

MEETING:	PENSION BOARD
DATE:	11 JULY 2025
TITLE:	WALES PENSION PARTNERSHIP UPDATE: FIT FOR THE FUTURE
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1. Introduction

Since 2017, Gwynedd Pension Fund has been collaborating with the eight Local Government Pension Scheme (LGPS) funds in Wales, through an inter-authority agreement approved by the Full Council in March 2017. This led to the creation of the Wales Pension Partnership.

Approximately £25 billion of assets are under the pool's management, bringing benefits such as cost savings, improved investment opportunities, enhanced performance, and increased collaboration and governance across Wales. This has worked well for Gwynedd, with over 85% of its pension fund now pooled.

2. LGPS: Fit for the future

Since October 2023, the Government has been reviewing the investment arrangements of LGPS funds in Wales and England. An initial consultation was held in October 2024, and in June 2025, the Pensions Bill was published.

Three key areas have been addressed:

- Reforming the pool's operating model
- Promoting LGPS investment in their local areas and regions within the UK, and
- Strengthening governance

3. Reforming the pool operating model

It has been announced that each fund and pool must adopt an operating model that meets the following standards:

- Administering authorities will remain responsible for setting the fund's investment strategy, but must delegate implementation of the strategy to the pool;
- Administering authorities will receive their main investment advice from the pool;
- Administering authorities must transfer all remaining assets to be managed by the pool;
- The pool will need the capability to conduct due diligence on local investments and manage these investments;
- **The pool must establish an Investment Management Company (IM Co) authorised and regulated by the Financial Conduct Authority (FCA), with the expertise to implement investment strategies.**

3a. Wales Pension Partnership Investment Management Company

The Wales Pension Partnership intends to establish a separate FCA-regulated investment management company ("IM Co") in line with government criteria. This project is known within the Wales Pension Partnership as "Project Yr Wyddfa."

The decision to build an investment management company ("IM Co") for the Wales Pension Partnership offers a unique opportunity to establish a centre of LGPS investment expertise in Wales. The Wales Pension Partnership submitted a strong business case to the Government in February 2025, receiving a letter of support for the business case in April 2025.

New elements will need to be introduced into the governance structure, including a Shareholders' Board with representation from all administering authorities. In the medium to long term, the Wales Pension Partnership hopes to deliver financial benefits that outweigh the operating model's costs. There will be no investment transfer costs, but the estimated cost of the new model is approximately £5–£5.5 million – to be covered by the Fund, not the Council.

The requirement to establish the investment management company was approved by the Full Council at its meeting on 3rd July 2025.

4. Promoting LGPS Investment in local areas and UK regions

Pension funds must:

- State how they will invest locally in their investment strategy, including a target range for allocation and consideration of local priorities and growth plans;
- Work with local authorities, Combined Authorities, Mayoral Combined Authorities, County Combined Authorities, and the Greater London Authority to identify local investment opportunities. In Wales, administering authorities would work with relevant Corporate Joint Committees on their priorities and proposed economic development plans, and more generally with local authorities to identify investment opportunities;
- Report local investment and its impact in their annual reports;
- All pools must carry out appropriate due diligence on potential investments and make the final decision on whether to invest.

5. Strengthening governance

Funds and pools are required to build on the recommendations of the Scheme Advisory Board (SAB) from its 2021 Good Governance Review:

- Committee members must have the appropriate knowledge and skills;
- Administering authorities must publish a training and governance strategy (including a conflict of interest policy) and an administration strategy, appoint a senior LGPS officer, and conduct independent reviews every two years to assess their ability to meet responsibilities;
- Pool boards must include stakeholder representatives and improve transparency.

Recommendation

The Board is asked to note the update.