representative from Isle of Anglesey County Council.

This structure reflects the importance of the Fund's largest participating employers and supports accountability to stakeholders.

In addition to the nine voting members, the Committee will include an Independent Member appointed in accordance with the requirements of the Local Government Pension Scheme and relevant governance reforms. The Independent Member will provide objective challenge, support effective decision-making, and contribute specialist knowledge and experience to enhance the Committee's governance, transparency, and accountability. Whilst participating fully in discussions and providing independent scrutiny, the Independent Member will not have voting rights.

Strategic Responsibilities

Funding and Actuarial Matters

The Committee shall:

- Approve the Funding Strategy Statement.
- Determine employer funding arrangements.
- Monitor employer covenant risks.
- Consider valuation outcomes.
- Approve admission and cessation arrangements.
- Monitor contributions and funding levels.

Investment Responsibilities

The Committee shall:

- Approve and review the Investment Strategy Statement.

- Determine strategic asset allocation.
- Receive and monitor investment performance reports.
- Review responsible investment matters.
- Consider stewardship and climate-related risks.
- Oversee participation in investment pooling arrangements.

Governance Responsibilities

The Committee shall:

- Approve governance policies and strategies.
- Maintain oversight of governance compliance.
- Review Committee effectiveness.
- Oversee risk management arrangements.
- Monitor conflicts of interest.
- Consider internal and external audit findings.

Administration Responsibilities

The Committee shall:

- Monitor administration performance.
- Approve service standards.
- Approve the Administration Strategy.
- Approve the Communications Policy.
- Monitor complaints and Internal Dispute Resolution Procedure cases.

Financial Stewardship

The Committee shall:

- Approve Pension Fund budgets.
- Review annual accounts.
- Monitor expenditure.
- Consider audit findings.
- Oversee financial management arrangements.

The Committee will normally meet quarterly and receive comprehensive monitoring reports covering governance, funding, investment and administration matters.

6. Role of the Local Pension Board

Purpose

The Local Pension Board assists the Administering Authority in complying with:

- LGPS Regulations.
- Other relevant legislation.
- Requirements of The Pensions Regulator.
- Good governance practice.

Membership

The Board consists of:

- Three employer representatives.
- Three scheme member representatives.

Employer and member representatives have equal representation within the Board.

Responsibilities

The Board provides scrutiny, challenge and assurance through:

- Reviewing governance arrangements.
- Examining administration performance.
- Reviewing risk management.
- Monitoring compliance.
- Reviewing audit findings.
- Monitoring data quality.
- Reviewing cyber security and business continuity arrangements.
- Monitoring implementation of governance improvements.

The Board is not a decision-making body and does not duplicate the role of the Pensions Committee.

7. Wales Pension Partnership

The Fund participates in the Wales Pension Partnership (WPP), the investment pooling arrangement established by the eight Welsh LGPS administering authorities.

We are both a Client and Shareholder of Wales Pension Partnership Investment Management Company Limited (WPP IM Co) which acts as the investment management company for all eight Welsh LGPS funds. WPP IM Co is an authorised FCA investment management company which

provides the following services:

- Investment advice;
- Implement the investment strategy set by the fund;
- Make day to day investment management decisions required to manage assets effectively, including buying, holding and selling investments;
- Implement reponsible investment policies, engagement and voting policies in line with the Fund's strategy and objectives;
- Support cost savings, value for money and competitive long-term investment outcomes through scale.

We retain the responsibility for setting the Investment Strategy Statement, Funding Strategy Statement, strategic asset allocation, responsible Investment policies, employer funding matters and stewardship policies.

We have a Client Service Agreement which sets out the terms of our participation in WPP IM Co as a client, this confirms the scope of the services to be delivered, the service standards we receive and the fees we are required to pay.

Separately we have a Shareholder Agreement which sets out the terms of our participation as a shareholder of WPP IM Co. This ensures that we retain sufficient oversight of WPP IM Co to ensure that our strategic decisions are delivered. The Shareholder Agreement contains a number of matters which are reserved to the shareholder. These matters include approval of the business plan and budget of WPP IM Co, and the remuneration policy for their staff.

Whilst not required under regulation, Wales Pension Partnership contains governance structures designed to ensure collaborative working across the eight participating funds in Wales. These groups help ensure that there is suitable oversight of the investment management company, ensuring that the company delivers the investment performance required and sufficiently takes account of the requirements of its clients and shareholders. These governance arrangements are set out in the Inter-Authority Agreement between the eight participating funds.

The key groups established under the Inter-Authority Agreement are:

<u>Shareholder Forum</u>

The Shareholder Forum is designed to strengthen the voice of shareholders with WPP IM Co by allowing a forum to discuss motions and proposals put to the shareholders by WPP IM Co.

We are required to vote as shareholders individually. The Shareholder Forum meets at least quarterly and is composed of one Officer from each of the funds.

Joint Governance Committee

The Joint Governance Committee (JGC) is designed to strengthen the voice of clients with WPP IM Co and provide client-side governance and oversight of the pooling arrangements.

The Chair of the Pensions Committee represents Gwynedd Pension Fund on the Joint Governance Committee.

8. Officer Responsibilities

Section 151 Officer

The Head of Finance, acting as Section 151 Officer, is responsible for:

- Proper administration of the Fund's financial affairs.
- Financial governance and stewardship.
- Internal control arrangements.
- Provision of financial advice.
- Ensuring adequate resources.
- Statutory financial oversight.

The Section 151 Officer provides an independent layer of assurance to both the Committee and the Council.

LGPS Senior Officer Responsibilities

In line with emerging governance reforms and Good Governance Review recommendations, the Fund recognises the importance of a clearly designated LGPS Senior Officer responsible for the overall delivery of Pension Fund functions.

This section will need to be updated once the Senior Officer has been appointed

Investment Manager

The Investment Manager is responsible for:

- Managing investment governance.
- Monitoring investment performance.
- Preparing investment reports.
- Supporting development of investment strategies.
- Liaison with WPP Investment Management Company and advisers.
- Supporting Wales Pension Partnership activities.
- Oversight of responsible investment activities.
- Preparation of Pension Fund accounts and annual reports.

Pensions Manager

The Pensions Manager is responsible for:

- Pension administration operations.
- Payment of benefits.
- Employer support and engagement.

- Data quality improvement.
- Annual benefit statements.
- Website and communications.
- Valuation data preparation.
- Administration Strategy implementation.
- Compliance with service standards.

9. Role of Advisers

The Fund will appoint appropriately qualified professional advisers to support decision-making.

These may include:

- Fund Actuary.
- Investment Consultant.
- Legal Advisers.
- Custodian.
- External Auditors.
- Governance Advisers.

Advisers support informed decision-making but do not replace the responsibilities of Committee members.

10. Knowledge and Skills

Effective governance depends upon knowledgeable decision-makers.

The Fund will maintain a comprehensive Training Policy based upon the CIPFA Knowledge and Skills Framework.

Pensions Committee Members

Members will:

- Complete induction training.
- Undertake ongoing development.
- Attend specialist investment and governance training.
- Maintain individual training records.
- Participate in knowledge assessments.
- Attend conferences and seminars.

Local Pension Board Members

Board members will:

- Complete mandatory induction training.
- Maintain training records.
- Participate in knowledge assessments.
- Participate in governance workshops.
- Attend conferences and seminars.

Officers

Officers will maintain professional competence through:

- Formal qualifications.
- Industry training.
- Conferences and seminars.
- Continuing professional development.

An annual training report will be presented to both the Committee and Board.

11. Conflicts of Interest

The Fund recognises that conflicts may arise between:

- Employers.
- Scheme members.
- Cyngor Gwynedd.
- Committee members.
- Pension Board members.
- Officers.
- Advisers.

The Fund will maintain a formal Conflicts of Interest Policy which requires:

- Annual declarations.
- Ongoing disclosure of interests.
- Conflict registers.
- Appropriate mitigation measures.
- Periodic review.

12. Risk Management

Risk management forms a central component of the governance framework.

The Fund will maintain a comprehensive Risk Register covering:

Governance Risks

- Poor decision making.
- Insufficient skills and knowledge.
- Regulatory non-compliance.

Funding Risks

- Employer insolvency.
- Funding deficits.
- Contribution instability.

Investment Risks

- Market volatility.
- Underperformance.
- Liquidity constraints.
- Concentration risk.

Operational Risks

- Administration failures.
- Resource shortages.
- Cyber incidents.
- Data breaches.

Regulatory Risks

- Legislative changes.
- Compliance failures.

Risk reports will be reviewed regularly by both the Committee and Local Pension Board.

13. Cyber Security and Operational Resilience

Recognising increasing cyber threats across the pensions sector, the Fund will maintain arrangements covering:

- Cyber security governance.
- Data protection compliance.
- Disaster recovery.
- Business continuity planning.
- System resilience.
- Third-party supplier oversight.

The Committee and Board will receive regular assurance reports on cyber resilience and operational continuity.

14. Responsible Investment and Stewardship

The Fund believes that effective governance includes responsible management of environmental, social and governance (ESG) risks.

The Fund will:

- Integrate ESG considerations where financially material.
- Support active stewardship.
- Exercise shareholder rights responsibly.
- Monitor climate-related financial risks.
- Work collaboratively through the Wales Pension Partnership.
- Support long-term sustainable investment outcomes.

In exercising its investment and stewardship responsibilities, the Fund will have regard to long-term environmental, social and governance considerations and seek to support sustainable outcomes that are consistent with its fiduciary duties and the principles of the Well-being of Future Generations (Wales) Act 2015.

15. Stakeholder Engagement

The Fund recognises that effective stakeholder engagement is fundamental to good governance and the successful delivery of pension services. Open, transparent and proactive communication helps to build trust and confidence, supports informed decision-making, and ensures that the needs and views of stakeholders are understood and considered when developing policies, strategies and service improvements.

The Fund is committed to maintaining meaningful engagement with all stakeholder groups and will seek feedback regularly to improve the quality, accessibility and effectiveness of its communications and services.

Members

The Fund will provide clear, accurate and timely information to active, deferred and pensioner members through a variety of channels, including:

- Annual Benefit Statements.
- Pension savings statements and retirement information.
- Member newsletters and updates.
- The Fund's website and online member portal.
- Guides, factsheets and technical publications.
- Presentations, webinars and pre-retirement seminars.
- Digital communications and electronic correspondence.
- Dedicated support from Pension Fund officers.

The Fund will also seek to increase member awareness and understanding of the LGPS by providing educational opportunities and promoting engagement with pensions throughout a member's career.

Employers

Employers play a critical role in the administration and governance of the LGPS. The Fund is committed to developing strong working relationships with all participating employers and ensuring that they receive the support necessary to fulfil their responsibilities under the Scheme.

Engagement with employers will include:

- Regular employer forums and consultation events.
- Employer training sessions and workshops.
- Guidance notes, procedural guides and technical updates.
- Employer newsletters and bulletins.
- Dedicated employer support from Fund officers.
- Attendance at employer meetings where required.
- Support in relation to valuations, contributions, discretions and regulatory changes.
- Opportunities to provide feedback on Fund services and proposed policy developments.

The Fund will work collaboratively with employers to improve data quality, maintain compliance and ensure the efficient administration of members' benefits.

Trade Unions and Member Representatives

The Fund recognises the important role of recognised trade unions and member representative bodies in representing the interests of Scheme members.

Engagement may include:

- Consultation on significant policy or regulatory changes.
- Participation in stakeholder events and presentations.
- Discussion of matters affecting Scheme members.
- Opportunities to provide input on communication and service initiatives.
- Engagement through governance and consultation arrangements where appropriate.

16. Audit and Assurance Framework

The Fund maintains a comprehensive framework of internal controls, governance oversight and independent assurance to support effective decision-making, manage risk and ensure compliance with statutory and regulatory requirements.

Assurance is provided through the day-to-day management and control activities undertaken by Pension Fund officers, together with regular oversight from the Pensions Committee, Local Pension Board, Section 151 Officer and Monitoring Officer. These arrangements are supplemented by independent review and challenge from Internal Audit, External Audit, the Fund Actuary and relevant regulatory bodies.

Collectively, these arrangements provide a robust system of governance, accountability and scrutiny, helping to ensure that the Fund operates effectively, risks are appropriately managed, and the interests of members, employers and other stakeholders are protected.

17. Committee Effectiveness and Independent Review

The Fund is committed to regularly assessing and enhancing the effectiveness of its governance arrangements to ensure that they remain fit for purpose and aligned with regulatory requirements and industry best practice.

To support this objective, the Committee will periodically undertake:

- Governance self-assessments.
- Knowledge and skills assessments.
- Committee effectiveness reviews.
- Reviews of governance structures, policies and decision-making processes.
- Independent governance reviews where appropriate.

In addition, the Fund acknowledges that recent LGPS governance reforms introduce a requirement for administering authorities to undergo periodic independent governance reviews. These reviews will provide external assurance on the effectiveness of the Fund's governance arrangements, decision-making structures, resources, knowledge and skills, and compliance with statutory requirements. The Fund will fully participate in such reviews and will implement any recommendations arising from them as part of its governance improvement programme.

Recommendations arising from all reviews and assessments will be monitored through a formal action plan and incorporated into the Fund's continuous improvement framework to ensure governance arrangements remain effective, transparent and accountable.

18. Governance Improvement and Continuous Development

The Fund recognises that governance standards continue to evolve.

Accordingly, the Fund will:

- Monitor developments within the LGPS.
- Consider Good Governance Review recommendations.
- Benchmark against other LGPS funds.
- Implement governance improvements.
- Review governance structures periodically.
- Maintain an action plan to track governance enhancements.

19. Review of this Strategy

This Governance Strategy will be reviewed:

- On an annual basis.
- Following significant legislative changes.
- Following actuarial valuations where appropriate.
- Following material governance developments.
- At the request of the Pensions Committee or Local Pension Board.

Any revisions will be approved by the Pensions Committee following consultation with the Local Pension Board.