



Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSIONS COMMITTEE

Date and Time

10.00 am, MONDAY, 27TH NOVEMBER, 2023

Location

Virtual Meeting

NOTE

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

Contact Point

Lowri Haf Evans

01286 679878

lowrihafevans@gwynedd.llyw.cymru

(DISTRIBUTED 17/11/23)

PENSIONS COMMITTEE

MEMBERSHIP (9)

Plaid Cymru (4)

Councillors

Iwan Huws
Ioan Thomas

R Medwyn Hughes

Elin Hywel

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

AGENDA

1. APOLOGIES

To receive any apologies for absence

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

3. URGENT ITEMS

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

4. MINUTES

5 - 8

The Chairman shall propose that the minutes of the meeting of this committee held on 18th September 2023 to be signed as a true record.

5. GWYNEDD PENSION FUND'S FINAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 AND RELEVANT AUDIT REPORT

9 - 74

To consider the auditor's report, approve the Statement of Accounts and authorise the Chair and Head of Finance to certify the letter.

6. WALES PENSION PARTNERSHIP UPDATE

75 - 107

To receive and note a quarterly update from Wales Pension Partnership

7. PENSIONS CONFERENCES

108

To discuss conference dates and confirm interest in attending the events noted by 15th December 2023.

8. EXCLUSION OF PRESS AND PUBLIC

The Chairman shall propose that the press and public be excluded from the meeting during the discussion on the following items due to the likely disclosure of exempt information as defined in Paragraph 14 of Schedule 12A of the Local Government act 1972 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

There is an acknowledged public interest in openness in relation to the use of public resources and related financial issues. It is also acknowledged that there are occasions, in order to protect the financial interests of public authorities that matters related to commercial information need to be discussed without being publicised. Publication of such commercially sensitive information would be inappropriate having regard to the legitimate interests of third parties and could undermine confidence to engage with the Council and therefore the Councils ability make decisions on behalf of the

fund. This would be contrary to the wider public interest of securing value for money and the best overall outcome. For those reasons the matters are exempt from the public interest.

9. REVIEW OF GWYNEDD PENSION FUND'S STRATEGIC ASSET ALLOCATION

To consider and approve the fund's revised strategic asset allocation.

(Copy to Committee Members only)

10. ROBECO ENGAGEMENT SERVICE- ENGAGEMENT REPORT Q2 2023

To consider and note the Quarterly Report by Robeco

(Copy to Committee Members only)

PENSIONS COMMITTEE 18.09.23

Present:

Councillors: Stephen Churchman, Goronwy Edwards (Conwy County Borough Council) John Pughe Roberts, Robin Williams (Cyngor Ynys Môn) and Richard Medwyn Hughes

Officers: Dewi Morgan (Head of Finance), Delyth Jones-Thomas (Investment Manager), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer)

Others invited:

Cllr Beca Roberts (Pensions Board Member - observing)

Yvonne Thomas (Audit Manager, Audit Wales)

1. APOLOGIES

Apologies were received from John Brynmor Hughes, Iwan Huws, Elin Hywel and Ioan Thomas.

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 26 June 2023 as a true record.

5. GWYNEDD PENSION FUND'S DRAFT ANNUAL REPORT FOR THE YEAR ENDED 31 March 2023

A (draft) report was submitted by the Investment Manager detailing the activities of the Pension Fund during the year ending on 31 March 2023. It was noted that the format of the Annual Report was in accordance with the CIPFA guidance and included details of the membership of the Committee and Pension Board, administration, investments, financial performance, actuary's report, accounts and the five standard statements of the Pension Fund. It was explained that the document would be reviewed as part of the accounts audit by Audit Wales and submitted to the Annual meeting of the Pension Fund at the end of November.

Gratitude was expressed for the report.

In response to an observation that the average number of work days taken to send a quotation letter offering a virement on average was 26.60, it was noted although it was agreed that the figure was high (the target was 10 working days), that the number of days were being reduced with time. It was added that the task of gathering information was complex with a great deal of discussion with companies. It was noted that there were also recruitment difficulties in this specific field that were also challenging. As one that offered financial advice in this specific field, Cllr Robin Williams noted from his experience that the time was not 'unacceptable' by now due to the reduction in staff by

companies since Covid. Although the figure was high, he added that there was no need to be too hard on the performance. The Chairman thanked the staff for their efforts and accepted that the average number of days was not a unique problem.

In response to a question regarding why the actuary review and governance fees had doubled between 2021/22 (£117,000) and 2022/23 (£234,000), it was noted that this was mainly due to the higher fees of undertaking a three-year valuation.

In response to an observation regarding the obvious increase in the review and governance costs of the Pensions Committee and the Local Pension Board (£18,000 in 2021/22 and £33,000 in 2022/23), it was noted that this was a combination of training costs for new members together with a full calendar of events in 2022/23 (compared with the Covid period).

RESOLVED to accept and note the Draft Annual Report.

6. GWYNEDD PENSION FUND DETAILED AUDIT PLAN 2022-23

Yvonne Thomas (Audit Wales) was welcomed to the meeting.

Members were reminded that the Pension Fund accounts had been completed and presented to a meeting of the Committee in June 2023 together with a draft plan by Audit Wales. At the time the detailed plan was not available due to the requirements of key amendments to ISA315 which meant that the auditors had to carry out further work on considering and evaluating risks.

It was reported that the Detailed Audit Plan had now been published and outlined the work the auditors undertake to deliver their statutory duty that include keeping an eye on the significant risks to financial statements and on key areas that will be focused upon in 2023.

- Risk 1 - that managers override the controls. This was a significant risk for all and there was no doubt that this did not occur.
- Risk 2 - publishing the Fund's balances - this was a field that was included annually and although it was not a significant risk Audit Wales will focus on this.

It was added that the detailed plan included a time-schedule (it was proposed to submit a report on the work of auditing the Financial Statements to the Committee, November 2023) details of the audit team and the audit fee (£40,509 - an increase of 15% - there was no intention to make a profit - the fee, if less than estimated would be repaid). Reference was made to 2022 fee and an error in the figure in the report was noted - £35,515 and not £36,515.

The members expressed their thanks for the report that was simple and easy to follow and to Yvonne Thomas for attending the meeting.

RESOLVED: To accept and note the Gwynedd Pension Fund Detailed Audit Plan 2022-23.

7. TREASURY MANAGEMENT OUTPUT REPORT 2022-23

The Investment Manager presented a report on the actual results of the Council's treasury management during 2022/23, against the strategy approved by the Full Council on 3 March 2022. It was reported that it had been a very busy and prosperous year for the Council's treasury management activity as the activity had remained within the

constraints originally set. It was confirmed that there were no defaults by institutions in which the Council had invested money with.

It was reported that £1.8m in interest had been received on investments, which was higher than the £0.4m included in the budget. It was noted that the interest income was substantially higher than the budget as the budget had been set in a period where the basic rate was 0.75%; by March 2023, it was 4.25%. The Pension Fund received £210,000 in income for the year in question.

In the context of investments, it was reported that the Council had continued to invest with Banks and Building Societies, Financial Market Funds, Pooled Funds, Local Authorities and the Debt Management Office. It was noted that the funds were consistent with the type of investments made for a number of years by now.

In the context of the compliance report and indicators, it was reported that all activities had complied in full with the CIPFA code of practice and the Council's treasury management strategy - this was good news and showed that there was robust management of the finance. Reference was made to the indicators where it was highlighted that every indicator set complied with the expectation except one (Interest Rates Disclosure). It was explained that this indicator had been set as low interest conditions in March 2022 and, therefore, it was reasonable that the amounts were so different.

Gratitude was expressed for the report.

In response to a comment regarding investment / lending money to other Authorities, it was noted that brokers contacted the Council seeking investments. With the Fund in a prosperous position a loan could be offered to other Authorities.

RESOLVED to accept and note the report as information.

8. WALES PENSION PARTNERSHIP UPDATE

An update was provided on the work of the Partnership. It was noted that the report was one that appeared regularly on the Pension Committee's agenda as a means of ensuring that the Members receive current and up-to-date information. Reference was made to a summary of discussions and decisions of the Governance Joint Committee held on 19 July 2023 drawing specific attention to the quarter 4 review of the Partnership's Business Plan 2022/23. It was noted that the update, included information about all the funds established by the Partnership (Gwynedd was one of the six, with 83% of Gwynedd's Fund pooled with the Partnership) and to the record of the performance of those funds.

It was highlighted that this financial year had been challenging, however in quarter 4 it was seen that the performance of equity investments had started to improve as factors such as inflation and that China's markets had re-opened following Covid. In the context of fixed income investments, it was noted that the circumstances had been challenging with the collapse in Credit Suisse's share price, but the circumstances had stabilised by the end of the period.

In the context of future developments, it was reported that the Sustainable Equity Fund had been launched successfully with an investment of £270 million from the Gwynedd Pension Fund. It was added that work was progressing to invest in the Private Credit Fund, Infrastructure and Private Equity, in order to implement the Fund's new strategic assets allocation. It was noted that research was also being carried out to find out how

property could be pooled - this was the last and most challenging element in the context of pooling by WPP.

Members expressed their thanks for the report.

In response to a request for confirmation that the Fund would invest in Bute Energy Wales, it was noted that the Fund had invested £10m in the venture as part of the investment in clean energy. The Chair added that it was good to see the Fund investing in Wales.

RESOLVED to accept and note the quarterly update of the Wales Pension Partnership.

9. EXCLUSION OF PRESS AND PUBLIC

RESOLVED to exclude the press and public from the meeting during the discussion on the following item due to the likely disclosure of exempt information as defined in paragraph 14, Schedule 12A of the Local Government Act 1972 - Information about the financial or business transactions of any specific person (including the authority that retains that information). There is an acknowledged public interest in openness in relation to the use of public resources and related financial issues. It is also acknowledged that there are occasions, in order to protect the financial interests of public authorities that matters related to commercial information need to be discussed without being publicised. The reports were specifically regarding the proposed procurement process. Publishing commercially sensitive information of this type could be detrimental to the interests of the Council and its partners by undermining competition. This would be contrary to the wider public interest of securing the best overall outcome. For these reasons, the matter was closed for the public interest.

10. AGREE ON THE EVALUATION CRITERIA FOR THE WELSH PENSION PARTNERSHIP OPERATOR PROCUREMENT PROCESS

It was highlighted that the existing WPP operational agreement would end in December 2024 and the procurement process of finding a new operator had commenced. It was noted that an invitation to tender would be released next month, but in accordance with the inter authority agreement, namely that every pensions committee had agreed on the evaluation criteria before the invitation to tender is issued.

The criteria split was discussed.

RESOLVED to agree on the evaluation criteria for the Welsh Pension Partnership operator procurement process.

11. ROBECO ENGAGEMENT SERVICE- ENGAGEMENT REPORT Q1 2023

A quarterly report was submitted summarising the work Robeco undertakes on behalf of the Pension Fund including engagement work.

The members expressed their thanks for the report.

RESOLVED to accept and note the content of the report.

The meeting commenced at 14:00 and concluded at 14:40

MEETING	PENSIONS COMMITTEE
DATE	27 NOVEMBER 2023
TITLE	GWYNEDD PENSION FUND'S FINAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 AND RELEVANT AUDIT REPORT
PURPOSE	To Submit Gwynedd Pension Fund's – <ul style="list-style-type: none">• Statement of Accounts post- audit,• Audit Wales' ISA260 report, and• the Letter of Representation
RECOMMENDATION	To consider the auditor's report, approve the Statement of Accounts and authorise the Chair and Head of Finance to certify the letter
RELEVANT OFFICERS	Dewi Morgan, Head of Finance Delyth Jones-Thomas, Investment Manager

1. STATUTORY ACCOUNTS FOR 2022/23

Gwynedd Pension Fund's statutory 2022/23 Statement of Accounts (post audit) are attached here, providing details of the Fund's financial activities during the year which ended on 31 March 2023.

2. AUDIT BY AUDIT WALES ON BEHALF OF THE AUDITOR GENERAL

These accounts have been audited by Audit Wales, and the 'ISA 260' report in respect of Gwynedd Pension Fund is presented here on behalf of the Auditor General for Wales, detailing the audit's findings.

3. RECOMMENDATION

The Pensions Committee is asked -

- to note the 'ISA 260' report from Audit Wales, and receive the auditor's comments,
- to consider and approve Gwynedd Pension Fund's post-audit Statement of Accounts for 2022/23, and
- to authorise the Chair and s.151 to (electronically) certify the Letter of Representation (Appendix 1) after the Pensions Committee has approved the above.

4. PENSION FUND ANNUAL GENERAL MEETING

Gwynedd Pension Fund's Statement of Accounts will also be presented for information to Committee members, Board members, and scheme employers at the Pension Fund's Annual General Meeting on 28th November 2023.

Gwynedd Pension Fund

STATEMENT OF ACCOUNTS 2022/23

NARRATIVE REPORT

Introduction

Gwynedd Pension Fund's accounts and notes for the year 2022/23 are presented here on pages 5 to 43.

The accounts consist of the Gwynedd Pension Fund Account and Net Assets Statement.

These accounts are supported by this Narrative Report, the Accounting Policies and various notes to the accounts.

The Pension Fund accounts, and accompanying notes, summarise the financial transactions and net assets related to the provision of pensions and other benefits payable to former employees of all the Fund's employers, including Anglesey, Conwy and Gwynedd Councils, Snowdonia National Park Authority, Police and Crime Commissioner for North Wales, Cartrefi Conwy, Adra, various town and community councils, and other scheduled and admitted bodies.

The Statement of Accounts and further information is available on Gwynedd Pension Fund's website www.gwyneddpensionfund.wales.

The Fund has two important statements which set out the strategies for ensuring pensions are funded now and in the future as follows:

- Funding Strategy Statement – the statement sets out the fund-specific strategy which will identify how employer pensions liabilities are best met going forward. It is reviewed every three years after the triennial actuarial valuation and includes individual employer rates for the following period.
- Investment Strategy Statement - the statement sets out the types of investments and broad limits on each type of investment.

Both these statements are available on the Fund's website under the investments section.

An Actuarial Valuation is required every three years to establish the level of assets available to pay pensions now and in the future. The most recent valuation was at 31 March 2022 and any changes to employers' contributions will be made from 1 April 2023 onwards.

Further information relating to the accounts is available from:

Delyth Jones-Thomas
Investment Manager
01286 679128

Finance Department
Cyngor Gwynedd
Council Offices
Caernarfon
Gwynedd
LL55 1SH

It is part of the Fund's policy to provide full information relating to the Fund's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection will be notified on the Pension Fund website at the appropriate time.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE PENSION FUND'S RESPONSIBILITIES

Cyngor Gwynedd as administrating authority (effectively the trustee) for Gwynedd Pension Fund is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Cyngor Gwynedd, that "Section 151 Officer" is the Head of Finance. It is also the administrating authority's responsibility to manage its affairs to secure economic, efficient and effective use of its resources, to safeguard its assets, and to approve the Statement of Accounts.

27th November 2023

Councillor Stephen Churchman

Pensions Committee Chair

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing the statement of accounts, the Head of Finance has selected suitable accounting policies and then applied them consistently; has made judgements and estimates that were reasonable and prudent; and complied with the Code.

The Head of Finance has also kept proper accounting records which were up to date, and has taken reasonable steps for the prevention and detection of fraud and other irregularities.

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Pension Fund at 31 March 2023 and the Pension Fund's income and expenditure for the year then ended.



Dewi Morgan CPFA

Head of Finance, Cyngor Gwynedd

16th November 2023

GWYNEDD PENSION FUND ACCOUNTS

THE FUND ACCOUNT

31 March 2022 £'000	Notes	31 March 2023 £'000
Dealings with members, employers and others directly involved in the Fund		
82,971	Contributions 7	89,762
4	Other Income 8	4
2,664	Transfers in from other pension funds 9	6,773
85,639		96,539
(66,979)	Benefits 10	(72,108)
(3,683)	Payments to and on account of leavers 11	(3,121)
(70,662)		(75,229)
14,977	Net additions/ (withdrawals) from dealings with members	21,310
(16,525)	Management Expenses 12	(12,729)
(1,548)	Net additions/ (withdrawals) including fund management expenses	8,581
Returns on investments		
26,170	Investment income 13	30,940
223,010	Profit and losses on disposal of investments and changes in the market value of investments 14	(53,153)
249,180	Net returns on investments	(22,213)
247,632	Net Increase/ (Decrease) in the net assets available for benefits during the year	(13,632)
2,528,129	Opening net assets of the scheme	2,775,761
2,775,761	Closing net assets of the scheme	2,762,129

The notes on pages 7 to 43 form part of these Financial Statements

NET ASSETS STATEMENT

31 March 2022 £'000		Notes	31 March 2023 £'000
2,761,271	Investment assets	14	2,742,933
303	Cash deposits	14	963
(285)	Investment liabilities	14	(960)
2,761,289	Total net investments		2,742,936
17,828	Current assets	20	22,454
(3,356)	Current liabilities	21	(3,261)
2,775,761	Net assets of the fund available to fund benefits at the end of the reporting period		2,762,129

The Financial Statements do not take into account the Fund's liability to pay pensions and other benefits to all the present contributors to the Fund after the financial year-end, but rather summarises the transactions and net assets of the Fund. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (most recently as at 31 March 2022) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will be able to meet future liabilities. The actuarial present value of promised retirement benefits is shown in Note 19.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE I – DESCRIPTION OF FUND

The Gwynedd Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by Cyngor Gwynedd.

a) General

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Cyngor Gwynedd to provide pensions and other benefits for pensionable employees of Cyngor Gwynedd, two other local authorities and other scheduled, resolution and admission bodies within the former Gwynedd County Council area. Teachers, police officers and firefighters are not included as they are in other national pension schemes. The Fund is overseen by the Pensions Committee, which is a committee of Cyngor Gwynedd.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Gwynedd Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Resolution bodies, which are city, town and community councils. They have the power to decide if their employees can join the LGPS and pass a resolution accordingly.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

NOTE I – DESCRIPTION OF FUND (continued)

The following bodies are active employers within the Pension Fund:

Scheduled Bodies	
Cyngor Gwynedd	Snowdonia National Park Authority
Conwy County Borough Council	Bryn Elian School
Isle of Anglesey County Council	Emrys ap Iwan School
Police and Crime Commissioner for North Wales	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
GwE	North and Mid Wales Trunk Road Agency
North Wales Economic Ambition Board	
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	Conwy Town Council
Llanfairfechan Town Council	Llanrwst Town Council (joined 26/09/2022)
Admission Bodies	
Adult Learning Wales	North Wales Society for the Blind
Adferiad Recovery	Community and Voluntary Support Conwy
Holyhead Joint Burial Committee	Careers Wales North West
Cwmni'r Fran Wen	Mantell Gwynedd
Menter Môn	Medrwn Môn
Ynysmaengwyn	
Community Admission Bodies	
Cartrefi Conwy	Adra
Byw'n Iach	
Transferee Admission Bodies	
ABM Catering	A E & A T Lewis
Kingdom Services Group	Chartwells

NOTE I – DESCRIPTION OF FUND (continued)

Membership details are set out below:

	31 March 2022	31 March 2023
Number of employers	46	47
Number of employees in scheme		
County Council	14,691	15,246
Other employers	3,966	4,058
Total	18,657	19,304
Number of pensioners		
County Council	9,281	9,647
Other employers	2,017	2,133
Total	11,298	11,780
Deferred pensioners		
County Council	10,512	11,019
Other employers	2,028	2,141
Total	12,540	13,160
Unclaimed benefits		
County Council	2,142	2,595
Other employers	283	378
Total	2,425	2,973
Undecided Leavers		
County Council	5,455	4,480
Other employers	737	513
Total	6,192	4,993
Total number of members in pension scheme	51,112	52,210

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 2.75% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employer contributions are set based on triennial actuarial funding valuations. The valuation relating to this year was at 31 March 2019. The employer contribution rates range from 7.7% to 36.1% of pensionable pay.

NOTE 1 – DESCRIPTION OF FUND (continued)

d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre-1 April 2008	Service post-31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the Fund became a career average scheme as summarised below:

	Service post-31 March 2014
Pension	Each year worked is worth 1/49 x career average revalued earnings (CARE)
Lump Sum	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Accrued pension is increased annually in line with the Consumer Prices Index.

There are a number of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Gwynedd Pension Fund scheme handbook available from Cyngor Gwynedd's Pensions Section.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2022/23.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

a) Contribution Income

Normal contributions are accounted for on an accrual basis as follows:

- Employee contributions rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommend by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the fund's actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer in and out relate to members who have joined or left the fund.

Individual transfers in/ out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 9).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds including property

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

e) Management expenses

The fund discloses its management expenses in line with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accrual basis as follows:

Administrative expenses

All staff costs of the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the fund.

Oversight and governance costs

All costs associated with oversight and governance are separately identified, apportioned to this activity and charged as expenses to the fund.

Investment management expenses

Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments.

Fees charges by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Transaction costs are associated with the acquisition or disposal of fund assets and are disclosed in the notes to the accounts.

f) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets statement

g) Financial assets

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirement of the Code and IFRS 13 (see note 14). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/ Investment Association, 2016).

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains and losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net assets statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Additional voluntary contributions

Gwynedd Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. There are three AVC funds. They are held with Clerical Medical, Utmost Life and Standard Life. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information only in Note 22.

m) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity and infrastructure investments

The fair value of private equity investments and infrastructure are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2023 was £234.2 million (£226.1 million at 31 March 2022).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from assumptions and estimates made.

The items in the net assets statement for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pension depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and return on fund assets. Hymans Robertson is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Private equity and infrastructure	Private equity and infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines (December 2018). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity and infrastructure investments in the financial statements are £234.2 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE REPORTING DATE

There are no significant events after the year end to report.

NOTE 7 – CONTRIBUTIONS RECEIVED

By category

2021/22		2022/23
£'000		£'000
19,703	Employees' contributions	21,519
	Employers' contributions:	
63,233	• Normal contributions	68,243
35	• Deficit recovery contributions	0
63,268	Total employers' contributions	68,243
82,971	Total contributions receivable	89,762

By type of employer

2021/22		2022/23
£'000		£'000
27,650	Cyngor Gwynedd	29,489
50,205	Other scheduled bodies	54,733
1,716	Admission bodies	1,901
2,892	Community admission bodies	3,087
161	Transferee admission bodies	154
313	Resolution bodies	398
34	Closed funds*	0
82,971		89,762

* Closed funds – These are contributions received from Ynys Môn Citizens Advice Bureau and Conwy Citizens Advice Bureau which were admitted bodies but are now closed funds.

NOTE 8 – OTHER INCOME

2021/22		2022/23
£'000		£'000
2	Interest on deferred contributions	2
2	Income from divorce calculations	2
4		4

NOTE 9 – TRANSFERS IN FROM OTHER PENSION FUNDS

2021/22		2022/23
£'000		£'000
2,664	Individual transfers	6,773
2,664		6,773

NOTE 10 - BENEFITS PAID

By category

2021/22		2022/23
£'000		£'000
52,087	Pensions	56,010
13,123	Commutation and lump sum retirement benefits	13,789
1,769	Lump sum death benefits	2,309
66,979		72,108

By type of employer

2021/22		2022/23
£'000		£'000
20,183	Cyngor Gwynedd	21,934
31,868	Other scheduled bodies	34,788
1,651	Admission bodies	1,384
1,217	Community admission bodies	1,365
104	Transferee admission bodies	59
109	Resolution bodies	273
11,847	Closed funds	12,305
66,979		72,108

NOTE 11 - PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2021/22		2022/23
£'000		£'000
138	Refunds to members leaving service	172
3,545	Individual transfers	2,949
3,683		3,121

NOTE 12 - MANAGEMENT EXPENSES

2021/22		2022/23
£'000		£'000
14,788	Investment management expenses	10,593
1,373	Administrative costs	1,588
364	Oversight and governance costs	548
16,525		12,729

NOTE 12a – INVESTMENT MANAGEMENT EXPENSES

2022/23	Management Fees £'000	Transaction Costs £'000	Total £'000
Pooled Funds			
Fixed Income	332	0	332
Equities	2,001	551	2,552
Other Investments			
Pooled Property	1,974	0	1,974
Private Equity	2,062	0	2,062
Infrastructure	3,401	0	3,401
	9,770	551	10,321
Custody Fees			272
Total			10,593

2021/22	Management Fees £'000	Transaction Costs £'000	Total £'000
Pooled Funds			
Fixed Income	297	0	297
Equities	2,420	693	3,113
Other Investments			
Pooled Property	1,744	0	1,744
Private Equity	6,445	0	6,445
Infrastructure	2,937	0	2,937
	13,843	693	14,536
Custody Fees			252
Total			14,788

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled investment vehicles. There are no performance-related fees paid to investment managers. In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. They are reflected in the cost of investment purchases and in the proceeds of sales of investments in Note 14a.

The WPP Global Opportunities, Multi Asset Credit, Absolute Return Bond and Emerging Market funds are investments which are appointed via a manager of manager approach which have their own underlying fees. The return for this mandate are net of the underlying manager fees which is reflected in Note 14a within the Change in Market value- for transparency, the fees in 2022/23 were £2,366,210 (£1,881,000 in 2021/22).

NOTE 12b- ADMINISTRATIVE COSTS

2021/22		2022/23
£'000		£'000
652	Direct employee costs	686
344	Other direct costs	449
377	Support services, including IT	453
1,373		1,588

Administrative costs include amounts charged to the Pension Fund by Cyngor Gwynedd for staff costs, support services and accommodation.

NOTE 12c- OVERSIGHT AND GOVERNANCE COSTS

2021/22		2022/23
£'000		£'000
117	Actuarial fees	234
49	Investment consultancy fees	72
9	Performance monitoring service	11
36	External audit fees	40
18	Pensions Committee and Local Pension Board	33
135	Wales Pensions Partnership	158
364		548

NOTE 12d- WALES PENSION PARTNERSHIP

The Investment Management Expenses in Note 12a are fees payable to Link Fund Solutions (the WPP operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the NAV.

The oversight and governance costs in Note 12c are the annual running costs of the pool which includes the host authority costs and other external advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales.

The following fees are included in Note 12 in relation to the Wales Pension Partnership and further details on the WPP can be found in the Annual Report.

	2021/22	2022/23
	£'000	£'000
Investment Management Expenses		
Fund Manager fees	2,286	2,268
Transaction costs	693	551
Custody fees	227	247
	3,206	3,066
Oversight and governance costs		
Running Costs	135	158
Total	3,341	3,224

NOTE 13 – INVESTMENT INCOME

2021/22		2022/23
£'000		£'000
4,430	Fixed Income	6,581
12,141	Equities	13,109
2,090	Private Equity	470
280	Infrastructure	2,712
7,213	Pooled property investments	7,817
16	Interest on cash deposits	251
26,170	Total before taxes	30,940

The Gwynedd Pension Fund has two bank accounts which are held as part of Cyngor Gwynedd's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Cyngor Gwynedd pays interest over to the Pension Fund, based on the Fund's daily balances over the year.

The Pension Fund also has a Euro account to deal with receipts and payments in Euros and to minimise exchange transactions and relevant costs.

NOTE 14 – INVESTMENTS

31 March 2022 £'000		31 March 2023 £'000
	Investment assets	
	Pooled Funds	
551,777	Fixed income	586,703
1,730,845	Equities	1,700,745
	Other Investments	
252,521	Pooled property investments	221,297
158,711	Private equity	166,622
67,417	Infrastructure	67,566
2,761,271		2,742,933
303	Cash deposits	963
2,761,574	Total investment assets	2,743,896
	Investment liabilities	
(285)	Amounts payable for purchases	(960)
(285)	Total investment liabilities	(960)
2,761,289	Net investment assets	2,742,936

NOTE 14a – RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2022/23	Market value at 1 April 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Pooled investments	2,282,622	59,691	(25,000)	(29,865)	2,287,448
Pooled property investments	252,521	18,715	0	(49,939)	221,297
Private equity / infrastructure	226,128	25,540	(35,240)	17,760	234,188
	<u>2,761,271</u>	<u>103,946</u>	<u>(60,240)</u>	<u>(62,044)</u>	<u>2,742,933</u>
Cash deposits	303				963
Amounts payable for purchases of investments	(285)				(960)
Fees within pooled vehicles				8,891	
Net investment assets	2,761,289			(53,153)	2,742,936

2021/22	Market value at 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Pooled investments	2,108,945	151,612	(116,647)	138,712	2,282,622
Pooled property investments	194,581	19,038	0	38,902	252,521
Private equity / infrastructure	211,643	38,945	(56,756)	32,296	226,128
	<u>2,515,169</u>	<u>209,595</u>	<u>(173,403)</u>	<u>209,910</u>	<u>2,761,271</u>
Cash deposits	146				303
Amounts payable for purchases of investments	(126)				(285)
Fees within pooled vehicles				13,100	
Net investment assets	2,515,189			223,010	2,761,289

NOTE 14b – ANALYSIS OF INVESTMENTS

Investments analysed by fund manager

Market Value at 31 March 2022			Market Value at 31 March 2023		
£'000	%		£'000	%	
1,496,425	54.2	Wales Pension Partnership	1,501,286	54.8	
851,675	30.9	BlackRock	842,157	30.7	
226,128	8.2	Partners Group	234,188	8.5	
75,739	2.7	UBS	74,865	2.7	
72,139	2.6	Lothbury	57,297	2.1	
39,450	1.4	Threadneedle	34,103	1.2	
18	0.0	Veritas	0	0.0	
2,761,574	100.0		2,743,896	100.0	

The following investments represent more than 5% of the net assets of the Fund:

Market Value at 31 March 2022			Market Value at 31 March 2023		
£'000	%		£'000	%	
454,098	16.4	WPP Global Opportunities Fund	430,059	15.6	
430,749	15.5	WPP Global Growth Fund	426,908	15.5	
353,857	12.7	WPP Absolute Return Bond	386,103	14.0	
346,072	12.5	Black Rock ACS World Low Carbon Fund	331,802	12.0	
239,314	8.6	Black Rock Aquila Life UK Equity Index Fund	246,433	8.9	
200,811	7.2	Black Rock Aquila Life GI Dev Fundamental Fund	207,927	7.5	
197,920	7.1	WPP Multi Asset Credit Fund	200,600	7.3	

NOTE 14c – STOCK LENDING

The Fund's investment strategy permits stock lending subject to specific approval. The income earned by the fund through stock lending was £109,916 (£126,800 in 2021/22). Currently the Fund has total quoted equities of £40.6m on loan (£35.6m at 31 March 2022). These equities continue to be recognised in the Fund's financial statements. No liabilities are associated with the loaned assets.

NOTE 15 – FAIR VALUE- BASIS OF VALUATION

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market- based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

NOTE 15 – FAIR VALUE- BASIS OF VALUATION (continued)

Description of Asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the Valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short- term nature of these financial instruments	Not required	Not required
Pooled investments- equity funds	Level 2	The ‘NAV’ (net asset value) is calculated based on the market value of the underlying assets	Evaluated price feeds	Not required
Pooled investments- fixed income	Level 2	The ‘NAV’ is calculated based on the market value of the underlying fixed income Securities	Evaluated price feeds	Not required
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price is published	‘NAV’- based set on a forward pricing basis	Not required
Private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board’s Special Valuation Guidance (March 2020)	<ul style="list-style-type: none"> • EBITDA multiple • Revenue multiple • Discount for lack of marketability • Control premium 	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Infrastructure	Level 3	Valued using discounted cashflow techniques to generate a net present value	Discount rate and cashflow used in the models	Rate of inflation, interest, tax and foreign exchange

Sensitivity of assets valued at level 3

The values reported in the Level 3 valuations represent the most accurate estimation of the portfolio values as at 31 March 2023. Any subjectivity related to the investment value is incorporated into the valuation, and the sensitivity analysis can be seen in Note 17.

Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2022/23.

NOTE 15a – FAIR VALUE HIERARCHY

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Gwynedd Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2023	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Fixed income	0	586,703	0	586,703
Equities	0	1,700,745	0	1,700,745
Pooled property investments	0	221,297	0	221,297
Private equity	0	0	166,622	166,622
Infrastructure	0	0	67,566	67,566
Cash deposits	963	0	0	963
	963	2,508,745	234,188	2,743,896
Financial liabilities at fair value through profit and loss				
Payables for investment purchases	(960)	0	0	(960)
Total	3	2,508,745	234,188	2,742,936

NOTE 15a – FAIR VALUE HIERARCHY (CONTINUED)

Values at 31 March 2022	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Fixed income	0	551,777	0	551,777
Equities	0	1,730,845	0	1,730,845
Pooled property investments	0	252,521	0	252,521
Private equity	0	0	158,711	158,711
Infrastructure	0	0	67,417	67,417
Cash deposits	303	0	0	303
	303	2,535,143	226,128	2,761,574
Financial liabilities at fair value through profit and loss				
Payables for investment purchases	(285)	0	0	(285)
Total	18	2,535,143	226,128	2,761,289

NOTE 15b – RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value 1 April 2022 £'000	Transfers out of Level 3 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains/ (losses) £'000	Realised (gains)/ losses £'000	Market Value 31 March 2023 £'000
Private Equity	158,711	0	14,620	(4,852)	6,675	(8,532)	166,622
Infrastructure	67,417	0	10,920	(12,481)	11,085	(9,375)	67,566
Total Level 3	226,128	0	25,540	(17,333)	17,760	(17,907)	234,188

	Market Value 1 April 2021 £'000	Transfers out of Level 3 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains/ (losses) £'000	Realised (gains)/ losses £'000	Market Value 31 March 2022 £'000
Private Equity	165,423	0	23,050	(22,550)	23,275	(30,487)	158,711
Infrastructure	46,220	0	15,895	(3,488)	9,021	(231)	67,417
Total Level 3	211,643	0	38,945	(26,038)	32,296	(30,718)	226,128

NOTE 16 - CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2022			As at 31 March 2023		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
2,282,622			2,287,448		
252,521			221,297		
158,711			166,622		
67,417			67,566		
	14,481			19,255	
	3,650			4,163	
2,761,271	18,131	0	2,742,933	23,418	0
		(3,641) Creditors			(4,222)
0	0	(3,641)	0	0	(4,222)
2,761,271	18,131	(3,641)	2,742,933	23,418	(4,222)

NOTE 16a – NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2022		31 March 2023	
Fair value		Fair value	
£'000		£'000	
Financial assets			
209,909	Fair value through profit and loss	(62,044)	
0	Loans and receivables	0	
209,909	Total financial assets	(62,044)	
Financial liabilities			
0	Fair value through profit and loss	0	
0	Financial liabilities at cost	0	
0	Total financial liabilities	0	
209,909	Net financial assets	(62,044)	

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (pricerisk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Pension's Fund operations, then reviewed regularly to reflect changes in activity and market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a risk factor analysis to ensure that risk remains within tolerable levels;
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or by factors affecting all such instruments in the market.

The Fund is exposed to share price risk. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within the limits set in the Fund investment strategy.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 and 2022/23 reporting period.

Asset type	Potential market movement (+/-)	
	31 March 2022	31 March 2023
	%	%
UK Equities	19.9	18.2
Global Equities	20.1	19.0
Emerging Markets Equities	27.0	24.4
Private Equity	31.2	31.2
Absolute Return Bond	2.8	2.7
Infrastructure	14.6	16.0
Property	15.0	15.5
Diversified Credit	7.4	7.8
Cash	0.3	0.3
Total Fund	14.3	13.3

The potential volatilities disclosed above are consistent with a one-standard deviation movement in the change of value of the assets over the latest three years. The total fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Had the market price of the Fund investments increased/decreased in line with the above, the change in the market price of the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2023 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
UK Equities	246,433	18.2	291,284	201,583
Global Equities	1,396,696	19.0	1,662,068	1,131,324
Emerging Markets Equities	57,616	24.4	71,674	43,557
Private Equity*	166,622	31.2	218,608	114,636
Absolute Return Bonds	386,103	2.7	396,528	375,679
Infrastructure*	67,566	16.0	78,377	56,756
Property	221,297	15.5	255,598	186,996
Diversified Credit	200,600	7.8	216,246	184,953
Cash	19,255	0.3	19,313	19,197
Debtors and Creditors	(59)	0.0	(59)	(59)
Total assets available to pay benefits	2,762,129		3,209,637	2,314,622
*Level 3 assets	234,188		296,985	171,392

Asset type	Value as at 31 March 2022 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
UK Equities	239,314	19.9	286,937	191,690
Global Equities	1,431,729	20.1	1,719,508	1,143,952
Emerging Markets Equities	59,802	27.0	75,948	43,655
Private Equity*	158,711	31.2	208,228	109,193
Absolute Return Bonds	353,857	2.8	363,765	343,949
Infrastructure*	67,417	14.6	77,260	57,574
Property	252,521	15.0	290,399	214,643
Diversified Credit	197,920	7.4	212,566	183,274
Cash	14,481	0.3	14,525	14,438
Debtors and Creditors	9	0.0	9	9
Total assets available to pay benefits	2,775,761		3,249,145	2,302,377
*Level 3 assets	226,128		285,488	166,767

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2022	As at 31 March 2023
	£'000	£'000
Cash and cash equivalents	14,178	18,292
Cash balances	303	963
Pooled Fixed Income	551,777	586,703
Total	566,258	605,958

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Carrying amount as at 31 March 2023	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	18,292	183	(183)
Cash balances	963	10	(10)
Pooled Fixed Income *	586,703	5,867	(5,867)
Total change in assets available	605,958	6,060	(6,060)

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

Asset type	Carrying amount as at 31 March 2022	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	14,178	142	(142)
Cash balances	303	3	(3)
Pooled Fixed Income *	551,777	5,518	(5,518)
Total change in assets available	566,258	5,663	(5,663)

* A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

The impact that a 1% change in interest rates would have on interest received is minimal as the average interest rate received on cash during the year was 2.04% amounting to interest of £210,338 for the year. (average interest rate of 0.1% and interest income of £14,183 in 2021/22).

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

A 1% increase in interest rates will not affect the interest received on fixed income assets but will reduce their fair value, as shown in the tables above. Changes in interest rates do not impact on the value of cash / cash equivalents but they will affect the interest income received on those balances. Changes to both the fair value of assets and income received from investments impact on the net assets to pay benefits but as noted above this does not have a significant effect on the Fund.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds assets denominated in currencies other than £UK.

The Fund has made commitments to private equity and infrastructure in foreign currency (€393.2 million and \$88.6 million). These commitments are being drawn down on request from the investment manager over a number of years. The current commitments still outstanding are shown in Note 24. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the Fund is fully funded. The Fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

The Fund's currency rate risk has been calculated based on the volatility of the currencies which would affect the value of the investments and any cash held in those currencies.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the likely volatility associated with foreign exchange rate movements has been calculated with reference to the historic volatility of the currencies and their relative amounts in the Fund's investments.

The 1 year expected standard deviation for an individual currency as at 31 March 2023 is 9.9%. The equivalent rate for the year ended 31 March 2022 was 9.5%. This analysis assumes that all other variables, in particular interest rates, remain constant.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The tables below show a breakdown of the Fund's exposure to individual currencies as at 31 March 2023 and at the end of the previous financial year:

Currency exposure - by asset type	Carrying amount as at 31 March 2023	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Global Equities	1,396,696	1,534,969	1,258,423
Emerging Markets Equities	57,616	63,320	51,912
Private Equity	166,622	183,118	150,127
Absolute Return Bonds	386,103	424,328	347,879
Infrastructure	67,566	74,255	60,877
Diversified Credit	200,600	220,459	180,740
Total change in assets available	2,275,203	2,500,449	2,049,958

Currency exposure - by asset type	Carrying amount as at 31 March 2022	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Global Equities	1,431,729	1,567,744	1,295,716
Emerging Markets Equities	59,802	65,483	54,120
Private Equity	158,711	173,788	143,633
Absolute Return Bonds	353,857	387,473	320,240
Infrastructure	67,417	73,822	61,013
Diversified Credit	197,920	216,722	179,118
Total change in assets available	2,269,436	2,485,032	2,053,840

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The benchmark for the concentration of the funds held with investment managers is as follows:

Investment Manager	Percentage of Portfolio
BlackRock	29.5%
Wales Pension Partnership Emerging Markets	2.5%
Wales Pension Partnership Global Growth	14.0%
Wales Pension Partnership Global Opportunities	14.0%
Wales Pension Partnership Multi Asset Credit	7.5%
Wales Pension Partnership Absolute Return Bond	15.0%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10.0%
Partners Group	7.5%

All investments held by investment managers are held in the name of the Pension Fund so, if the investment manager fails, the Fund's investments are not classed amongst their assets.

Contractual credit risk is represented by the net payment or receipt that remains outstanding. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

In order to maximise the returns from short-term investments and cash deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements, any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution. In addition, the Council invests an agreed percentage of funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so the Administering Authority monitors membership movements on an annual basis.

New employers to the Fund will need to agree to the provision of a bond or obtain a guarantee to reduce the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. As shown in Note 25 two employers have provided bonds. Any future liabilities falling on the Fund as a result of cessation are borne by the whole Fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a legal judgement, which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments to pay pensions and other costs and to meet investment commitments.

The Council has a cash flow system that seeks to ensure that cash is available if needed. In addition, current contributions received from contributing employers and members far exceed the benefits being paid. Surplus cash is invested and cannot be paid back to employers. The Fund's Actuary establishes the contributions that should be paid in order that all future liabilities can be met.

There is no limit on the amount that the Pension Fund bank account can hold. The amounts held in this account should meet the normal liquidity needs of the Fund. Any temporary surplus is invested by the Council in accordance with the Treasury Management Strategy Statement to provide additional income to the Pension Fund. Surplus cash is invested in accordance with the Statement of Investment Principles.

The Fund also has access to an overdraft facility through the Council's group bank account arrangements. This facility would only be used to meet short-term timing differences on pension payments. As these borrowings would be of a limited short-term nature, the Fund's exposure to credit risk is considered negligible.

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2023 the value of illiquid assets was £455m, which represented 16.4% of the total Fund assets (31 March 2022: £479m, which represented 17.2% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2023 are due within one year as was the case at 31 March 2022.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

NOTE 18 – FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Administration) Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement and was reviewed as part of the 2022 valuation.

The key elements of the funding policy are:

- to take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- to use a balanced investment strategy to minimize long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- to reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- to use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The Funding Strategy Statement sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

NOTE 18 – FUNDING ARRANGEMENTS (continued)

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the Funding Strategy Statement, there is at least a 70% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £2,776 million, were sufficient to meet 120% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £468 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and probability measure as per the Funding Strategy Statement. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its Funding Strategy Statement.

Principal Actuarial Assumptions and Method used to Value the Liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and Funding Strategy Statement.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.1% pa
Salary increase	3.2% pa
Benefit increase (CPI)	2.7% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% pa. Based on these assumptions, the average future life expectancies at age 65 are as follows:

NOTE 18 – FUNDING ARRANGEMENTS (continued)

Mortality assumption	Male Years	Female Years
Current pensioners	21.1	24.0
Future pensioners (aged 45 at the 2022 valuation)	22.3	25.8

Copies of the 2022 valuation report and the Funding Strategy Statement are available on the Pension Fund's website www.gwyneddpensionfund.wales

Experience over the period since 31 March 2022

Markets continues to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investments returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience) have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to significant increases in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18) and has also used them to provide the IAS19 and FRS102 reports for individual employers in the Fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2022 and 2023 are shown below:

	31 March 2022	31 March 2023
	£m	£m
Active members	1,929	1,084
Deferred members	583	387
Pensioners	818	864
Total	3,330	2,335

As noted above, the liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2022 triennial funding valuation (see Note 18) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS (continued)

Assumptions used

The financial assumptions used are those adopted for the Administering Authority's IAS19 report as shown below and are different as at 31 March 2022 and 2023. The actuary estimates that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £1,422m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £55m.

	31 March 2022	31 March 2023
Assumption	%	%
Pension increase rate	3.20	2.95
Salary increase rate	3.50	3.45
Discount rate	2.70	4.75

The life expectancy for the longevity assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male Years	Female Years
Current pensioners	20.9	23.9
Future pensioners (assumed to be aged 45 at the latest valuation date)	21.9	25.6

All other demographic assumptions have been updated since last year and as per the latest funding valuation of the fund.

The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2023	Approximate increase to liabilities	Approximate monetary amount
	%	£m
0.1% p.a. increase in the pension increase rate	2	41
0.1% p.a. increase in the salary increase rate	0	7
0.1% p.a. decrease in the real discount rate	2	47
1 year increase in member life expectancy	4	93

NOTE 20 – CURRENT ASSETS

31 March 2022 £'000		31 March 2023 £'000
483	Contributions due – employees	495
1,597	Contributions due – employers	1,617
1,570	Sundry debtors	2,050
3,650	Total debtors	4,162
14,178	Cash	18,292
17,828	Total	22,454

NOTE 21 – CURRENT LIABILITIES

31 March 2022 £'000		31 March 2023 £'000
1,697	Sundry creditors	2,078
1,659	Benefits payable	1,183
3,356	Total	3,261

NOTE 22 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The market value of the funds is stated below:

	Market value at 31 March 2022 £'000	Market value at 31 March 2023 £'000
Clerical Medical	4,670	4,576
Utmost Life	182	162
Standard Life	5	5
Total	4,857	4,743

AVC contributions were paid directly to the following manager:

	2021/22 £'000	2022/23 £'000
Clerical Medical	645	797
Total	645	797

NOTE 23 - RELATED PARTY TRANSACTIONS

Cyngor Gwynedd

The Gwynedd Pension Fund is administered by Cyngor Gwynedd. Consequently, there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1,474,104 (£1,318,514 in 2021/22) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also one of the largest employers of members of the Fund and contributed £29.49m to the Fund in 2022/23 (£27.65m in 2021/22). At the end of the year, the Council owed £0.53m to the Fund which was primarily in respect of interest paid on the Pension Fund's balances and contributions for March 2023 and the Fund owed £1.47m to the Council which was primarily in respect of recharges to the Council for the administrative costs.

The Gwynedd Pension Fund has two bank accounts which are held as part of Cyngor Gwynedd's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Cyngor Gwynedd pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2022/23, the Fund received interest of £210,338 (£14,183 in 2021/22) from Cyngor Gwynedd.

Governance

There is one member of the Pensions Committee who is in receipt of pension benefits from the Gwynedd Pension Fund during 2022/23 (committee member J.B. Hughes). In addition, committee members S.W. Churchman, R.W. Williams, J.B. Hughes, I. Thomas, G. Edwards, J.P. Roberts and R.M.Hughes are active members of the Pension Fund.

Two members of the Pension Board were in receipt of pension benefits from the Gwynedd Pension Fund during 2022/23 (board members H.E. Jones and S. Warnes). In addition, Board members B.Roberts, O. Richards, H. Trainor and S.E. Parry are active members of the Pension Fund.

Key Management Personnel

The key management personnel of the fund are the Fund Director and Head of Finance (s151).

The remuneration payable to key management personnel attributable to the fund is set out below:

31/03/2022 £'000		31/03/2023 £'000
7	Short-term benefits	38
1	Post-employment benefits	7
<hr/>		<hr/>
8		45

NOTE 24 - COMMITMENTS UNDER INVESTMENT CONTRACTS

Outstanding capital commitments (investments) at 31 March were as follows:

	Total commitments	Commitment at 31 March 2022	Commitment at 31 March 2023
	€'000	€'000	€'000
P.G. Direct 2006	19,224	0	0
P.G. Global Value 2006	50,000	3,477	3,477
P.G. Secondary 2008	15,000	1,960	1,960
P.G. Global Value 2011	15,000	2,096	2,096
P.G. Global Infrastructure 2012	40,000	7,019	7,019
P.G. Direct 2012	12,000	1,181	1,181
P.G. Global Value 2014	12,000	1,531	1,531
P.G. Direct Equity 2016	50,000	2,826	2,826
P.G. Global Value 2017	42,000	17,870	11,570
P.G. Global Infrastructure 2018	28,000	14,379	8,131
P.G. Direct Equity 2019	48,000	18,432	8,352
P.G. Direct Infrastructure 2020	32,000	24,800	20,320
P.G. Direct Equity V	30,000	0	30,000
Total Euros	393,224	95,571	98,463
	\$'000	\$'000	\$'000
P.G. Emerging Markets 2011	7,000	1,082	1,082
P.G. Secondary 2015	38,000	15,740	15,220
P.G. Direct Infrastructure 2015	43,600	9,598	7,640
Total Dollars	88,600	26,420	23,942

'PG' above refers to Partners Group, the investment manager which invests in 'alternatives' (private equity and infrastructure) on behalf of the Fund.

These commitments relate to outstanding call payments on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of the original commitment.

NOTE 25 – CONTINGENT ASSETS

Two admitted body employers in the Gwynedd Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

NOTE 26 – CONTINGENT LIABILITIES

There are no contingent liabilities identified.

NOTE 27 – IMPAIRMENT LOSSES

There are no impairment losses identified

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Cyngor Gwynedd as administering authority for the Gwynedd Pension Fund

Opinion on financial statements

I have audited the financial statements of the Gwynedd Pension Fund for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004. The Gwynedd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the Gwynedd Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Gwynedd Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the Gwynedd Pension Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Gwynedd Pension Fund's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in management override.
- Obtaining an understanding of the Gwynedd Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Gwynedd Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Gwynedd Pension Fund.
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Pensions Committee;
- reading minutes of meetings of those charged with governance and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Gwynedd Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Gwynedd Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales
29 November 2023

I Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Audit of Accounts Report – Gwynedd Pension Fund

Audit year: 2022-23

Date issued: November 2023

Document reference: 3919A2023

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

We intend to issue an unqualified audit report on your Accounts. Accounts. There are some issues to report to you prior to their approval.

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Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2022-23 annual report and accounts in this report.
- 2 We have already discussed these issues with the Head of Finance (Section 151 Officer) and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £27.6635 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for:
 - Related Party Disclosures - Key Management Personnel £1,000
- 6 We have now substantially completed this year's audit subject to completion of final audit procedure steps. Should any issues arise from this work, we will provide a verbal update at the Committee.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence. We have previously notified you of a potential threat to auditor independence and objectivity in relation to the Audit Manager who has friends and relatives who contributes to or receive a pension from the Pension Fund and confirm that the planned safeguards set out in our Audit Plan have operated as intended.

Proposed audit opinion

- 8 **We intend to issue an unqualified audit opinion on this year's accounts** once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 9 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 10 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 11 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

12 There are no misstatements identified in the accounts which remain uncorrected.

Corrected misstatements

13 There was initially one misstatement in the accounts that has now been corrected by management. However, we believe that it should be drawn to your attention and is set out with an explanation in Appendix 3.

Other significant issues arising from the audit

14 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year.

Recommendation

15 The one recommendation arising from our audit is set out in **Appendix 4**.

16 Management has responded to this recommendation relating to supporting evidence for membership numbers. We will follow up progress against this recommendation during next year's audit and if it is still outstanding, we will continue to monitor progress and report it to you in next year's report.

Appendix 1

Final Letter of Representation

Audited body's letterhead

Auditor General for Wales
Wales Audit Office
1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

Representations regarding the 2022-23 financial statements

This letter is provided in connection with your audit of the financial statements of the Gwynedd Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects the Gwynedd Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements.

Representations by the Pensions Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Pensions Committee of Gwynedd Pension Fund on 27 November 2023.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Dewi Aeron Morgan

Stephen Churchman

Head of Finance

Chair of Pensions Committee

27 November 2023

27 November 2023

Appendix 2

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Cyngor Gwynedd as administering authority for the Gwynedd Pension Fund

Opinion on financial statements

I have audited the financial statements of the Gwynedd Pension Fund for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004. The Gwynedd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the Gwynedd Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Gwynedd Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the Gwynedd Pension Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Gwynedd Pension Fund's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in management override.
- Obtaining an understanding of the Gwynedd Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Gwynedd Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Gwynedd Pension Fund.
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Pensions Committee;
- reading minutes of meetings of those charged with governance and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Gwynedd Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Gwynedd Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales
29 November 2023

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Appendix 3

Summary of Corrections Made

During our audit, we identified the following misstatement that have been corrected by management, but which we consider should be drawn to your attention due to its relevance to your responsibilities over the financial reporting process.

Correction	Nature of correction	Reason for correction
£2,712,000	Note 13 Investment Income £2,712,000 of investment income reclassified from Private Equity to Infrastructure. The correction is self-contained to Note 13.	To reflect the correct classification of investment income

Appendix 4

Recommendations

We set out below the recommendation arising from our audit with management's response to it. We will follow up this recommendation next year and include it in next year's audit report if it is still outstanding:

Exhibit 4: matter arising 1

Matter arising 1 – Membership numbers	
Findings	There is a potential risk that the number of members in the pension scheme reported in the accounts could be misstated. The Pension Fund has been unable to provide a report from the Altair system (pensions administration system) showing the total number of members by type to fully support the figures reported in Note 1 to the accounts. The Pension Fund was however able to demonstrate the figures were not inconsistent with a subsequent report from the system which was ran at a later date.
Priority	Low
Recommendation	Gwynedd Pension Fund should run and save the report on membership details recorded in the Altair system to support the figures reported in the accounts.
Benefits of implementing the recommendation	To provide adequate audit evidence to support the figures reported in the accounts.
Accepted in full by management	Yes

Management response	This occurred because membership data is continuously updated on the Altair system and retrospective reports cannot be produced. A report to support the membership numbers in future financial statements will be saved on the day as evidence.
Implementation date	March 2024



Audit Wales

1 Capital Quarter

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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

MEETING	PENSIONS COMMITTEE
DATE	27 NOVEMBER 2023
TITLE	WALES PENSION PARTNERSHIP UPDATE
PURPOSE	To receive and note a quarterly update from Wales Pension Partnership
RECOMMENDATION	Receive and note the information
AUTHOR	DELYTH JONES-THOMAS, INVESTMENT MANAGER

1. INTRODUCTION

This is a regular report which provides the members of the Pensions Committee with an update on the work undertaken by the Wales Pension Partnership (WPP) on behalf of the eight LGPS funds in Wales.

The WPP is now well established, with Waystone (previously known as Link) as its operator to provide FCA regulated services and Russell Investments who provide investment management solutions to the WPP on all listed assets. Northern Trust are the appointed global custodian and depositary. Hymans Robertson are the governance and oversight advisor and Robeco provide voting and engagement services to the WPP in accordance with its stewardship responsibilities and commitments.

2. JGC QUARTERLY UPDATE

The WPP's decision making body, the Joint Governance Committee (JGC), last met formally on 20th September 2023. The host authority have provided a summary of the items discussed at that meeting which is attached as Appendix 1 to this report. The Business Plan for 2023/24 was reviewed and can be seen in Appendix 2.

3. OPERATOR UPDATE

A copy of the latest quarterly update from the operator is attached under Appendix 3.

The update provides a snapshot of the full range of WPP investment sub-funds as at 30th June 2023.

Gwynedd Pension Fund currently has exposure to eight of the eleven sub-funds and as of 30th June 2023 these were as follows:

- **Global Opportunities - £373.0m**
- **Global Growth- £364.8m**
- **Emerging Markets - £56.2m**
- **Global Passive - £522.8m**
- **Multi Asset Credit - £205.1m**
- **Absolute Return Bond- £388.4m**
- **Global Credit Fund - £133.9m**

- **Sustainable Equity Fund- £280.2m**

4. PERFORMANCE REPORTS AS AT 30TH JUNE 2023

The performance reports can be seen in Appendix 4.

Positive economic data and a resolution to the US debt ceiling talks helped propel equities higher in June following more muted performance in April and May. There was divergence across markets, with the US outpacing the global index and developed peers. Slow progress on controlling inflation and expectations of future rate hikes weighed on the UK and European markets. The US dollar gained versus the Japanese yen and most commodity-sensitive currencies but weakened against sterling and the euro. Oil prices fell as concerns about the global demand outlook persisted, in particular a sluggish post-Covid recovery in China. The Federal Reserve (Fed), European Central Bank (ECB) and the Bank of England (BoE) all raised rates over the quarter, by varying amounts.

The performance of the sub funds that Gwynedd Pension Fund invests in are monitored by officers, and as part of the quarterly investment review by Hymans Robertson and no concerns have been raised.

5. FUTURE DEVELOPMENTS

- On-boarding is continuing with the Open-ended Infrastructure sub-fund and Schroders Private equity mandate.
- Once the activity with these sub-funds is complete WPP attention will turn to the development of real estate solutions.

6. RECOMMENDATION

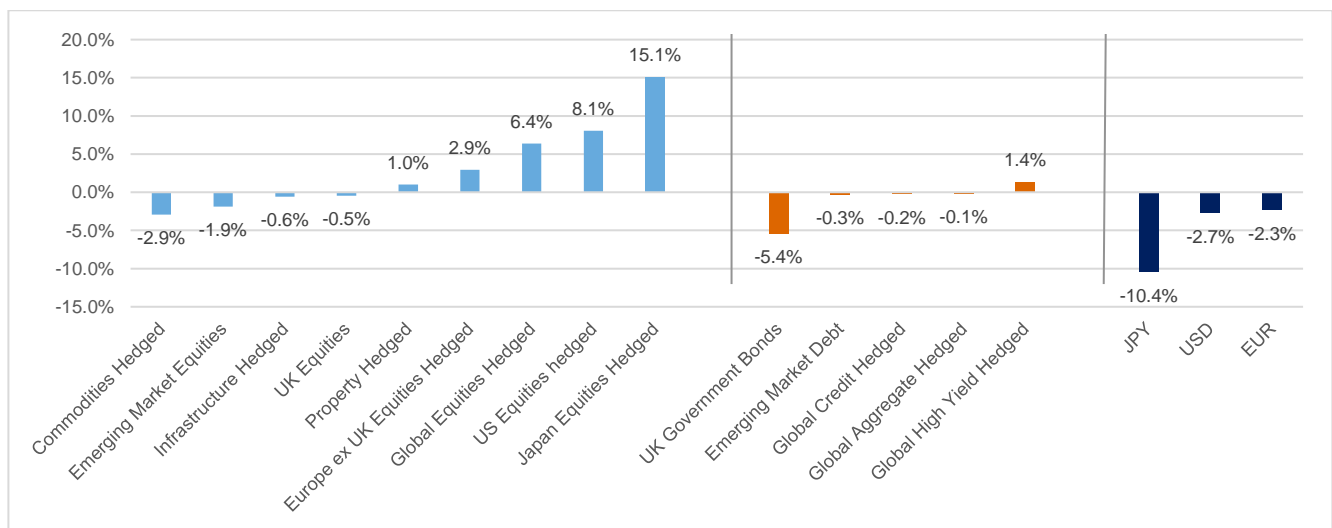
To receive and note the information.

JGC - WPP Performance Summary Q2 2023

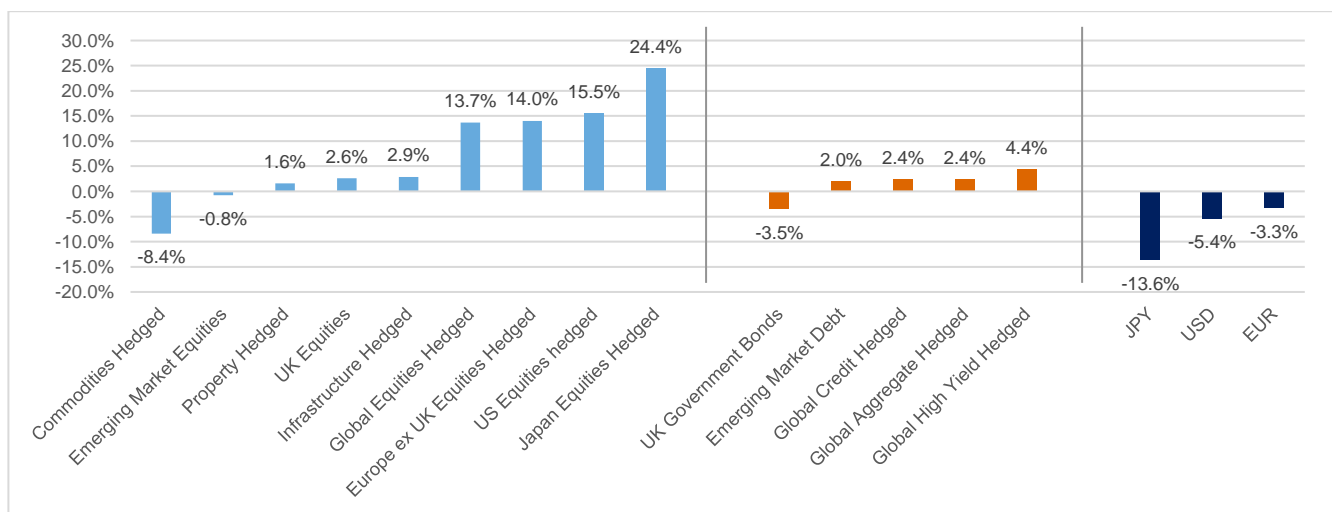
Global Market Commentary

The MSCI World Net Index climbed 6.8% in the second quarter. Positive economic data and a resolution to the US debt ceiling talks helped propel equities higher in June following more muted performance in April and May. There was divergence across markets, with the US outpacing the global index and developed peers. Slow progress on controlling inflation and expectations of future rate hikes weighed on the UK and European markets. The US dollar gained versus the Japanese yen and most commodity-sensitive currencies but weakened against sterling and the euro. Oil prices fell as concerns about the global demand outlook persisted, in particular a sluggish post-Covid recovery in China. The Federal Reserve (Fed), European Central Bank (ECB) and the Bank of England (BoE) all raised rates over the quarter, by varying amounts.

Asset class performance – Quarter to Date (June) 2023



Asset class performance – Year to Date (June) 2023



Benchmarks : Global equity hedged (MSCI World ACWI), UK equity (FTSE All Share), US equity hedged (Russell 1000 Net GBPH), Europe ex UK equity (MSCI Europe ex UK Equity Net GBPH), Japan equity (TOPIX Net GBPH), Emerging equity (MSCI Emerging Markets Net), Global HY bonds (BofAML Global High Yield 2% Constrained Index), EMD LC (JP Morgan GBI-EM Global Diversified Index), Global credit hedged (Bloomberg Barclays Global Aggregate Credit Index), Global aggregate hedged (Bloomberg Barclays Global Aggregate Bond Index GBPH), UK Government Bonds (ICEBofAML UK Gilts All Stocks (GB)), Property hedged (FTSEEPRA Nareit Dev Re GBP)

Global Growth Equity Fund:

	Three Months	1 Year	Since Inception
Gross	1.79	10.39	9.77
Net	1.69	9.99	9.35
MSCI AC World Index Net	3.26	11.31	10.53
Excess returns (gross)	-1.47	-0.92	-0.76

Inception Date: 31st January 2019

Source: Northern Trust as of 30 June 2023

Overall Fund Commentary

The Fund returned 1.8% in GBP over the quarter but underperformed versus the benchmark return. Value was the notable factor underperformer recording a negative return for the quarter.

Pzena's value bias underperformed the broad market but outperformed the value index. Typical value sectors including Energy, Staples, and Materials all underperformed the market. Despite the setbacks in March caused by the collapse of Silicon Valley Bank, stock selection in Financials was the largest positive of any sector. Despite a growth led market Baillie Gifford performance was in-line with the market. Stock selection balanced the IT underweight. Market gains were led by a 10% return for the Information Technology sector which is the largest sector underweight in the Global Growth Fund at -10.3%. The strength of demand for Nvidia's graphics and AI processors surprised the market, prompting a 50% rally in the stock and sparking a broad rally in the sector. The largest overweight sector is healthcare which lost ground over the quarter compounded by disappointing stock action from Novocure, Bio Rad Labs, and Illumina. The prospect of a takeover fuelled a first quarter rally in Veritas' holding of Catalent however that return was largely given up in the second quarter. Healthcare contributed around two thirds of the underperformance in the quarter. Stock selection within the Consumer Discretionary sector made up the balance of the underperformance.

Global Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
Gross	3.02	11.92	11.69
Net	2.94	11.61	11.36
MSCI AC World Index Net	3.26	11.31	10.53
Excess returns (gross)	-0.25	0.61	1.16

Inception Date: COB 31st January 2019

Source: Source: Northern Trust as of 30 June 2023

Overall Fund Commentary

The Fund registered positive absolute returns over the second quarter but slightly underperformed against the benchmark on a relative basis.

As in the first quarter, growth and large caps were the best-performing styles, significantly outperforming the index. However, the performance of growth was driven by the US as the factor lagged in Europe ex UK and Japan. Minimum volatility was the worst performing factor. Information technology was the best-performing sector, boosted by strong earnings results from big US tech companies and excitement over the potential in AI. Consumer discretionary also made significant gains. In contrast, utilities, energy, and materials were the weakest-performing sectors.

EM Market Commentary

The MSCI Emerging Markets (EM) Index (USD) gained 0.9%. Improved investor sentiment drove positive June performance and helped the market recover from negative April and May returns. However, EM lagged developed markets overall due to a selloff within China, as growing concerns about the strength of the economy weighed on returns. Oil prices fell as the uncertain outlook for global demand persisted.

EM Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
Gross	-2.28	-0.45	-7.74
Net	-2.40	-0.94	-8.19
MSCI Emerging Market Index	-1.50	-1.34	-6.80
Excess returns (gross)	-0.78	0.89	-0.94

Performance Target is MSCI Emerging Market Index + 1.5%

Inception Date: COB 20th October 2021

Source: Source: Northern Trust as of 30 June 2023

Overall Fund Commentary

The Fund underperformed the negative benchmark return. The Fund's factor positioning suited the market environment, including over-weights to value and momentum. However, selection within China was negative this quarter, particularly within the country's consumer discretionary and materials sectors. Negative country allocation included underweights to India, Taiwan and Saudi Arabia. However, an overweight to Brazil was rewarded. Selection within Brazil (oil giant Petrobras) and South Korea (semiconductor stock SK Hynix) contributed positively.

Artisan was the best-performing manager this quarter despite an unfavourable environment for its growth tilt. Axiom's growth-oriented strategy underperformed in a period where the growth factor lagged behind. Barrow Hanley extended its strong inception-to-date outperformance and Quant manager Numeric added to its longer-term outperformance. Oaktree finished in-line with the benchmark, however China specialist Bin Yuan underperformed its benchmark in a negative quarter for China.

UK Market Commentary

UK equities struggled in the second quarter as fears over the health of the economy persisted. Inflation remained significantly higher than elsewhere despite continual monetary tightening by the Bank of England (BoE), which raised rates twice in the quarter, by 25 bps in May then by an unexpected 50 bps in June, the latter representing the 13th consecutive rate increase. BoE governor, Andrew Bailey, acknowledged the bank faces a wage price spiral as rapid rises in energy and food prices had progressed into generalised wage and price setting by companies. At the European Central Bank Forum in June he said that interest rates are likely to remain higher for longer than financial markets are. Headline inflation was unchanged at 8.7% in May, while core inflation rose to 7.1% from 6.8% in April. Meanwhile, retail sales rose 0.3% MoM in May, exceeding forecasts of a 0.2% decline.

UK Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
Gross	0.13	13.40	3.39
Net	0.04	13.00	2.99
FTSE All Share	-0.46	7.89	3.86
Excess returns (gross)	0.59	5.51	-0.48

Inception Date: COB 23rd September 2019

Source: Northern Trust as of 30 June 2023

Overall Fund Commentary

The Fund registered positive absolute returns over the second quarter and overperformed against the negative benchmark. UK equities struggled in the second quarter as fears over the health of the economy persisted. In contrast, small cap and value lagged. In sectors, technology was the best-performing sector, benefitting from the optimism around artificial intelligence (AI) and significantly outperforming all other sectors. Financials and industrials also did well. In contrast, telecommunication and materials lagged the most.

Baillie Gifford (long-term growth) was the best-performing strategy over the quarter. Its growth focus was rewarded during the period. Ninety One (contrarian value) underperformed against the benchmark in the second quarter. The manager's tilt towards value was unfavourable during the period.

Fixed Income Market Commentary

The Bloomberg Global Aggregate Bond Index (USDH) edged up 0.1% over the quarter. Government bond returns ended flat or lower, as policymakers indicated that additional interest rate rises would be required to bring inflation under control. Eurozone sovereigns fared better than equivalents elsewhere, particularly in Japan and China. Corporate bonds ended broadly higher, with high yield credit mostly outperforming investment grade bonds except in emerging markets. The Federal Reserve (Fed), European Central Bank (ECB) and the Bank of England (BoE) all raised rates over the quarter, by varying amounts.

Global Government Bond Fund:

	Three Months	1 Year	Since Inception
Gross	-1.37	-1.58	-3.84
Net	-1.42	-1.82	-4.08
FTSE World Gvt Bond Index (GBP Hedged)	-4.19	-6.14	-6.19
Excess returns (gross)	2.82	4.56	2.35

Inception Date: COB 30th July 2020

Source: Source: Northern Trust as of 30 June 2023

Overall Fund Commentary

The Fund registered negative absolute returns but outperformed the negative benchmark return this quarter. The Fund's underweight exposure to short-dated US T-bills was detrimental. Exposure to short-dated UK gilts at a time where yields climbed higher was a further detractor. Underperformance was mitigated by an overweight to Mexican rates and, similar to the previous quarter, an overweight to Colombian rates.

Global Credit Fund:

	Three Months	1 Year	Since Inception
Gross	-0.66	-0.44	-4.70
Net	-0.70	-0.61	-4.87
Bloomberg Barclays Global Agg Credit Index (GBP Hedged)	-0.21	-0.13	-4.53
Excess returns (gross)	-0.46	-0.31	-0.17

Inception Date: COB 27th July 2020

Source: Source: Northern Trust as of 30 June 2023

Overall Fund Commentary

The Fund underperformed the benchmark return this quarter.

Within this environment, an overweight to European high yield (financials) and investment grade credit contributed positively. Overweight exposure to US high yield credit to financials and industrials was also rewarded. However, an underweight to US investment grade industrials detracted. In hard currency emerging market debt, underweights to investment grade credit in Asia, Europe, Latin America and the Middle East were also detrimental to returns.

Multi Asset Credit Fund:

	Three Months	1 Year	Since Inception
Gross	2.30	5.96	0.42
Net	2.22	5.58	0.08
3 Month GBP SONIA + 4%	2.10	7.29	5.26

Performance Target is 3 Month GBP SONIA + 4%, we have not shown excess return as this is a target.

Inception Date: COB 27th July 2020

Source: Source: Northern Trust as of 30 June 2023

Overall Fund Commentary

The Fund recorded a positive return in a quarter when financial markets rallied.

High yield (HY) was stronger than investment grade corporate debt. Global HY spreads narrowed significantly over the quarter with US HY outperforming European HY. Global investment grade spreads narrowed. US investment grade was stronger than European investment grade credit. Hard currency emerging market debt spreads narrowed in the market environment. Loan specialist ICG was the best performing manager.

Absolute Return Bond Strategy Fund:

	Three Months	1 Year	Since Inception
Gross	0.67	3.65	2.17
Net	0.59	3.36	1.86
3 Month GBP SONIA + 2%	1.61	5.23	3.31

Performance Target is 3 Month GBP SONIA + 2%, we have not shown excess return as this is a target.

Inception Date: COB 30th September 2020

Source: Source: Northern Trust as of 30 June 2023

Overall Fund Commentary

The Fund recorded a positive return this quarter.

High yield (HY) was stronger than investment grade corporate debt. Global HY spreads narrowed significantly, by 56 bps to 491 over the quarter. US HY (-65 bps to 390) outperformed European HY (-38 bps to 443). Global investment grade spreads narrowed by 14 bps to 124. US investment grade (-15 bps to 114) was stronger than European investment grade credit (-7 bps to 139). Local currency emerging market debt (EMD) outperformed hard currency EMD.

Sterling Credit Fund:

	Three Months	1 Year	Since Inception
Gross	-3.06	-4.91	-5.81
Net	-3.09	-5.03	-5.94
ICE Bank of America Merrill Lynch Euro-Sterling Index plus 0.65%	-3.19	-6.40	-6.21
Excess returns (Gross)	0.13	1.49	0.41

Inception Date: COB 27th July 2020

Source: Northern Trust as of 30 June 2023

Overall Fund Commentary

The Fund posted negative returns but outperformed the index over the quarter. The fund's favourable sterling duration position added value. Gilts yields rose amid rising inflation which resulted in repricing of terminal rates from 5% to 6 and greater resolve by BoE to combat inflation. Additionally, an underweight position in Canadian dollar duration enhanced gains. However, an overweight position in the Euro duration detracted from performance.

At a sector level, the underweight position in Utility and Consumer Cyclical detracted from performance while an overweight position in Insurance and Banks & Brokers supported performance. An underweight position in European Investment Bank and Innogy Finance detracted from performance. Meanwhile, an overweight stance in insurance names such as Zurich Insurance and Pension Insurance buoyed returns. Moreover, an underweight position in Thames water supported performance as bonds plunged on fears that that company will not be able to repay due to a liquidity crisis.

Wales Pension Partnership
Joint Governance Committee
Q2 2023 review – 20 September 2023



Market Updates

Proposed Acquisition

As discussed since the last Joint Governance Committee on 19 July 2023;

Below is the update in relation to the progress of the sale of the Fund Solutions business (FS Business) and ongoing negotiations with the UK Financial Conduct Authority (FCA) to settle the FCA investigation against Link Fund Solutions Limited (LFSL).

Link Group announced on 3rd August 2023 (Sydney time) that counterparties to contracts representing the requisite threshold majority of revenue in respect of LFSL's ACD business and Link Fund Manager Solutions (Ireland) Limited's business have agreed to those contracts being transferred to the Waystone Group on completion of the FS Sale.

Satisfaction of the revenue and third-party consent conditions for the FS Sale remain subject to receiving certain regulatory approvals in the UK and Ireland.

Link Group has received clearance from the Competition and Consumer Protection Commission of Ireland in respect of the FS Sale. Link Group expects that the FS Sale will complete in October 2023, subject to remaining conditions being satisfied.

On 28 July 2023 LFSL informed the investors in the WEIF (WEIF Investors), that subject to the outcome of discussions with Link Group and the FCA, and the English High Court's availability, LFSL expects to issue a Practice Statement Letter in September 2023. The Practice Statement Letter will notify WEIF Investors of the formal launch of the Scheme and provide further details about the key terms of the Scheme and the first court hearing in relation to the Scheme.

The Settlement contemplated by the Scheme is conditional on the completion of the FS Sale. If the Scheme becomes effective, it will provide for monies, including a contribution of up to £60 million from Link Group to LFSL, to be made available to make payments to the WEIF Investors. In return for those payments to the WEIF investors, LFSL, Link Group, and their respective affiliates and officers will receive releases from liability relating to LFSL's role as ACD of the WEIF.

Link Group continues to be confident that, even if the Scheme was not approved and the Settlement was terminated, liabilities relating to the WEIF remain within LFSL and Link Group has no obligation to contribute to any of those WEIF related liabilities

The Sale is targeted to complete by October 2023 and is not contingent on the Scheme or the Settlement becoming unconditional.

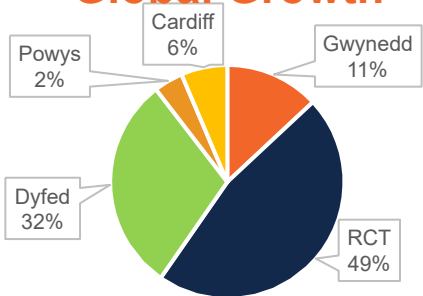
June 2023 LF Wales PP Fund Summary AUM

Fund	AUM	Inception date
Global Growth	£3,152,544,871	6 th Feb 2019
Global Opportunities	£2,872,375,381	14 th Feb 2019
UK Opportunities	£760,439,759	10 th Oct 2019
Emerging Markets	£356,535,814	20 th Oct 2021
Sterling Credit	£505,218,736	19 th Aug 2020
Global Credit	£822,842,390	21 st Aug 2020
Multi Asset Credit	£677,453,841	12 th Aug 2020
Global Government Bond	£474,633,884	20 th Aug 2020
Absolute Return Bond	£562,410,324	30 th Sept 2020
Sustainable Active Equity Fund	£1,282,280,221	20 th June 2023
Total Active Investments	£11,466,735,225	
Total Passive Investments	£4,738,457,626	
Total Pooled Assets	£16,205,192,851 as at 30 June 2023	

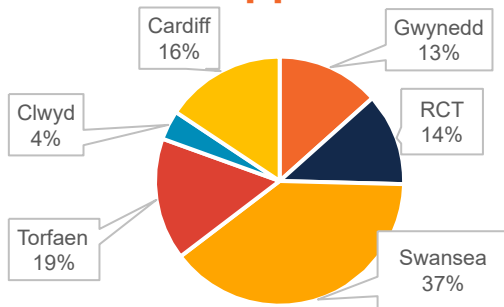
June 2023 Fund Snapshot - Equities

- Key:
- Dyfed
 - Powys
 - Gwynedd
 - RCT
 - Torfaen
 - Clwyd
 - Swansea
 - Cardiff

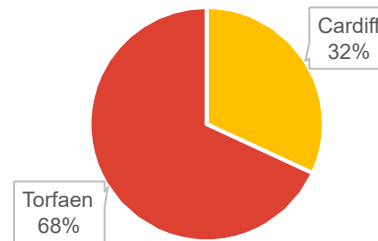
Global Growth



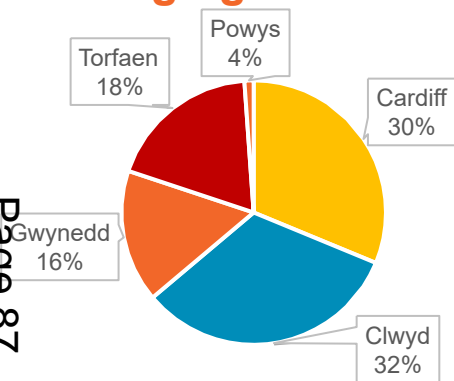
Global Opportunities



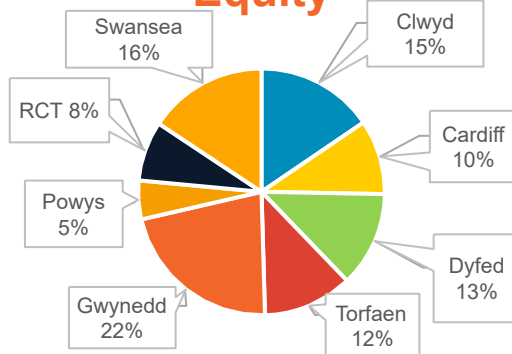
UK Opportunities



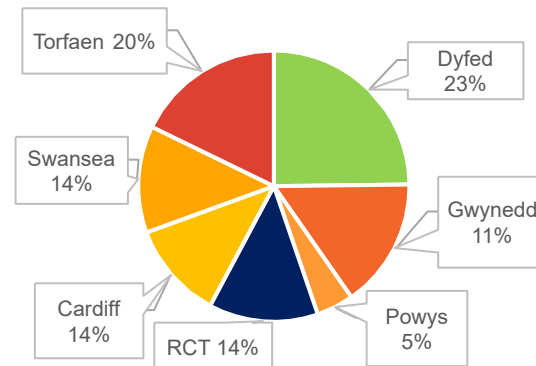
Emerging Markets



Sustainable Active Equity



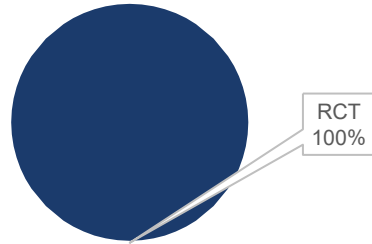
Passive*



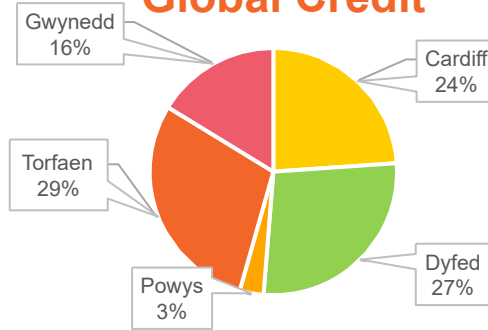
* Assets with BlackRock ⁴

June 2023 Fund Snapshot - Fixed Income

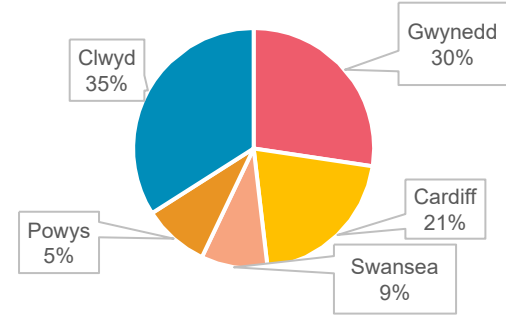
Sterling Credit



Global Credit



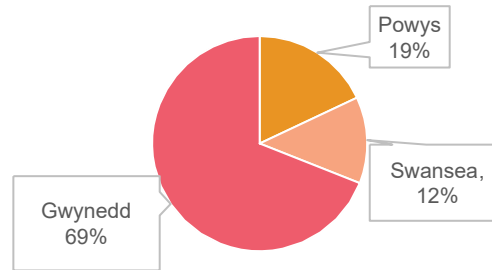
Multi Asset Credit



Global Gov. Bond



Absolute Return Bond



- Key:
- Dyfed
 - Powys
 - Gwynedd
 - RCT
 - Torfaen
 - Clwyd
 - Swansea
 - Cardiff

Sub-Funds Update

Fund Launches & Changes			
	Activity	Status	Commentary
Completed Fund Launches & Changes	Establishment of a Sustainable Equities Fund	✓	Fund Launched 20 June 2023, with handover to Russell Investments from Transition Manager due on 14 July 2023
Ongoing Fund Launches & Changes	Addition of Robeco to the Global Credit fund, removal of T Rowe Price	✓	New Investment Manager 'Robeco' to be implemented Q3 2023.
	Addition of New Investment Manager to the Global Growth Fund, as an addition to current Managers	✓	Proposed addition new manager to be discussed with Host and Hymans before sharing with Constituent Authorities with rationale behind the change

Initiatives

Business as Usual + Key Changes			
	Activity	Status	Commentary
Management Information	Move to Quarterly Reporting cycle with changes to information captured	✓	Quarterly Reporting cycle now implemented
Class action reporting	Rolled out class action reporting to the Host on quarterly basis	✓	We have continued to provide the Class Action reporting to the Host Authority

Status key



Completed or already in place


On target;

Delay Expected;

Not Applicable





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Market Updates

Activity	Status	Commentary
Russia / Ukraine	Impact to ACS sub-funds holding Russian companies 	LFSL continue to monitor the situation and will advise Constituent Authorities of any developments. Our Fair Value Pricing Committee regularly discuss and assets are still priced accordingly.

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Status key

-  Completed or already in place
-  In target;
-  Delay Expected;
-  Not Applicable

LFS Corporate Update & Engagement

Key Q1 and future WPP Engagement

Link attendance at OWG/JGC meetings in period:

- OWG 23 May 2023

Link attendance at OWG/JGC meetings in next quarter:

- WPP JGC 19 July 2023
- OWG 24 October 2023
- WPP JGC 20 September 2023

Link - Pension Committee attendance in period:

- Clwyd – Pension committee 23 June 2023

Link - Pension Committee attendance in next quarter:

- Powys Pensions and Investment Committee meeting – 6 October 2023

Other meetings in period

- Host Authority update – occurs bi-weekly
- WPP briefing / training session – (First session)

Other meetings in next quarter

- Host Authority update – occurs bi-weekly
- Strategic Relationship Review – 20 September 2023
- Pension Board Chairs Engagement Meeting - 3 October 2023

LFS Engagement Protocol – Business as Usual

Strategic Relationship Review	Frequency	Objective
	<ul style="list-style-type: none"> ▪ Bi-annual 	<ul style="list-style-type: none"> ▪ Ensure strategic alignment between Host Authority and Link

WPP Attendees <ul style="list-style-type: none"> ▪ Chris Moore ▪ Anthony Parnell ▪ Two Section 151 / Deputy Section 151 officers 	Link Attendees <ul style="list-style-type: none"> ▪ Karl Midl, Managing Director ▪ Richard Thornton, Head of Relationship Management, Asset Owners
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JGC Engagement	Frequency	Objective
	<ul style="list-style-type: none"> ▪ Quarterly 	<ul style="list-style-type: none"> ▪ Engage with JGC on pertinent matters and strategic deliverables

WPP Attendees <ul style="list-style-type: none"> ▪ Joint Governance Committee (JGC) 	Link Attendees <ul style="list-style-type: none"> ▪ Karl Midl, Managing Director / Adam Tookey, Head of Product – as required ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ James Zealander, Senior Relationship Manager ▪ Russell Investments
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OWG Engagement	Frequency	Objective
	<ul style="list-style-type: none"> ▪ Quarterly 	<ul style="list-style-type: none"> ▪ Identify and deliver on opportunities to improve and expand the relationship ▪ Provide update on open projects or issues ▪ Monthly KPI Review (Data supplied monthly)

WPP Attendees <ul style="list-style-type: none"> ▪ Officers Working Group (OWG) 	Link Attendees <ul style="list-style-type: none"> ▪ James Zealander, Senior Relationship Manager ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Heidi Robinson, Relationship Managers (as required) ▪ Ad-hoc Link attendance from functional departments: Tax, Compliance, Product, etc. ▪ Russell Investments
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Note: Meetings may be conducted remotely and/or amalgamated where required.

Link Engagement Protocol continued...

Host Authority Update	Frequency	Objective
<p>WPP Attendees</p> <ul style="list-style-type: none"> ▪ Anthony Parnell ▪ Tracey Williams 	<ul style="list-style-type: none"> ▪ Bi-Weekly 	<ul style="list-style-type: none"> ▪ Regular Host Authority – LFS to discuss deliverables and business updates ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ James Zealander, Senior Relationship Manager ▪ Heidi Robinson, Relationship Managers (as required) ▪ Clair Baguley, Client Service Manager (as required)
Pension Fund Committees	Frequency	Objective
<ul style="list-style-type: none"> ▪ Individual Pension Fund Committee meetings 	<ul style="list-style-type: none"> ▪ Annual 	<ul style="list-style-type: none"> ▪ General update on the ACS and planned initiatives ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ James Zealander, Senior Relationship Manager ▪ Heidi Robinson, Relationship Managers (as required) ▪ Russell Investments
Manager Engagement Days		Objective
<ul style="list-style-type: none"> ▪ Open to all involved parties 	<ul style="list-style-type: none"> ▪ Annual 	<ul style="list-style-type: none"> ▪ Open day for presentations on strategy and performance (with IM) ▪ Link Client Team ▪ Northern Trust ▪ Russell Investments and other Investment Managers ▪ Other consultants as required (e.g. bFinance)
Pension Board Engagement	Frequency	Objective
<p>WPP Attendees</p> <ul style="list-style-type: none"> ▪ Chairpersons of the Constituent Authorities ▪ Host Authority 	<ul style="list-style-type: none"> ▪ Bi-Annual 	<ul style="list-style-type: none"> ▪ General update on the ACS and planned initiatives ▪ Link Client Team ▪ Russell Investments

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Relationship Managers

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Role: Senior Relationship Manager

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Heidi Robinson

Relationship Manager

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Heidi.Robinson@linkgroup.co.uk

Head of Client Relations

Name: Richard Thornton

Role: Head of Relationship Management – Asset Owners

Number: +44 (0)20 7954 9806

Email: Richard.Thornton@linkgroup.co.uk

Executive Contact

Name: Karl Midl

Role: CEO & Managing Director

Number: +44 (0)7951 266225

Email: karl.midl@linkgroup.co.uk

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Wales Pension Partnership Business Plan 2023-2024 Q1 Review

Governance

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> Development of a WPP Breaches and Errors Policy 	In progress	To be approved at the September 2023 JGC
<ul style="list-style-type: none"> Legal Services provider contract (initial 3 year review) 		October – December 2023
<ul style="list-style-type: none"> Ongoing review of the Inter Authority Agreement 	Ongoing	
<ul style="list-style-type: none"> Annual review of WPP's policies and plans 	Ongoing	
<ul style="list-style-type: none"> Quarterly reviews of the Risk Register 	Ongoing	
<ul style="list-style-type: none"> Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes 	Ongoing	

Ongoing Sub-Fund development

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> Launch of Private Debt & Infrastructure Sub-Funds 	Yes	Infrastructure and Private Debt investment programmes launched
<ul style="list-style-type: none"> Launch of Private Equity Sub-Fund 	In progress	Private Equity investment programme to be launched later in the year
<ul style="list-style-type: none"> Launch Sustainable Equities Sub-Fund 	Yes	Launched 20 June 2023
<ul style="list-style-type: none"> Formulate the WPP's Property requirements and optimal means of implementation & launch the property Sub-funds 	In progress	Work is progressing, currently at mandate specification stage
<ul style="list-style-type: none"> Consideration of WPP's Levelling up / impact requirements 	Ongoing	

<ul style="list-style-type: none"> Launch of other Private Market sub-funds (TBC) 		Discussions to be held with individual CA's
<ul style="list-style-type: none"> Consultation with CAs on need for further sub-funds, review and develop a mechanism to pool any suitable non-pooled assets 	Ongoing	
<ul style="list-style-type: none"> Consideration of Local Investment opportunities 	Ongoing	

Operator Services

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> Operator contract / procurement process 	In progress	Procurement work has commenced, ITT to be issued October 2023
<ul style="list-style-type: none"> Operator oversight 	Ongoing	

Investments and Reporting

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> Review Sub-Fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs 	Ongoing	
<ul style="list-style-type: none"> Task Force on Climate-related Financial Disclosures (TCFD) reporting 		Awaiting TCFD consultation response
<ul style="list-style-type: none"> Stewardship Code reporting 	In progress	2022/23 report to be submitted by 31 October 2023
<ul style="list-style-type: none"> Consider additional reporting that demonstrates WPP's commitment to Responsible Investment 	Ongoing	
<ul style="list-style-type: none"> On-going Investment Manager performance reporting, scrutiny and challenge 	Ongoing	

<ul style="list-style-type: none"> Annual review of WPP's Cost Transparency Requirements 		To be reviewed in Q1 (January to March) 2024
<ul style="list-style-type: none"> Annual performance review of WPP Sub Funds (Equity and Fixed Income) 		To be reviewed in Q1 (January to March) 2024
<ul style="list-style-type: none"> On-going engagement with Constituent Authorities regarding minimum ESG / RI standards and their climate ambitions 	Ongoing	

Communication and Training

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> Formulation of the WPP's Annual Responsible Investment Progress Report 	Yes	Report presented at the July 2023 JGC and published on website
<ul style="list-style-type: none"> Formulation of the WPP's annual training plan 		To be formulated in Q1 (January to March) 2024
<ul style="list-style-type: none"> Formulation of the WPP's Annual Update 	Yes	2022/23 Annual Update published in August 2023
<ul style="list-style-type: none"> Formulation of the WPP's Annual Report 	In progress	2022/23 Annual Report to be published Autumn 2023

Resources, budget and fees

Work to be completed	Completed	Comments
<ul style="list-style-type: none"> Annual review of resources and capacity 		To be reviewed in Q1 (January to March) 2024
<ul style="list-style-type: none"> Formulation of Annual WPP Budget 		To be formulated in Q1 (January to March) 2024
<ul style="list-style-type: none"> Review and Monitoring of Operator / external provider fees 	Ongoing	

Training Plan

Training topics to be completed during 2023–2024 as per approved 2023-2024 Training Plan and progress to date:

	Completed	Comments
• Private Market Asset Classes – Private Equity / Property	Yes	8 June 2023
• Levelling up / development opportunities	Yes	8 June 2023
• TCFD reporting		
• Performance reporting		
• Voting & Engagement		Scheduled for 21 September 2023
• RI within the WPP sub funds		Scheduled for 21 September 2023
• Progress of other LGPS pools & Collaboration Opportunities		
• Pooling Guidance		

Budget

2023-2024 Budget Monitoring Report:

	Budget 2023 – 2024 £000	Forecast 2023 – 2024 £000	Variances 2023 – 2024 £000
Host Authority *	200	195	5
External Advisors *	1,448	1,448	0
TOTAL to be recharged	1,648	1,643	5
Operator Services **	37,257	37,257	0
TOTAL to be deducted from the NAV	37,257	37,257	0

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

Investments

Equity Sub-Funds

Global Growth Fund

Managed by: Link Fund Solutions

Portfolio Value: £2bn*

Global Opportunities Fund

Managed by: Russell Investments

Portfolio Value: £2bn*

UK Opportunities Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn*

Emerging Markets Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn*

Sustainable Active Equity Fund

Managed by: Russell Investments

Portfolio Value: £1.2bn*

Fixed Income Sub-Funds

Absolute Return Bond Fund

Managed by: Russell Investments

Portfolio Value: £0.4bn*

Global Government Bond Fund

Managed by: Russell Investments

Portfolio Value: £0.5bn*

Multi-Asset Credit Fund

Managed by: Russell Investments

Portfolio Value: £0.6bn*

Global Credit Fund

Managed by: Russell Investments

Portfolio Value: £0.8bn*

UK Credit Fund

Managed by: Link Fund Solutions

Portfolio Value: £0.5bn*

Private Markets

Infrastructure – closed ended

Managed by: GCM Grosvenor

Infrastructure – open ended

Managed by: CBRE, IFM and Octopus

Private Credit

Managed by: Russell Investments

* Portfolio Values as at launch date



Wales Pension Partnership

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

Wales Pension Partnership (WPP) - JGC Update

JGC meeting date: Wednesday 20 September 2023

Location: Hybrid meeting, hosted by RCT

Chair: Cllr Ted Palmer, Clwyd

Vice Chair: Cllr Elwyn Williams, Dyfed

Agenda item	Detail
Host Authority update	<p>Anthony Parnell of the Host Authority provided an update in relation to work that has been completed since the last JGC meeting and WPP's next steps / priorities.</p> <p>There has been no change to the operator procurement timetable and the ITT is still on target to be issued mid-October 2023.</p> <p>The WPP is in the process of drafting a response to the LGPS Investments consultation and the response will be submitted ahead of the 2 October 2023 deadline.</p> <p>Anthony also presented the 2023/24 Business Plan update as at 30 June 2023 (attached).</p>
Risk Register Q3 2023 Review	<p>The OWG is responsible for maintaining the WPP Risk Register and reporting back any changes or developments to the JGC on a quarterly basis. The OWG has a dedicated Risk Sub-Group to take ownership of the Risk Register and the quarterly review of the document.</p> <p>During Q3 2023, a review has taken place of the Training & Resources and Communication Risks.</p> <p>Hymans presented the changes which were approved by the JGC. The Risk Register has been uploaded on the WPP website.</p>
New policy: Breaches & Errors Policy	<p>A new Breaches and Errors Policy has been developed for the WPP which sets out WPPs policy and procedures on identifying, managing and where</p>

	<p>necessary reporting breaches of the law in accordance with section 70 of the Pensions Act 2004.</p> <p>The new policy was approved and has been uploaded on the WPP website.</p> <p>There were no policy reviews this quarter.</p>
Operator Update	<p>Link presented their quarterly update report as at 30 June 2023 (attached). This provides an update on WPP's sub funds and corporate and engagement activity.</p> <p>The sale of Link Fund Solutions to Waystone Management UK Ltd is due to complete on 9 October 2023.</p>
Performance Reports as at 30 June 2023	<p>Russell Investments presented a Q2 2023 performance summary paper (attached) summarising the performance of each individual ACS sub fund for the quarter ending 30 June 2023.</p>
<p>Exempt Items – the following items were discussed during the non-public part of the meeting.</p>	
Securities Lending Report as at 30 June 2023	<p>Stock Lending commenced in March 2020 and Northern Trust presented the Securities Lending Report for Q2 2023 (quarter ending 30 June 2023).</p>
Robeco Engagement Report – Q2 2023	<p>In March 2020, Robeco was appointed as WPP's Voting & Engagement Provider to undertake Voting and Engagement functions on behalf of the WPP. Robeco commenced their engagement service in April 2020, and they have provided an engagement report for Quarter 2 2023. The engagement theme chosen for this quarter was Global Controversy Engagement.</p>
Responsible Investment and Climate Risk reports	<p>Each quarter, Hymans Robertson produce quarterly Responsible Investment & Climate Risk Reports for WPP's sub funds.</p> <p>For Quarter 2 2023 (quarter ending 30 June 2023), the ARB and MAC reports were produced.</p> <p>Hymans presented the reports to the JGC members.</p>

<p>Sustainable Equity Sub fund transition review</p>	<p>WPP has launched a Sustainable Active Equity Fund to be managed by Russell Investments. The fund has a portfolio value of £1.2bn, with all eight Welsh Funds participating. Citi was appointed as the transition manager.</p> <p>Hymans partnered with Byhiras, an independent provider of transition analytics, have carried out a review of the Citi implementation and validation of the costs incurred. The transition implementation effectively managed a number of key risks, namely, project management, currency, sector and out of market risk, and successfully moved assets into the Sustainable Equity sub-fund on behalf of all eight Constituent Authorities</p> <p>Hymans presented the report to the JGC members.</p>
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Webcast link for the 20 September 2023 JGC meeting below:

[Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 20th September, 2023, 10.00 am](#)

WPP's website address - [Wales Pension Fund | Home \(walespensionpartnership.org\)](http://walespensionpartnership.org)

Next meeting:

- Wednesday 13 December 2023 – Virtual meeting

MEETING: **Pensions Committee**

DATE: **27 November 2023**

TITLE: **PENSIONS CONFERENCES**

PURPOSE: **To discuss 2024 conferences**

AUTHOR: **Delyth Jones-Thomas, Investment Manager**

1. Introduction

Members of the Pensions Committee have the opportunity to attend a number of conferences on a rotational basis during the year in order to enhance knowledge and discuss current issues.

2. Conferences Calendar 2024

The 2024 conference dates are as follows:

- i) **LGPS Governance Conference, York**
Thursday, 18th January to Friday, 19th January 2024
- ii) **LGC Investment Seminar, Carden Park**
Thursday, 14th March to Friday, 15th March 2024
- iii) **LGPS Pooling Symposium, Belfry**
Tuesday, 23rd April to Wednesday, 24th April 2024
- iv) **LAPF Strategic Investment Forum, The Grove**
Monday, 1st July to Wednesday, 3rd July 2024
- v) **LGC Investment Summit, Birmingham**
September 2024 (exact dates to be confirmed)
- vi) **LAPFF Conference, Bournemouth**
December 2024 (exact dates to be confirmed)

It is possible to allow up to two members to each event.

3. Attendees

Members are asked to confirm their interest to attend the above events by 15th December 2023.