



Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSIONS COMMITTEE

Date and Time

2.00 pm, MONDAY, 22ND JANUARY, 2024

Location

Virtual Meeting

NOTE

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

Contact Point

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(DISTRIBUTED 15/01/24)

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

A G E N D A

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 27th November 2023 to be signed as a true record

5. 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.

6. ACQUISITION OF ADMINISTRATIVE SYSTEM

To consider the report and approve the recommendations
(copy for Members only)

7. ROBECO ENGAGEMENT SERVICE- ENGAGEMENT REPORT 01.07.2023 - 30.09.2023

To consider and note the contents of the report
(copy for Members only)

8. TO REOPEN MEETING FOR PRESS AND PUBLIC

The Chairman shall propose that the meeting is to reopen for the press and public.

9. WALES PENSION PARTNERSHIP UPDATE 9 - 41

To receive and note a quarterly update from Wales Pension Partnership

10. TREASURY MANAGEMENT 2023-24 MID YEAR REVIEW 42 - 48

To consider and receive the report for information.

11. BUDGET APPROVAL FOR 2024/25 49 - 50

To consider and approve the 2024/25 financial year budget for the Pensions Administration and Investment sections

12. REVIEW OF STRATEGIC OBJECTIVES FOR THE FUND'S INVESTMENT CONSULTANTS 51 - 58

To consider the report of progress against current objectives and to note future objectives

13. CLIMATE SCIENCE AND ECONOMIC MODELLING 59 - 68

To note the contents of the report and consider any associated risks

14. LAPFF CONFERENCE 2023 69 - 73

To receive feedback and relevant information from the conference

PENSIONS COMMITTEE 27-11-23

Present:

Councillors:

Stephen Churchman (Chair), Goronwy Edwards (Conwy County Borough Council), John Brynmor Hughes, Richard Medwyn Hughes, Iwan Huws, Elin Hywel, Ioan Thomas and Robin Williams (Isle of Anglesey County Council)

Officers:

Delyth Jones-Thomas (Investment Manager), Ffion Madog Evans (Assistant Head of Finance - Accounting and Pensions), Meirion Jones (Pensions Manager) and Lowri Haf Evans (Democracy Services Officer).

Others invited:

Ned Michael (observer – Pensions Board Member)
Yvonne Thomas (Audit Manager, Audit Wales)

1. APOLOGIES

Apologies were received from John Pughe Roberts and Dewi Morgan (Head of Finance)

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 18 September 2023 as a true record.

5. GWYNEDD PENSION FUND'S FINAL ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2023 and RELEVANT AUDIT

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

Submitted - a report and a Statement of Accounts for the Gwynedd Pension Fund 2022/23 (post audit), by the Investment Manager providing details of the Pension Fund's financial activities for the year ending 31st March 2023. Members were reminded that a draft of the accounts had been submitted to the meeting held on 26 June 2023 and although there were no significant changes following the audit carried out by Audit Wales, there was an amendment to Note 13: Income Investment breakdown, although there was no change to the total. It was added that Note 23 - Related Party Transactions - governance membership of the Committee and the Pension Board needed updating prior to its final publication.

Yvonne Thomas (Audit Wales) was invited to submit the 'ISA260' report. It was reported that the auditors intended to issue an unqualified audit opinion on the accounts this year, once the Letter of Representation had been signed. It was explained that the auditors could never provide complete assurance that the accounts had been accurately stated, but rather that they worked to a level of 'relevance.' A materiality level of £27.6635 million had been set for this year's audit, in an attempt to identify and rectify misstatements that might otherwise cause a user of the accounts to be misled. Reference was made again to the misstatement in the original accounts (Note 13 Investment Income) and it was confirmed that this had now been corrected by managers.

Attention was drawn to the following headings:

- Propose a recommendation that the Gwynedd Pension Fund should run and save the report on membership details as recorded in the Altair system to support the figures reported in the accounts. It was noted that the Managers accepted the recommendation and had noted an intention to provide a report supporting the membership numbers in future financial statements – with the report 'saved' on the day as evidence.
- The submitted information was of high quality and was extremely positive - a good reflection of the effective arrangements in the Finance Department.
- Officers were thanked for completing the accounts in a tight timescale.

The Auditors were thanked for their cooperation and thorough work. Appreciation was expressed for the commitment and the accuracy of the work, and the Investment Manager and the team were thanked for preparing the accounts.

During the ensuing discussion, the following observation was noted:

- The report was encouraging and positive - and provided confidence that things were going well and the result of the audit highlighted the officers' good work.

Thanks were expressed for the report.

RESOLVED

- **To accept and note the 'ISA 260' report by Audit Wales**
- **To approve Gwynedd Pension Fund's post-audit Statement of Accounts for 2022/23**
- **To authorise the Chair and Head of Finance to certify the Letter of Representation, electronically.**

6. WALES PENSION PARTNERSHIP (WPP) UPDATE

Submitted - the report of the Investment Manager. It was noted that the report was one that appeared regularly on the Pension Committee's agenda as a means of ensuring that Members received current and up-to-date information. Reference was made to a summary of discussions and decisions of the Governance Joint Committee (the Partnership's decision-making body) held on 20 September 2023, drawing specific attention to the review of the Business Plan for 2023/24.

Members were reminded that Waystone (previously Link) was the operator providing the service regulated by the FCA; Russell Investments provided the investment options for the listed assets; Northern Trust was the appointed global custodian; Hymans Robertson was the governance and oversight advisor and Robeco provided voting and engagement services to the WPP, in accordance with its responsibilities and stewardship commitments.

Reference was also made to the operator's update regarding information about all the funds that had been established by the Partnership (Gwynedd was one of eight, with 83% of Gwynedd's Fund pooled with the Partnership) and to the record of the performance of those funds.

In the context of the funds' performance, it was noted that this financial year had been slow initially, although the equity performance had started to improve by June due to American markets.

In the context of future developments, it was reported that work was ongoing with private markets, on-boarding with the open-ended infrastructure sub-fund and Schroders private equity mandate soon to receive investments. Finally, it was noted that work was continuing to develop real estate solutions for the partnership, and that the tendering process was ongoing to find a real estate provider.

Thanks were expressed for the report.

In response to the report, the Chair noted that the UK Government had recently been critical about the slow progress of the pooling work. It was pleasing to report that Gwynedd, and the Wales Pension Partnership were at the forefront in this respect.

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

7. PENSIONS CONFERENCES

Submitted - a report listing the dates of the pensions conferences for 2024. It was noted that the conferences gave Members an opportunity to expand their knowledge and discuss matters of relevance. Dates were discussed and Members stated their interest in the events that were convenient for them.

RESOLVED to accept the information and note the dates

8. 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 public financial interests 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.

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

Submitted - a report proposing a new strategic allocation for the Fund's assets further to the improvement in the funding situation since the three-year valuation in 2022. It was expressed that the Strategic Asset Allocation was the most important decision for any Pension Fund, and it was emphasised that there was no right or wrong way of determining the Strategic Assets Allocation, as this was a matter of trying to find the best solution to restrictions and opportunities. The solution would also be influenced by the investors' personal philosophies.

Thanks were expressed for the report.

The proposed new assets were discussed

RESOLVED to approve moving to the proposed strategic assets allocation for the Fund

Note:

The Total Defensive figure needed correcting

10. ROBECO ENGAGEMENT SERVICE – ENGAGEMENT REPORT Q2 2023

A quarterly report was submitted summarising the work Robeco (WPP Voting and Engagement Provider) undertook on behalf of the Pension Fund, including engagement work.

The content of the report was discussed

RESOLVED to accept and note the contents of the report

Note:

In future, ensure that the report included more detail and background information

The meeting commenced at 10:00 and concluded at 10:50

MEETING	PENSIONS COMMITTEE
DATE	22 JANUARY 2024
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 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 13th December 2023. The host authority has 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 September 2023.

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

- **Global Opportunities - £378.1m**
- **Global Growth- £362.7m**
- **Emerging Markets - £56.3m**
- **Global Passive - £529.5m**
- **Multi Asset Credit - £205.1m**
- **Absolute Return Bond- £398.5m**
- **Global Credit Fund - £131.6m**
- **Sustainable Equity Fund- £275.3m**

4. PERFORMANCE REPORTS AS AT 30TH SEPTEMBER 2023

The performance reports can be seen in Appendix 4.

Equities retreated following earlier gains on rising expectations that interest rates would stay higher for longer prompted by hawkish comments from central banks. Soaring oil prices added to concerns that the battle over inflation may be prolonged. Worries over the Chinese economy, particularly the property sector, prompted a sell off in Chinese equities mid-quarter although new stimulus measures from Beijing and a pick-up in manufacturing stemmed some of the falls. The US dollar strengthened against most currencies. The Federal Reserve (Fed) and Bank of England (BoE) both raised rates by 25 basis points (bps) earlier in the quarter but left them unchanged at their September meetings. The European Central Bank (ECB) raised rates twice, each by 25 bps, bringing them to the bloc's all-time high of 4.0%.

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.
- The procurement exercise for the Real Estate managers is underway.

6. RECOMMENDATION

To receive and note the information.

Wales Pension Partnership (WPP) - JGC Update

JGC meeting date: Wednesday 13 December 2023

Location: Virtual meeting

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>Operator contract - the Invitation to Tender was issued on 16 October 2023 and closed on 20 November 2023. The WPP are currently evaluating the submissions received.</p> <p>The procurement exercise for the Real Estate managers is also underway with the Pre-qualification Questionnaire issued on 17 November 2023. The recommendation report is due to go to the July 2024 JGC for approval, with the contract being awarded in August 2024.</p> <p>Anthony also presented the 2023/24 Business Plan update as at 30 September 2023 (attached).</p>
Risk Register Q4 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 Q4 2023, a review has taken place of the Investment Risks.</p> <p>Hymans presented the changes which were approved by the JGC. The Risk Register has been uploaded on the WPP website.</p>

<p>Policy Reviews:</p> <ul style="list-style-type: none"> • Training Policy • Rebalancing & Alteration Policy 	<p>The WPP have approved several policies / plans which are to be reviewed on a regular basis. This quarter, the OWG have undertaken a review of the Training Policy and Rebalancing & Alteration Policy.</p> <p>The Training Policy outlines WPP's approach to training and requirements. Following this review, the policy has been updated to reflect the method that training needs are identified.</p> <p>The Rebalancing and Alteration policy sets out WPP's approach to rebalancing the assets held within the pools' sub-funds. The policy outlines the framework that has put in place to ensure that manager allocations within sub-funds are monitored and rebalanced where appropriate. During this review, the policy has been updated to take account of the Private Market mandates.</p> <p>The updated policies were approved and have been uploaded on the WPP website.</p> <p>There were no new policies this quarter.</p>
<p>Operator Update</p>	<p>The sale of Link Fund Solutions to Waystone Management (UK) Limited (Waystone) completed on 9th October 2023. Waystone presented their quarterly update report as at 30 September 2023 (attached). This report provides market updates, details of WPP's current sub fund holdings, as well as a corporate and engagement update.</p>
<p>Performance Reports as at 30 September 2023</p>	<p>Russell Investments presented a Q3 2023 performance summary paper (attached) summarising the performance of each individual ACS sub fund for the quarter ending 30 September 2023.</p>
<p>Exempt Items – the following items were discussed during the non-public part of the meeting.</p>	
<p>Securities Lending Report as at 30 September 2023</p>	<p>Stock Lending commenced in March 2020 and Northern Trust presented the Securities Lending Report for Q3 2023 (quarter ending 30 September 2023).</p>

Robeco Engagement Report – Q3 2023	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 3 2023 (quarter ending 30 September 2023). The engagement theme chosen for this quarter was Net Zero Carbon Emissions.
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 3 2023 (quarter ending 30 September 2023), the Emerging Markets and UK Opportunities reports were produced.</p> <p>Hymans presented the reports to the JGC members.</p>
All-Wales Climate Report	<p>Hymans Robertson have drafted an all-Wales climate report which provides an assessment of climate risks across the pool, including recommendations to be considered. This report was presented to the JGC.</p> <p>A public facing version of the report will be issued in the new year.</p>

Webcast link for the 13 December 2023 JGC meeting below:

[Agenda for Wales Pension Partnership Joint Governance Committee on Wednesday, 13th December, 2023, 10.00 am](#)

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

Next meeting:

- Wednesday 13 March 2024 – Hybrid meeting, hosted by Powys



Wales Pension Partnership
Business Plan
2023-2024
Q2 Review
(July to Sept 2023)

Governance

Work to be completed	Completed	Comments
• Development of a WPP Breaches and Errors Policy	Yes	Approved at the September 2023 JGC
• Legal Services provider contract (initial 3 year review)	Yes	Initial 3 year review completed, 2 year contract extension put in place
• Ongoing review of the Inter Authority Agreement	Ongoing	
• Annual review of WPP's policies and plans	Ongoing	
• Quarterly reviews of the Risk Register	Ongoing	
• Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes	Ongoing	Response submitted in relation to the recent LGPS Investments consultation

Ongoing Sub-Fund development

Work to be completed	Completed	Comments
• Launch of Private Debt & Infrastructure Sub-Funds	Yes	Infrastructure and Private Debt investment programmes launched
• Launch of Private Equity Sub-Fund	Yes	Private Equity investment programme launched
• Launch Sustainable Equities Sub-Fund	Yes	Launched 20 June 2023
• Formulate the WPP's Property requirements and optimal means of implementation & launch the property Sub-funds	In progress	PQQ issued 17 November 2023
• Consideration of WPP's Levelling up / impact requirements	Ongoing	
• 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	ITT issued October 2023, currently evaluating the submissions received
<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 	Yes	2022/23 report submitted 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 	Yes	2022/23 Annual Report published in November 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		Scheduled for 13 December 2023
• Performance reporting		Scheduled for 13 December 2023
• Voting & Engagement	Yes	21 September 2023
• RI within the WPP sub funds	Yes	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	186	14
External Advisors *	1,448	1,467	(19)
TOTAL to be recharged	1,648	1,653	(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

Private Equity

Managed
by: Schroders

* Portfolio Values as at launch date



Wales Pension Partnership

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



Wales Pension Partnership
Joint Governance Committee
Q3 2023 review – 13 December 2023



Market Updates

Acquisition Complete

As discussed since the last Joint Governance Committee on 20 September 2023;

The Sale to Waystone Management (UK) Limited (WMUK) completed on 9th October 2023

Waystone is the leading provider of institutional governance, risk and compliance services to the asset management industry.

Partnering institutional investors, investment funds and asset managers Waystone builds, supports and protects investment structures and strategies worldwide. With over 20 years' experience and a comprehensive range of specialist services to its name, Waystone is now supporting asset managers with more than US\$2Tn in AUM

Waystone provides its clients with the guidance and tools to allow them to focus on managing their investment goals with confidence

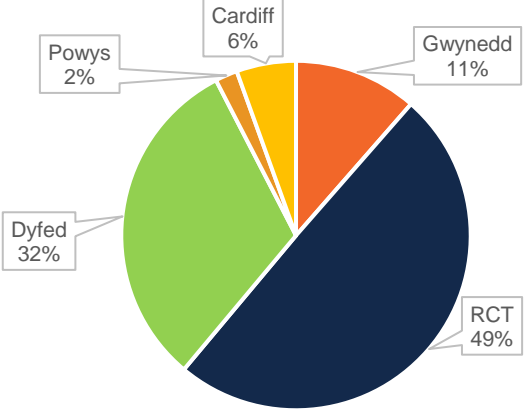
September 2023 WS Wales PP Fund Summary AUM

Fund	AUM	Inception date
Global Growth	£3,134,315,780	6th Feb 2019
Global Opportunities	£2,911,502,397	14th Feb 2019
UK Opportunities	£775,493,564	10th Oct 2019
Multi Asset Credit	£463,462,906	12th Aug 2020
Emerging Markets	£677,376,333	20th Oct 2021
Global Credit	£857,063,502	21st Aug 2020
Global Government Bond	£577,072,879	20th Aug 2020
Absolute Return Bond	£517,323,204	30th Sept 2020
Sterling Credit	£357,077,225	19th Aug 2020
Sustainable Active Equity Fund	£1,259,811,721	20th June 2023
Total Active Investments	£11,530,499,511 as at 30 September 2023	

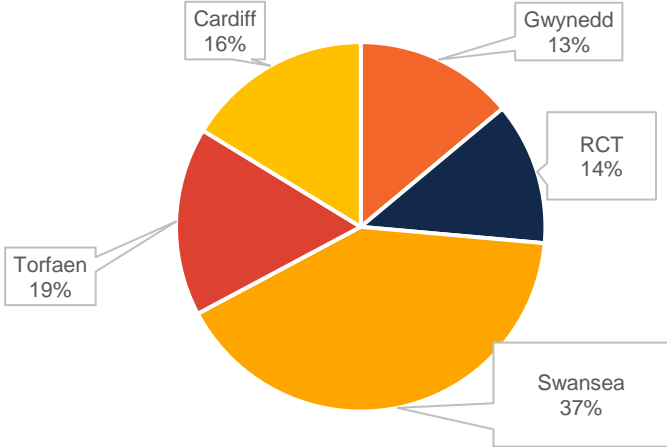
September 2023 Fund Snapshot - Equities

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

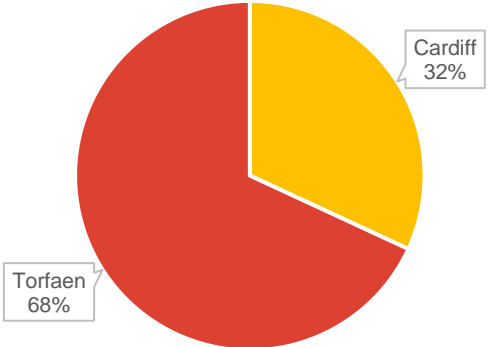
Global Growth



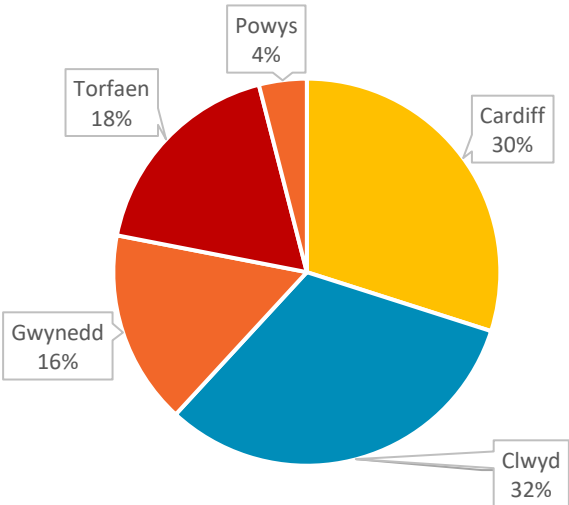
Global Opportunities



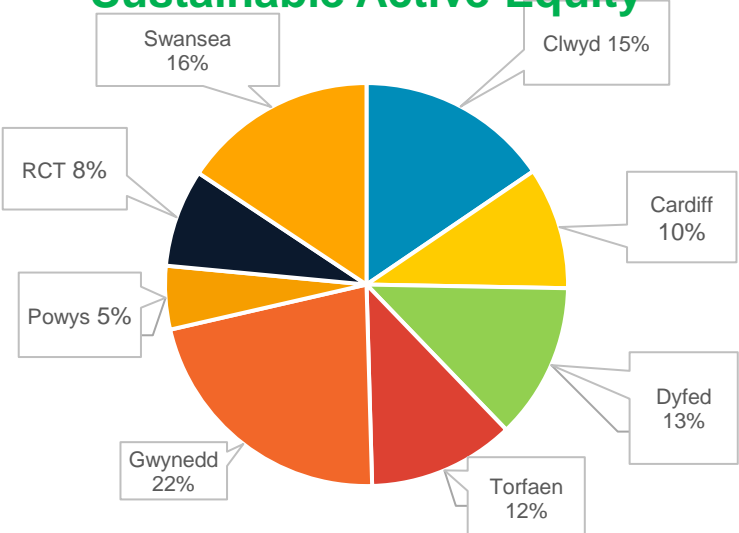
UK Opportunities



Emerging Markets

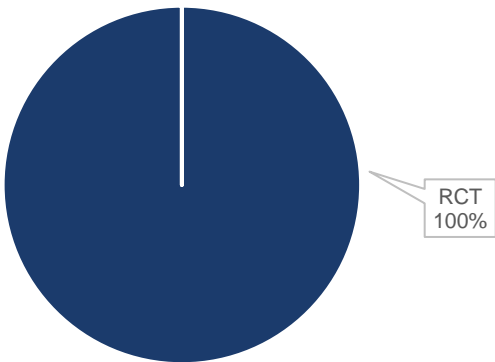


Sustainable Active Equity

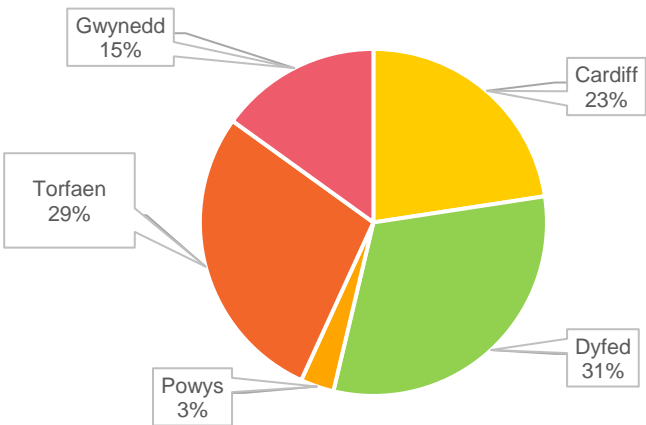


September 2023 Fund Snapshot - Fixed Income

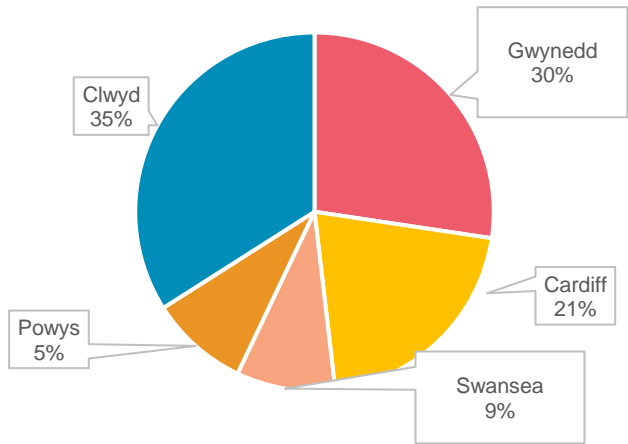
Sterling Credit



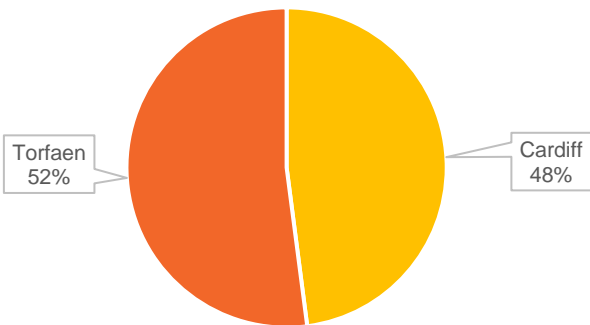
Global Credit



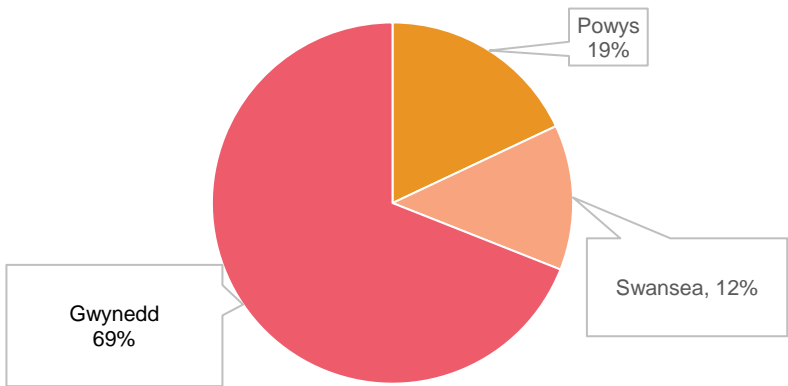
Multi Asset Credit



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	N/a		N/a
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. This is now expected to be Q1 2024"
	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 – Live date to be confirmed
	Manager Changes on UK Opportunities Fund	✓	WS WPP UK Opportunities Fund - Terminate Lazard and Majedie UK Core, hire Fidelity, and increase the weight to Liontrust UK CF Solution, JO Hambro UK Dynamic and Ninety-One UK Value - Live date 16 October
	Manager Changes on Absolute Return Bond Fund	✓	WS WPP Absolute Return Bond Fund - Terminate Putnam and increase the weightings of Wellington, Insight and Aegon - Live date 16 October
	Cash Yield Options for current fund range	✓	Cash Yield Options currently being investigated by WMUK Governance.

Market Updates

Market Updates			
Activity		Status	Commentary
Russia / Ukraine	Impact to ACS sub-funds holding Russian companies	✓	WMUK 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. All WPP Funds holding no Russian companies
Middle East	Impact to ACS sub-funds holding Israeli companies	✓	Currently 10 securities held in Israeli companies across four sub funds; Global Government Bond Fund, Multi Asset Credit Fund, Global Credit Fund & Global Opps Equity Fund with a value of approx. £11.8m. Situation currently being monitored as part of the BAU oversight process

Status key:

Completed or already in place

On target;

Delay Expected;

Not Applicable

WMUK Corporate Update & Engagement

Key Q3 and future WPP Engagement

Waystone attendance at OWG/JGC meetings in period:

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

Waystone attendance at OWG/JGC meetings in next quarter:

- OWG 24 October 2023
- WPP JGC 13 December 2023

Waystone - Pension Committee attendance in period:

Waystone - 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
- Strategic Relationship Review – 20 September 2023

Other meetings in next quarter

- Host Authority update – occurs bi-weekly
- Pension Board Chairs Engagement Meeting - 3 October 2023
- WPP briefing / training session – (second session)

WMUK 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 WMUK
WPP Attendees <ul style="list-style-type: none">▪ Chris Moore▪ Anthony Parnell▪ Two Section 151 / Deputy Section 151 officers		Waystone Attendees <ul style="list-style-type: none">▪ Karl Midl, Country Head, UK and CEO▪ Richard Thornton, Head of Relationship Management, Asset Owners
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)		Waystone Attendees <ul style="list-style-type: none">▪ Karl Midl, Country Head, UK and CEO / Adam Tookey, Head of Product – as required▪ Richard Thornton, Head of Relationship Management, Asset Owners▪ James Zealander, Senior Relationship Manager▪ Russell Investments
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)		Waystone 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: Investment Management Oversight, Tax, Compliance, Product, etc.▪ Russell Investments

PSP-DC3N

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Thank you

Relationship Managers

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Heidi Robinson
Relationship Manager
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Head of Client Relations

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Email: Richard.Thornton@linkgroup.co.uk

Executive Contact

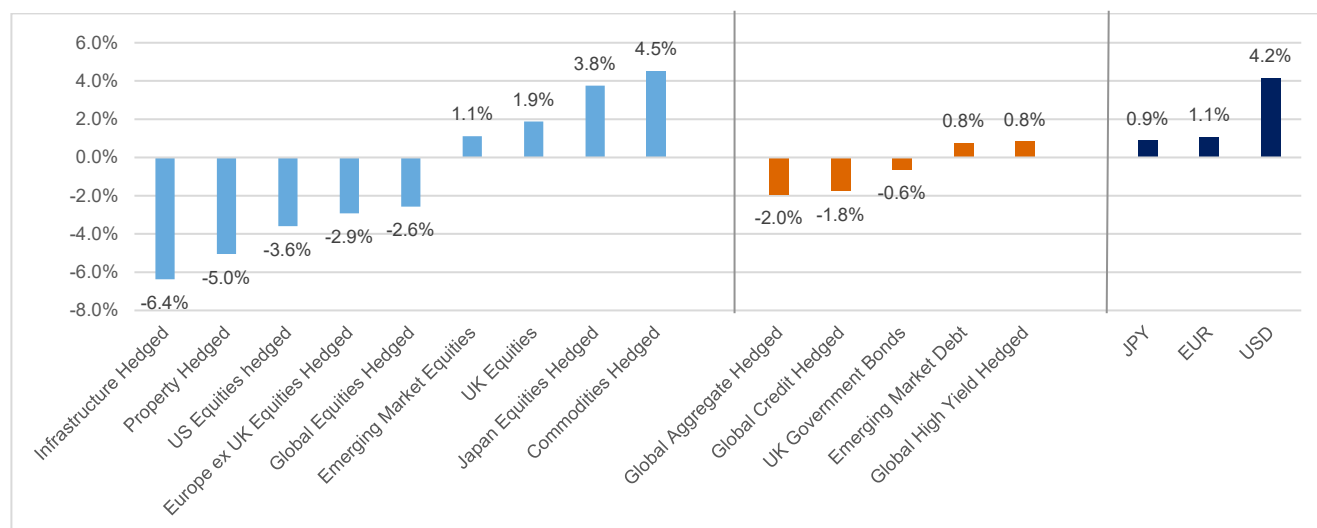
Name: Karl Midl
Role: Country Head, UK and CEO
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JGC - WPP Performance Summary Q3 2023

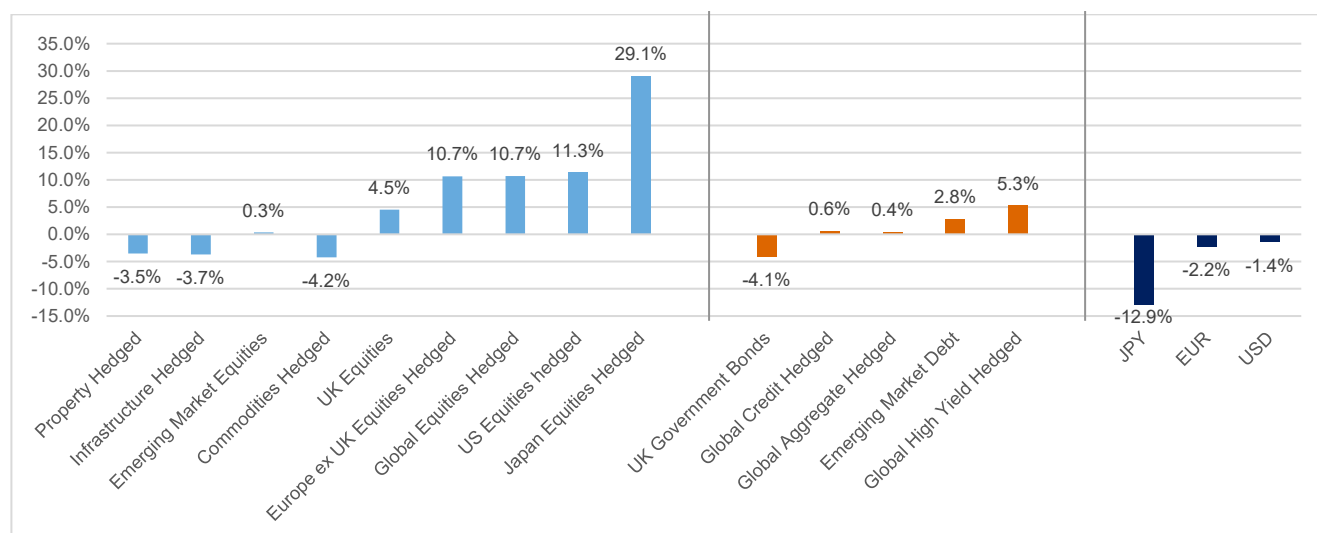
Global Market Commentary

Equities retreated following earlier gains on rising expectations that interest rates would stay higher for longer prompted by hawkish comments from central banks. Soaring oil prices added to concerns that the battle over inflation may be prolonged. Worries over the Chinese economy, particularly the property sector, prompted a sell-off in Chinese equities mid-quarter although new stimulus measures from Beijing and a pick-up in manufacturing stemmed some of the falls. The US dollar strengthened against most currencies. The Federal Reserve (Fed) and Bank of England (BoE) both raised rates by 25 basis points (bps) earlier in the quarter but left them unchanged at their September meetings. The European Central Bank (ECB) raised rates twice, each by 25 bps, bringing them to the bloc's all-time high of 4.0%.

Asset class performance – Quarter to Date (September) 2023



Asset class performance – Year to Date (September) 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	-0.5	10.8	9.1
Net	-0.6	10.3	8.7
MSCI AC World Index Net	0.6	10.5	10.1
Excess returns (gross)	-1.1	0.3	-1.0

Inception Date: 31st January 2019

Source: Northern Trust as of 30 September 2023

Overall Fund Commentary

Energy and Communication Services were the best performing sectors over the quarter. Utilities, Real Estate and Consumer Staples were the worst performers. Value outperformed the benchmark which supported the outperformance of Pzena. Veritas' value bias helped deliver small outperformance. Growth broadly underperformed which impacted the returns of Baillie Gifford as a number of holding experienced significant drawdowns. This caused underperformance at the total fund level.

Global Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
Gross	1.4	10.4	11.4
Net	1.4	10.1	11.0
MSCI AC World Index Net	0.6	10.5	10.1
Excess returns (gross)	0.8	-0.1	1.3

Inception Date: COB 14th February 2019

Source: Source: Northern Trust as of 30 September 2023

Overall Fund Commentary

High dividend yield and value were the best performing styles over the quarter. Growth broadly underperformed. In developed markets large caps outperformed small and mid-caps, notably in the US, while the trend reversed in emerging markets where small caps outperformed large cap stocks. Energy was the standout performer due to soaring oil prices. In contrast, utilities, real estate, and consumer staples were the weakest-performing sectors given their bond proxy exposures.

Sustainable Active Equity Fund:

	Three Months	1 Year	Since Inception
Gross	-1.7	-	-0.1
Net	-1.8	-	-0.2
MSCI AC World Index Net	0.6	-	2.6
Excess returns (gross)	-2.3	-	-2.7

Inception Date: COB 17th July 2023

Source: Source: Northern Trust as of 30 September 2023

Overall Fund Commentary

High dividend yielding and value were the best performing styles over the quarter. Growth broadly underperformed in the market environment followed by small caps. Energy was the best sector on rising oil prices, the Funds underweight to this sector drove underperformance. Bond-like sectors (Utilities, Real Estate) were weak as the term-premium for bonds rose strongly. A further tilt of the Fund away from large caps was a detractor on performance. With the tilt towards value adding positive performance over the period.

EM Market Commentary

Emerging markets outperformed the index. In contrast to its position in the second quarter as the laggard, Turkey was the standout performer over the last quarter. Equities reached record highs as foreign investors returned to the market following the central bank's interest rate rises of 250 bps, 750 bps and 500 bps in July, August and September, respectively, which brought borrowing costs to the highest since September 2003. Investors have been encouraged by evidence of the country's adoption of more orthodox monetary policy. Egypt also performed well with the EGX index reaching a record high propelled by investors seeking to protect their savings from rampant inflation. In addition, United Arab Emirates, Malaysia and India recorded notable positive gains. Among the worst performers were Chile, Poland and Argentina.

EM Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
Gross	0.2	3.4	-6.7
Net	0.1	2.9	-7.1
MSCI Emerging Market Index + 1.5%	1.5	3.7	-5.2
Excess returns (gross)	-1.3	-0.3	-1.5

Performance Target is MSCI Emerging Market Index + 1.5%

Inception Date: 20th October 2021

Source: Source: Northern Trust as of 30 September 2023

Overall Fund Commentary
Within the emerging market environment, the Fund's positive exposure to momentum contributed positively. However, stock selection within China, and within consumer discretionary names (overweight Ecovacs Robotics, underweight online retailer PDD), detracted. Stock selection within Brazil (overweight Banco Bradesco) was also negative. At the country level, an underweight to India did not suit the market environment. However, an underweight to and stock selection within Taiwan (underweight semiconductor giant TSMC, overweight smaller players) mitigated additional underperformance.

UK Market Commentary

UK equities outperformed other markets and the wider index (in USD) due to strong performance from the energy sector. The BoE raised interest rates by 25 bps in August but left them unchanged in September, at 5.25%. Warning that borrowing costs would remain high for at least the next two years the bank claimed the economy had proved more resilient than expected and that strong wage growth was the main reason for higher interest rates. Later in the quarter, revised figures from the Office of National Statistics supported the BoE's claim, revealing that the economy recovered from the pandemic faster than previously estimated. In the second quarter, GDP was 1.8% above the pre-pandemic level in the last quarter of 2019, rather than the initial estimate of a 0.2% contraction.

UK Opportunities Equity Fund:

	Three Months	1 Year	Since Inception
Gross	2.1	20.4	3.7
Net	2.0	19.9	3.3
FTSE All Share	1.9	13.8	4.1
Excess returns (gross)	0.2	6.5	-0.4

Inception Date: 23rd September 2019

Source: Northern Trust as of 30 September 2023

Overall Fund Commentary

The Funds overweight to Quality and underweight to Low Volatility supported performance over the quarter. The exposure to value helped bolster performance as value stocks outperformed over the period. In particular, JO Hambro and Ninety-One benefitted from their value exposure. With small cap stocks underperforming large caps the Funds exposure to small caps acted as a headwind to performance.

Fixed Income Market Commentary

The Bloomberg Global Aggregate Bond Index (USDH) was down 1.8% over the quarter. Corporate bond markets struggled while government bond yields climbed. Continued hawkish comments from central bank officials and soaring oil prices dampened investor optimism prompting an adjustment to interest rate expectations. Ten-year government bond yields reached new year-to-date highs in the US and eurozone. High yield corporate credit outperformed investment grade equivalents. The Federal Reserve (Fed) and Bank of England (BoE) both raised interest rates by 25 basis points (bps) early in the quarter but left them unchanged at their September meetings. The European Central Bank (ECB) raised rates twice, each by 25 bps, bringing them to the bloc's all-time high of 4.0%.

Global Government Bond Fund:

	Three Months	1 Year	Since Inception
Gross	-2.3	0.7	-4.3
Net	-2.5	0.5	-4.5
FTSE World Gvt Bond Index (GBP Hedged)	-2.5	-0.7	-5.4
Excess returns (gross)	-0.2	1.4	1.1

Inception Date: 30th July 2020

Source: Source: Northern Trust as of 30 September 2023

Overall Fund Commentary

The Fund's underweight to benchmark 10-year Japanese bonds was a key contributor this quarter. UK gilt positioning suited the market environment, particularly towards short-dated issues as these yields declined from elevated levels seen in the previous quarter. An underweight to core eurozone bonds also contributed positively. In contrast to the second quarter, an overweight to Mexican rates detracted this period.

Global Credit Fund:

	Three Months	1 Year	Since Inception
Gross	-1.7	2.8	-4.9
Net	-1.8	2.6	-5.0
Bloomberg Barclays Global Agg Credit Index (GBP Hedged)	-1.8	3.1	-4.7
Excess returns (gross)	0.1	-0.3	-0.1

Inception Date: 27th July 2020

Source: Source: Northern Trust as of 30 September 2023

Overall Fund Commentary

The Fund's overweight to European high yield (financials) and investment grade credit contributed positively. Overweight exposure to US high yield credit financials also helped. However, an underweight to US investment grade industrials and utilities detracted. In hard currency emerging market debt, underweights to investment grade credit in Asia, Europe, and Latin America were ineffective.

Multi Asset Credit Fund:

	Three Months	1 Year	Since Inception
Gross	0.1	10.4	0.4
Net	0.0	10.0	0.1
3 Month GBP SONIA + 4%	2.3	8.3	5.6

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

Inception Date: 27th July 2020

Source: Source: Northern Trust as of 30 September 2023

Overall Fund Commentary
As in the second quarter, high yield (HY) was stronger than investment grade corporate debt, except for US HY where spreads widened. The Funds exposure to the sub asset class helped deliver over the period. In the rising interest rate environment, the Funds exposure to bank loans through ICG helped to stem underperformance. The exposure of the Fund to EM local currency was a detractor on performance due to the US dollar strength over the period. Positive performance from Voya through exposure to residential mortgage backed securities helped stem further underperformance over the quarter.

Absolute Return Bond Strategy Fund:

	Three Months	1 Year	Since Inception
Gross	2.7	6.3	2.9
Net	2.6	5.9	2.6
3 Month GBP SONIA + 2%	1.8	6.2	3.7

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

Inception Date: 30th September 2020

Source: Source: Northern Trust as of 30 September 2023

Overall Fund Commentary
The Funds exposure to high yield was a main driver of its outperformance over the quarter as spreads tightened. With increased volatility in the market over the quarter due to the expectation that interest rates would be higher for longer. Investors were attracted to asset backed securities (ABS) increasing these securities values. The Funds exposure to ABS through Aegon was a driver of its outperformance over the quarter.

Sterling Credit Fund:

	Three Months	1 Year	Since Inception
Gross	2.4	8.4	-4.6
Net	2.4	8.3	-4.8
ICE Bank of America Merrill Lynch Euro-Sterling Index plus 0.65%	2.4	8.1	-5.0
Excess returns (Gross)	0.0	0.3	0.4

Inception Date: 27th July 2020

Source: Northern Trust as of 30 September 2023

Overall Fund Commentary

During the quarter, the fund performed in line with the benchmark, returning 2.2%, with credit positioning supporting returns while term structure positioning detracted from performance. An overweight credit beta position supported returns as credit spreads broadly tightened over the quarter amid signs of improving consumer confidence and hopes that interest rates may have peaked. At a sector level, the overweight stance in banks & brokers, insurance and other financials supported performance. Our overweight position in legacy Credit Suisse debt (now UBS) contributed to performance, as we exploited the spreads differential between Credit Suisse and UBS, on the announcement of the merger. Our underweight positioning in quasi/sovereign names such as KfW and European Investment Bank detracted from performance. On the duration front, an overweight position in the Euro duration detracted from performance as central banks stuck to their message to keep rates high for longer. The fund's adverse sterling duration position also detracted from performance. Gilt yields remain volatile and rose during the quarter. However, Gilts recovered as weaker growth data forced investors to dial down their expectations for terminal rates.

UK bonds posted positive returns during the quarter, with corporate bonds outperforming government bonds. In the corporate credit space, credit spreads tightened amid signs of improving consumer confidence and hopes that interest rates may have peaked. The European Central Bank (ECB) raised interest rates by 25 basis points in July however, the overall tone moved in a dovish direction. Furthermore, the ECB regarded the outlook for inflation as highly uncertain, thereby emphasising sticking to a data-dependent, meeting-by-meeting approach. However, investors remained cautious about the possibility of further monetary tightening by the ECB on the back of mixed economic data. US treasuries sold off at the start of the quarter amid the tight labour market and a relatively hawkish stance from the US Federal Reserve (Fed). The trend continued when the credit rating agency, Fitch, lowered the US government's long-term debt rating to AA+ from AAA due to concerns over fiscal and governance-related issues.

MEETING:	PENSIONS COMMITTEE
DATE:	22 JANUARY 2024
TITLE:	TREASURY MANAGEMENT 2023-24 MID YEAR REVIEW
PURPOSE:	CIPFA's Code of Practice recommends that a report on the Council's actual Treasury Management during the current financial year is produced.
RECOMMENDATION:	RECEIVE THE REPORT FOR INFORMATION
AUTHOR:	DELYTH JONES-THOMAS, INVESTMENT MANAGER

EXECUTIVE SUMMARY

During the six month period between 1 April and 30 September 2023, the Council's borrowing and investments remained well within the limits originally set. There were no new defaults by banks in which the Council deposited money. Furthermore, it is estimated that the Council's actual investment income will be higher than the expected income in the 2023/24 budget.

1. INTRODUCTION

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides a mid-year update.

This report includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Council's normal quarterly reports.

It was decided at the Pensions Committee, 27 March 2023 to allow the surplus funds of the Pension Fund to be pooled and co-invested with the Council's overall cash flow for the financial year 2023/24.

2. EXTERNAL CONTEXT

Economic background: UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the Council's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets: Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review: Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

3. TREASURY INVESTMENT ACTIVITY

CIPFA revised TM Code defines treasury management investments as those which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the 6 months, the Council's investment balance ranged between £139.5 and £223.4 million due to timing differences between income and expenditure. The investment position during the period is shown in the following table:

Treasury Investment Position

	31.3.23	6 month	30.9.23	30.9.23
	Balance	Movement	Balance	Income
	£m	£m	£m	Returns
				%
Banks & building societies (unsecured)	29.1	(7.4)	21.7	5.21
Local authorities	20.1	44.9	65.0	5.19
Money Market Funds	60.8	(2.8)	58.0	5.27
Pooled Funds	8.7	2.8	11.5	5.13
Debt Management Office	34.0	(0.9)	33.1	5.27
Total investments	152.7	36.6	189.3	

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in the table below.

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2023	4.63	A+	62%	33	4.04
30.09.2023	4.57	A+	45%	47	5.23
Similar Las	4.21	AA-	29%	86	4.89
All LAs	4.47	AA-	59%	13	4.79

Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of June and Money Market Rates between 4.9% and 5.3%.

£13m of the Council's investments has been invested in externally managed strategic pooled property, multi-asset and equity funds where short-term security and liquidity are lesser consideration, and the objectives instead are regular revenue income and long-term price stability. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued stability in meeting the Council's investment objective are regularly reviewed.

The performance of our pooled property, multi-asset and equity funds at 30 September 2023 can be seen below:

STRATEGIC POOLED FUND PORTFOLIO			GWYNEDD				From:	30/09/2022	To:	30/09/2023
FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility
AEGON (KAMES) DIVERSIFIED MONTHLY INCOME FUND	MULTI ASSET	1,158,480	1,082,514	34,230	65,039	1.0	3.27%	6.20%	9.47%	7.9%
CCLA - LAMIT PROPERTY FUND	PROPERTY	1,524,344	4,269,535	-949,819	202,067	1.0	-18.20%	3.87%	-14.33%	8.9%
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	1,228,153	1,085,123	4,735	43,617	1.0	0.44%	4.04%	4.48%	4.1%
PAYDEN ABSOLUTE RETURN BOND FUND	ABSOLUTE RETURN	233,541	1,991,803	-8,197	10,509	0.0	-0.41%	0.53%	0.12%	0.1%
SCHRODER INCOME MAXIMISER FUND	EQUITY - UK	7,675,245	3,046,305	221,954	168,782	0.7	7.86%	5.98%	13.83%	13.8%
GRAND TOTAL			11,475,279	-697,098	490,014	0.8	-5.73%	4.03%	-1.70%	4.7%
			Unrealised capital loss since purchase:		-1,524,722	Annualised income return:		5.13%		

It is evident that the combined capital value of £11.475m is less than the initial investment of £13m. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters, and even years; but with the confidence that over a three to five year period total returns will exceed cash interest rates. Investment in these funds will be maintained in the medium term.

4. TREASURY MANAGEMENT PERFORMANCE

i. Investment Limits

	Counterparty Maximum during period	Counterparty 30.9.23 Actual	Counterparty 2023/24 Limit	Complied
The UK Government	£95.3m	£33.1m	Unlimited	✓
Local authorities & other government entities	£5m	£5m	£10m	✓
Secured investments	£0m	£0m	£10m	✓
Banks (unsecured)	£5m	£5m	£5m	✓
Building societies (unsecured)	£5m	£5m	£5m	✓
Registered providers (unsecured)	£0m	£0m	£5m	✓
Money market funds	£10m	£10m	£10m	✓
Strategic pooled funds	£5m	£5m	£10m	✓
Real Estate Investment Trusts	£0m	£0m	£10m	✓
Other investments	£0m	£0m	£5m	✓

ii. Long term Treasury Management Investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24	2024/25	2025/26	No precise date
Actual principal invested beyond year end	£15m	£0	£0	£0
Limit on principal invested beyond year end	£40m	£20m	£20m	£20m
Complied	✓	✓	✓	✓

iii. Additional indicators:

The Council measures and manages its exposures to treasury management risks using the following indicators:

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the time-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment and taking the arithmetic average, weighted by the length of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.23 Actual	2023/24 Target	Complied
Portfolio average credit score	4.57	A score of 6 or lower	✓

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	30.9.23 Actual	2023/24 Target	Complied
Total cash available within 3 months	£147.8m	£10m	✓

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates was:

	30.9.23 Actual	2023/24 Limit	Complied
Upper limit on one year revenue impact of a 1% rise in interest rates	£1,485,115	£1,039,420	X
Upper limit on one year revenue impact of a 1% fall in interest rates	£1,485,115	£1,039,420	x

This indicator has not been complied with because the indicator was set when interest rates were low, but interest levels have risen significantly in the year without warning and therefore it is reasonable that the amounts are above the limit.

iv. Treasury Management Performance

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

The Council's budgeted investment income for the year is £1.9m, however the actual expected investment income for the year 2023/24 is significantly higher, estimated at £3.0m due to the increase in the base rate and forecasted future increases.

5. INVESTMENT TRAINING

During the period, officers have attended investment training with Arlingclose and CIPFA relevant to their roles.

6. RECOMMENDATION

To receive the report for information.

MEETING: **PENSIONS COMMITTEE**

DATE: **22 JANUARY 2024**

TITLE: **BUDGET APPROVAL FOR 2024/25**

PURPOSE: **To approve the 2024/25 financial year budget for the Pensions Administration and Investment sections.**

RECOMMENDATION: **APPROVE THE BUDGET**

AUTHOR: **DELYTH JONES-THOMAS, INVESTMENT MANAGER**

1. INTRODUCTION

- 1.1 The purpose of this report is to approve the 2024/25 financial year budget for the Pensions Administration and Investment sections.

2. PENSIONS ADMINISTRATION SECTION

	Final 2023/24 £	Inflation £	Adjustments £	Budget 2024/25 £
Employees	897,160	65,510	4,700*	967,370
Travel and Subsistence	1,440	0	0	1,440
Supplies and Services	278,940	19,280	28,600	326,820
Central Services	132,200	6,610	0	138,810
Total	1,309,740	91,400	33,300	1,434,440

* staff increments

2.1 Employees, travel and subsistence

The budget for this section consists of 22 full time posts (3 of which are temporary) and 2 part time posts.

2.2 Supplies and Services

The supplies and services include mainly printing, office materials and software costs. The increase in budget is due to the systems contract. The systems contract is due for renewal during the year and there is a separate agenda item on this matter to explain the increase.

2.3 Central Services

Central services comprise an element of the Head of Finance and ancillary staff costs, and support from Council services such as information technology, corporate and legal.

3. INVESTMENT SECTION

	Final 2023/24 £	Inflation £	Adjustments £	Budget 2024/25 £
Employees	132,640	6,620	0	139,080

3.1 Employees

This section is located within the main Central Finance department and therefore only an element of the posts is funded by the Pension Fund.

There are 3 full time posts with officer time divided between the Gwynedd Pension Fund and Cyngor Gwynedd. The following percentages of posts are funded by the Pension Fund:

- Investment Manager (90%)
- Pensions and Investment Officer (85%)
- Pensions and Treasury Management Assistant Accountant (65%)

4. FUND MANAGER AND CONSULTANCY FEES

- 4.1 There is no budget set at this stage as the expenditure can vary significantly, but the expenditure is reported fully in the Fund's financial statements and Annual Report.

5. RECOMMENDATION

- 5.1 The Committee is asked to approve the 2024/25 financial year budget for the Pensions Administration and Investment sections.

MEETING:	PENSIONS COMMITTEE
DATE:	22 JANUARY 2024
TITLE:	REVIEW OF STRATEGIC OBJECTIVES FOR THE FUND'S INVESTMENT CONSULTANTS
PURPOSE:	To report progress against current objectives and to note future objectives
RECOMMENDATION:	NOTE PROGRESS AND FUTURE OBJECTIVES
AUTHOR:	DELYTH JONES-THOMAS, INVESTMENT MANAGER

1. INTRODUCTION

At the end of 2018, following a review of the investment consulting and fiduciary management markets, the Competition and Markets Authority ("CMA") stipulated that Pension Scheme Trustees should set objectives for their investment consultants. These objectives are set and reviewed each year.

2. ESTABLISHING OBJECTIVES FOR INVESTMENT CONSULTANTS

The CMA states that objectives for consultants should include a clear definition of the outcome expected, and should be:

- 'closely linked' to the pension scheme's strategic objectives
- reviewed at least every three years, and after a significant change to the investment strategy or objectives

Establishing long term objectives is part of a well organised governance approach. The extension to set objectives for investment consultants could be regarded as a natural progression towards all stakeholders being aligned towards a common goal.

3. GWYNEDD PENSION FUND OBJECTIVES FOR INVESTMENT CONSULTANTS

The objectives for Gwynedd Pension Fund can be found in Appendix 1, with the progress reported against them during 2023.

A compliance statement has been signed by the Pensions Committee Chairman by the required deadline of 7th January 2024.

4. FUTURE OBJECTIVES

The current objectives have been consolidated to 10 key future objectives in Appendix 2. They remain broadly similar but have reduced the number to keep them focussed.

Other projects which are likely to take place in 2024 by our investment consultants include:

- Assessment of asset pooling including 'pool or explain why not' analysis

- Climate transition planning towards Net Zero target, and build towards TCFD (though timeframe for this remains uncertain)
- Active stewardship: review of manager voting activity, and developing the approach to engagement, with review and oversight of WPP (as an organisation and its funds) an increasingly important part of this
- Advice in relation to property mandate
- Annual assessment of WPP private equity fund commitments to maintain target allocation
- Bi-annual assessment of short term liquidity needs for private market commitments

5. RECOMMENDATION

The Committee is asked to note the progress report and the Investment Consultants' objectives for the upcoming year.

Consultant's Objectives	Progress report during 2023
<p>1. Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund's investments to support progress towards a long-term steady state of funding.</p>	<p>Advice was given on the investment strategy during 2022, and was updated in 2023 to reflect changes in market conditions and improvement in the funding position.</p> <p>The Fund also made commitments to a new WPP private equity allocation in order to maintain the target allocation to diversifying private market assets.</p> <p>The Fund redeemed its allocation to the Lothbury property fund and continues to take advice on possible fund merger.</p>
<p>2. Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.</p>	<p>Advice was provided on a cashflow waterfall to ensure there is sufficient liquidity to meet private market commitments. A framework has been agreed and will be monitored and updated based on the managers' capital call projections.</p> <p>The 2022 actuarial valuation indicated the Fund is expected to be cashflow positive (annual income exceeds annual outgo) for a number of years. This will be reviewed at the 2025 actuarial valuation.</p>
<p>3. Advise on the cost efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the Wales Pension Partnership.</p>	<p>WPP develops investment mandates, and the Fund takes advice from its investment consultant on their use in the Fund's investment strategy, though the Fund may consider non-pool investment mandates.</p> <p>In 2023, the Fund made commitments to the new WPP Private Equity fund, and commitments to other private market mandates will be drawn down over time.</p>
<p>4. Ensure advice complies with relevant pensions regulations, legislation and supporting guidance.</p>	<p>All arrangements remain compliant.</p> <p>There have been no recent regulatory changes that the Fund needed to be aware of, although</p>

	the Fund continues to monitor expected legislative changes (TCFD and asset pooling).
5. Develop the Committee's policies and beliefs, including those in relation to Responsible Investment.	<p>The Fund has developed a Responsible Investment policy during 2022 which was reviewed by Hymans.</p> <p>The Fund has used this over 2023 to guide its investment decision-making and will build upon this as appropriate.</p>
6. Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment considerations.	Advice has been provided on new investments, to ensure these are consistent with the Fund's investment strategy and RI policy.
7. Provide relevant and timely advice.	Timely advice and regular updates are given, including quarterly performance monitoring, advice on rebalancing, and support on asset transitions.
8. Help the Committee develop knowledge and understanding of investment matters.	<p>Hymans have not provided any direct training on new asset classes but have done through WPP. Hymans keep the Committee updated on market developments via presentation of the quarterly performance reports.</p> <p>Hymans support as required in relation to pooling, following government consultation on the LGPS.</p>
9. Develop the Committee's knowledge on ESG and climate risk.	<p>Hymans continue to incorporate ESG and climate risk considerations in its advice. Over the period this has included follow-up discussions relating to climate risk modelling and the evolution of modelling across the industry, inclusion of ESG related metrics in property manager briefing papers, and advice in relation to the WPP Sustainable Equity fund and the BlackRock Low Carbon fund.</p> <p>The Fund continues to monitor the requirements relating to TCFD, measurement of carbon emissions for the portfolio and net zero targets.</p>

10. The investment consultant's services to support the Fund's ongoing governance shall be proportionate and competitive in terms of costs relative to their peer group.	Hymans' fees are in line with peer group, with fixed fees for certain core tasks, and time-cost fees for additional tasks.
11. The investment consultant works within agreed budgets and is transparent with regard to advisory costs, itemising additional work with fees in advance.	<p>Hymans' fees are in line with peer group, with fixed fees for certain core tasks, and time-cost fees for additional tasks. Large project fees are agreed in advance.</p> <p>Hymans provide annual scope plans, use pre-agreed budgets where possible and itemise items. Hymans will work with the Fund to establish a scope and plan for 2024.</p>
12. The investment consultant works collaboratively with the Fund's actuary, asset managers, and custodian, as well as with other third parties including the pool's operator and advisors.	Hymans work with the Fund's actuary (also Hymans) as appropriate. Over the year this has included identifying an improvement in the Fund's funding level and following up with investment advice. Hymans work with investment managers where relevant for performance reporting, and also projection of private market commitments to support efficient cashflow management.

Conflicts of interest – disclosure

As part of this review, we would also like to bring to your attention how Hymans Robertson LLP address the potential for conflicts of interest when providing advice on manager selection exercises. We would be happy to discuss the statement below with you to address any questions you may have.

Please note that Hymans Robertson LLP and our group companies have a wide range of clients, some of which are fund managers, who may be parties in our recommendations to you in various circumstances including but not limited to manager selection, moving money to or from a manager or supporting retention of or disinvestment from a manager. We have a research team that advises on shortlisting fund managers in manager selection exercises and forming views on managers, which is separate from our client and other relationships with fund managers - therefore we do not believe there will be a conflict that would influence the advice given.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and

based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

Consultant's Objectives for 2024
1. Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Fund's investments to support progress towards a long-term steady state of funding.
2. Deliver an investment approach that reflects the Fund's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.
3. Advise on the cost efficient implementation of the Fund's investment strategy as required, taking into account the evolution of the Wales Pension Partnership.
4. Ensure advice complies with relevant pensions regulations, legislation and supporting guidance.
5. Develop the Committee's policies and beliefs, including those in relation to Responsible Investment.
6. Ensure our advice reflects the Committee's own policies and beliefs, including those in relation to Responsible Investment considerations.
7. Provide relevant and timely advice. Services shall be proportionate and competitive in terms of costs relative to consultant peer group. Services should adhere to agreed budgets and be transparent, itemising additional work with fees in advance.
8. Help the Committee develop knowledge and understanding of investment matters.
9. Develop the Committee's knowledge on ESG and climate risk.
10. The investment consultant works collaboratively with the Fund's actuary, asset managers, and custodian, as well as with other third parties including the pool's operator and advisors.

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MEETING	PENSIONS COMMITTEE
DATE	22 JANUARY 2024
TITLE	CLIMATE SCIENCE AND ECONOMIC MODELLING
PURPOSE	To investigate recent articles suggesting that pension funds do not follow climate science when setting their investment strategy
RECOMMENDATION	To note the contents of the report and consider any associated risks
AUTHOR	Delyth Wyn Jones-Thomas, Investment Manager

1. INTRODUCTION

A number of recent articles have been published stating that the advice pension funds receive does not follow climate science and therefore puts the investments at risk. This is primarily based on the report by Carbon Tracker, which can be found in section 2.

This report investigates how Gwynedd Pension Fund has taken climate into consideration when setting its funding and investment strategy, and how this will evolve in the future.

2. ARTICLES

The recent articles can be found by following these links:

<https://carbontracker.org/reports/loading-the-dice-against-pensions/>

<https://www.chathamhouse.org/2023/07/climate-change-threatens-cause-next-economic-mega-shock>

[Carbon Tracker: Financial firms' 'flawed' climate models putting millions of pensions at risk \(professionalpensions.com\)](https://professionalpensions.com/news/carbon-tracker-financial-firms-flawed-climate-models-putting-millions-of-pensions-at-risk)

[Pension funds 'at risk' over climate change financial impact advice | Local Government Chronicle \(LGC\) \(lgcplus.com\)](https://www.localgovernmentchronicle.co.uk/news/pension-funds-at-risk-over-climate-change-financial-impact-advice)

The research from Carbon Tracker, a non-profit company that examines climate risk, says economic papers ignore climate 'tipping points' that mean changes in the economic impact from global warming is "*far more likely to be discontinuous and abrupt, rather than continuous and relatively gradual*".

3. GWYNEDD PENSION FUND

We have raised the concerns with our advisors Hymans Robertson and they have stated that *'the reports raise valid concerns, which are the same concerns that we have discussed and take into consideration when developing our approach to climate modelling.'*

The most recent modelling that the Fund has commissioned is following the 2022 valuation. The 2022 modelling examined the resilience of our funding and investment strategy which may be experienced under different climate pathways, where the uncertainty over different periods is emphasised.

The climate risk information from this report can be found in Appendix 1.

The modelling for Gwynedd Pension Fund was performed using scenario analysis. Scenario analysis is one of the tools through which pension funds have been able to hold meaningful discussions on climate risk. While the modelling doesn't capture some of the more extreme scenarios, the models do still highlight potential for significant downside risk. The model demonstrated that the results for the Fund are reassuring –that the core model does not appear to be significantly underestimating climate risk.

4. FUTURE DEVELOPMENTS

Hymans Robertson and Gwynedd Pension Fund acknowledge that the approach needs to continue to evolve as the understanding of climate risk develops. Therefore, over the course of 2023, Hymans Robertson have been developing a new iteration of their approach to climate scenario modelling. The approach makes use of more detailed narrative scenarios, built up via understanding the underlying drivers and their dependencies. These detailed narrative scenarios allows for more extreme climate outcomes to be considered.

Any modelling should be supplemented with other analysis to allow for a more detailed discussion about what may happen. Measuring climate risk exposures and developing a climate transition action plan will be key next steps in addressing the climate change risks faced by the Fund, in particular, as we move towards implementing the TCFD requirements.

5. RECOMMENDATION

The Committee is asked to note the contents of this report and consider any associated risks.

Exploring climate change risk

Climate change risk

Exploring the impact of climate change risk

Climate change is too uncertain to “build in” to our model directly like we do with e.g. inflation risk.

Instead we see how the results change if we stress the model in three different scenarios.

Given it is a stress test, all three scenarios are “bad”. Therefore need to consider all three scenarios to understand the strategy’s resilience

Purpose is to test resilience, not re-run all the previous analysis.

Climate scenarios give us extra information to help make our decision, they don’t replace existing modelling results

Testing “resilience” (TCFD requirement)

What could this mean?

- Does the chosen strategy still meet the chosen targets under all scenarios?
- Does it miss them by an acceptable margin (they are stress tests after all)?
- Does it satisfy other risk measures (e.g. short term downside risk)?
- Is it still the ‘best’ option even when compared against other options under the climate scenarios?

Judgement required when deciding how to test resilience

Our scenarios are based on the speed and strength of the response to climate change

Green revolution

Concerted policy action starting now e.g. carbon pricing, green subsidies

Public and private spending on “green solutions”

Improved disclosures encourage market prices to shift quickly

Transition risks in the short term, but less physical risk in the long term

High expectation of achieving <2°C

Delayed transition

No significant action in the short-term, meaning response must be stronger when it does happen

Shorter and sharper period of transition

Greater (but delayed) transition risks but similar physical risks in the long term

High expectation of achieving <2°C

Head in the sand

No or little policy action for many years

Growing fears over ultimate consequences leads to market uncertainty and price adjustments

Ineffective and piecemeal action increases uncertainty

Transition risks exceeded by physical risks

Low/no expectation of achieving <2°C

Immediate

High

Timing of disruption

Intensity of disruption

10+ years

Very high

All three scenarios are difficult – they are not “good, medium and bad” options



In each scenario we assume a disruptive period of high volatility

Our scenarios assume that

- There will be a period of disruption linked either to the response to climate risk (transition risks) or the effects of it (physical risks)
- This disruption will lead to high volatility in financial markets
- The later the period of disruption, the more pronounced it will be

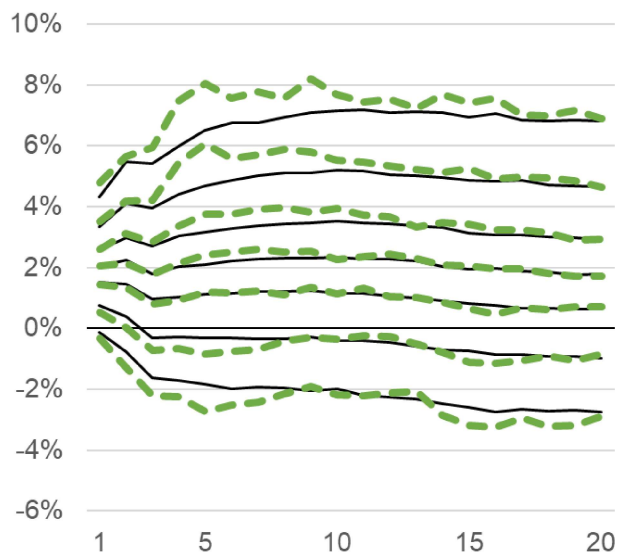
Scenario	Volatility criteria*			
	Years 1-5	Years 6-10	Years 11-15	Years 16-20
Green revolution	Very high	Moderate	Moderate	
Delayed transition		Very high	High	
Head in the sand			High	Very high

*Volatility criteria: Moderate = 60th percentile, High = 75th percentile, Very high = 85th percentile

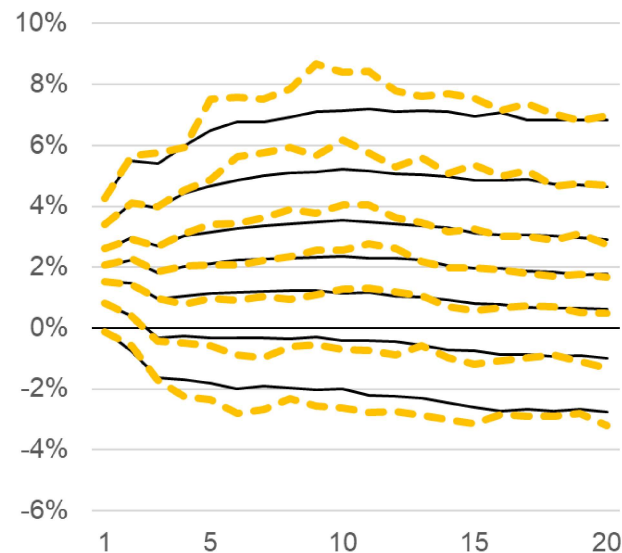
We use volatility criteria to “tilt” the modelling results towards simulations with higher volatility in the periods in question

Example of scenario impact: CPI inflation

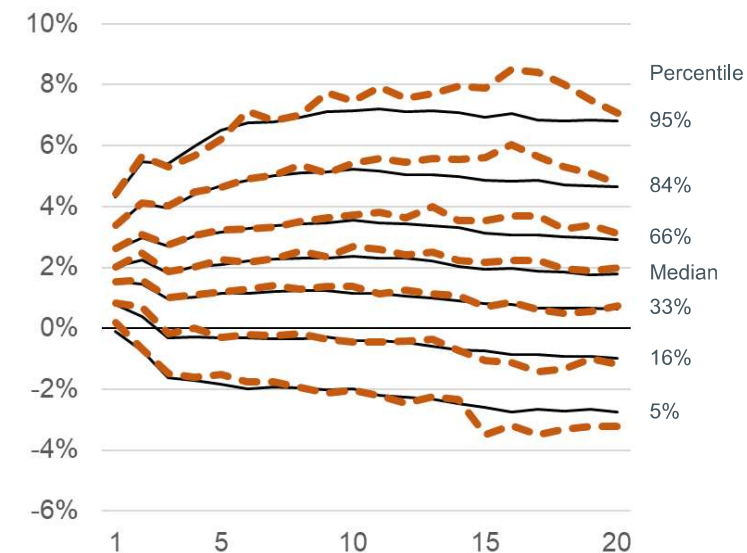
Green revolution



Delayed transition



Head in the sand



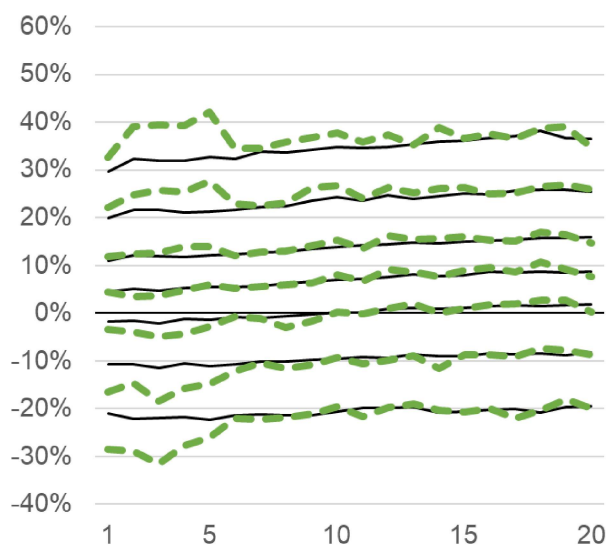
Scenario views widen the distribution of key variables in different time periods

Solid black lines are the unweighted base case

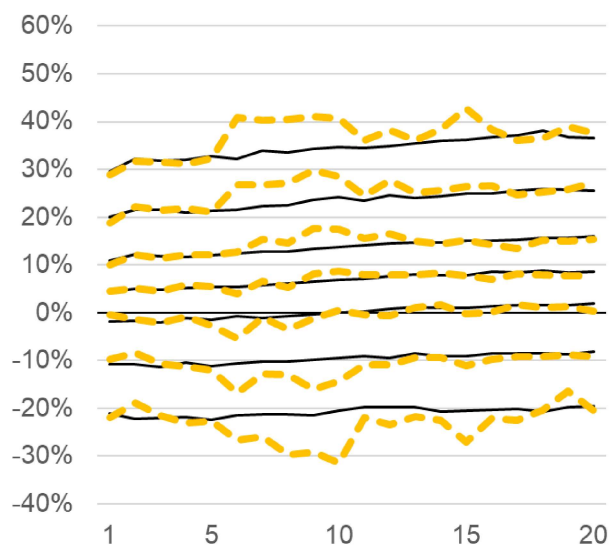


Example of scenario impact: Global equity returns

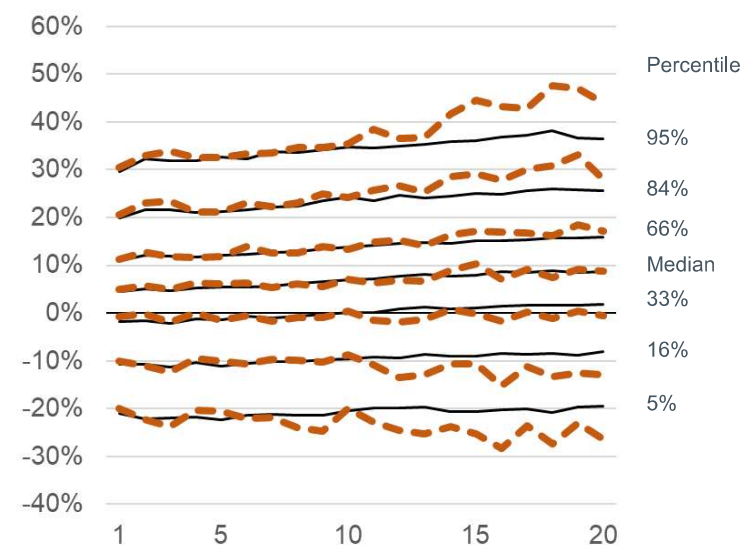
Green revolution



Delayed transition



Head in the sand

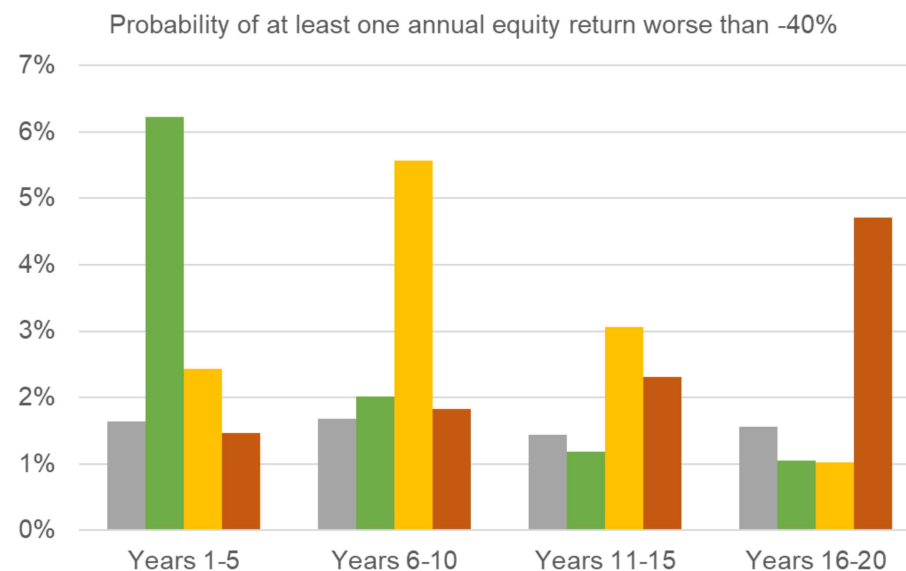
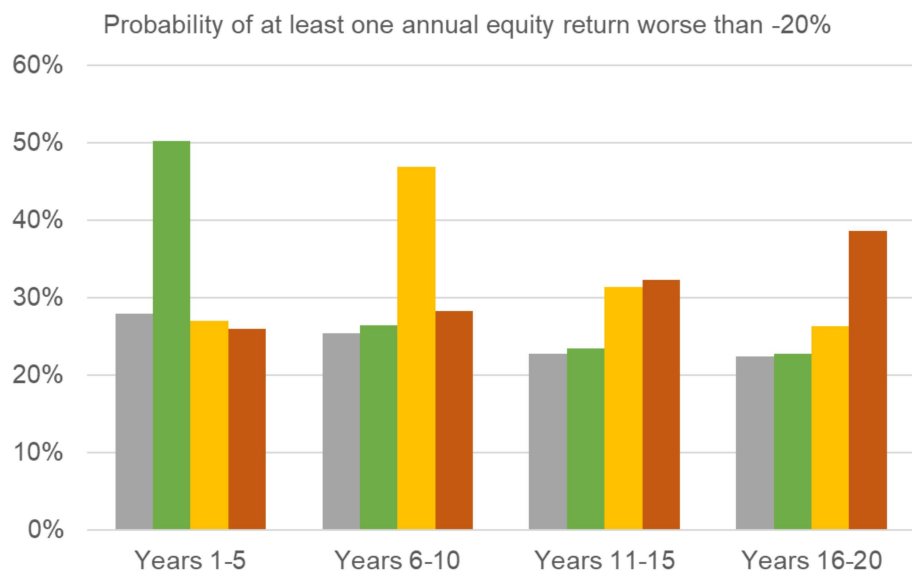


Scenario views widen the distribution of key variables in different time periods

Solid black lines are the unweighted base case



Example of scenario impact: equity shock



Bars from left to right: Unweighted base case (grey), Green revolution, Delayed transition, Head in the sand

Increased volatility gives a much higher chance of significant equity shocks

Climate stress test results

- The LoS and downside risk are 3-5% worse in two of the climate scenarios compared to the unweighted base results
- These changes aren't negligible but the results are still strong enough to support a contribution freeze or reduction
- The impact on the results for other contribution patterns are similar
- These results are reassuring – they tell us that the core model does not appear to be significantly underestimating climate risk

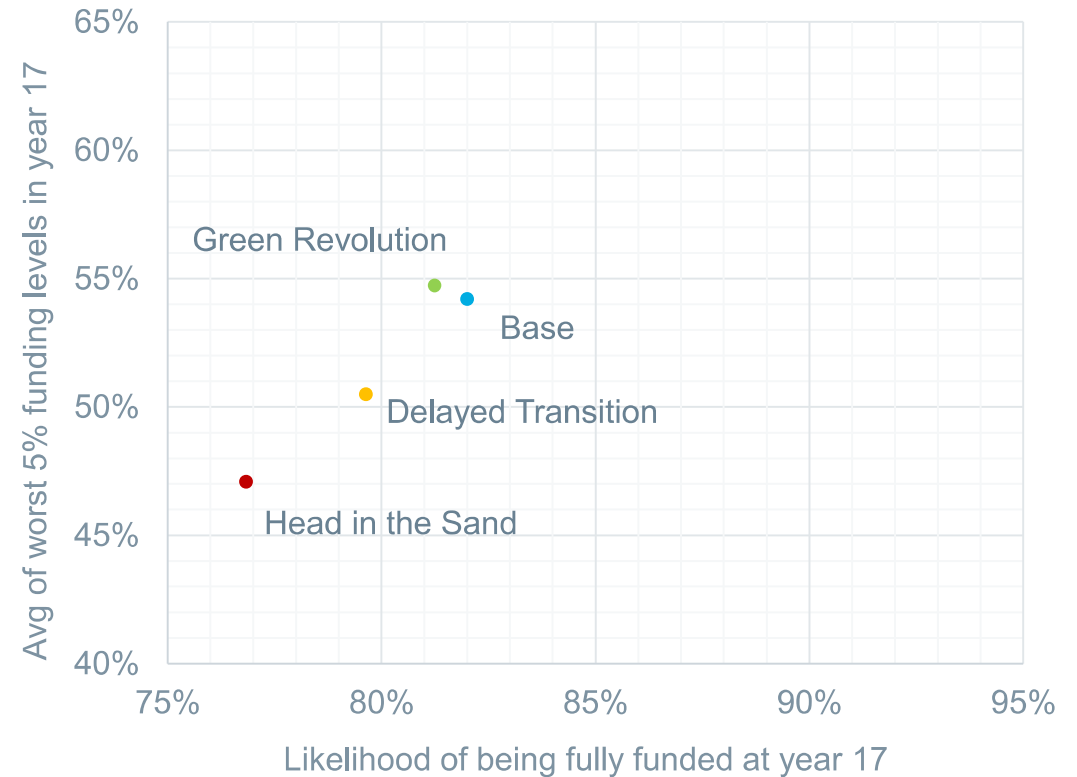


Chart based on long term investment strategy and freezing contributions for 3 years

The stress test results suggest that the modelled strategies are resilient to climate risk

MEETING	PENSIONS COMMITTEE
DATE	22 JANUARY 2024
TITLE	LAPFF CONFERENCE 2023
PURPOSE	To receive feedback and relevant information from the conference
RECOMMENDATION	To accept the information
AUTHOR	Councillor Stephen Churchman

1. INTRODUCTION

The LAPFF Conference took place on 6th- 8th December 2023, and Councillor Stephen Churchman attended on behalf of Gwynedd Pension Fund.

2. LAPFF CONFERENCE

The agenda of the conference can be seen in Appendix 1 and Councillor Stephen Churchman will provide verbal feedback and share relevant information from the conference.

3. RECOMMENDATION

The Committee is asked to accept the information.

IMPACT

STEWARDSHIP IN A TIME OF GLOBAL CRISES
CONFERENCE 2023

Local
Authority
Pension
Fund
Forum



ACTION + IMPACT CONFERENCE 2023

6 December – 8 December 2023 | Bournemouth Hilton Hotel

Conference programme

Wednesday
6 December
2023

- 1.00pm** **Buffet lunch available for arriving delegates**
- 2.00pm** **Chair's welcome to conference**
LAPFF Chair, Councillor Doug McMurdo
- 2.10pm** **A watershed moment: How can water companies better deliver environmental value?**
Richard Eadie, Head of Corporate Strategy, Sustainability & Transformation, Severn Trent Plc
- How can investors promote positive environmental outcomes with water companies?**
Simon Davy, Head of Real Assets, LPPI
Moderator: Councillor Doug McMurdo, LAPFF Chair
- 2.40pm Q&A**
- 2.50pm** **Responding to the climate emergency: How are LGPS Funds and Pools managing climate-related financial risk**
Sian Kunert – East Sussex Pension Fund
Jane Firth, Border to Coast Pensions Partnership
Tom Harrington, GMPF/NLGPS, LAPFF Executive
Will Lidbetter, EAPF Member Representative and Pensions Committee Member
Moderator: Marika Mansley, PIRC Limited
- 3.35pm Q&A**
- 3.50pm** **Refreshments**

- 4.10pm** **The Success of Shareholder Resolutions in 2023**
Brad Lander, New York City Comptroller
Moderator: Councillor Doug McMurdo, Chair, LAPFF
- 4.40pm** **Escalating action: LAPFF Voting on Climate**
Paul Hunter, PIRC Limited
Moderator: Councillor Mark Norris, RCT Pension Fund, LAPFF Executive
- 4.55pm** **Shareholder resolutions coming up in 2024**
Lisa Hayles, Director of International Shareholder Advocacy, Trillium Asset Management, Martin Buttle, Better Work Lead, CCLA, Emma Pullman, Head of Shareholder Engagement & ESG, BCGEU
Moderator: Tom Harrington, GMPF/NLGPS, LAPFF Executive
- 5.40pm** **Conference day close**
- 7.30pm** **Drinks reception** Sponsored by **Darwin Alternatives**
- 8.15pm** **Dinner** Sponsored by **SARASIN & PARTNERS**





Thursday
7 December
2023

ACTION + IMPACT CONFERENCE 2023

6 December – 8 December 2023 | Bournemouth Hilton Hotel

Conference programme

- 9.30am Chair's welcome back to conference**
LAPFF Chair, Councillor Doug McMurdo
- 9.35am Why Proxy Voting Choice is essential for investors in passive funds**
Rob Skelton, First Actuarial, Georgia Stewart, Founder, Tumelo, Councillor Heather Johnson, LB Camden Pension Fund, Councillor John Gray, LB Newham, LAPFF Exexecutive
Moderator: Tom Powdrill, PIRCLimited
10.15am Q&A
- 10.40am Refreshments**
- 11.00am The ESG Backlash: What should LGPS funds and pools expect from their asset managers?**
Damon Silvers, Visiting Professor of Practice at University College London's Institute for Innovation and Public Purpose, and at Newcastle University,
- 11.30am The ESG backlash: How are asset managers responding?**
John Hoepfner, Head of US Investment Stewardship, LGIM, Lisa Hayles, Director of International Shareholder Advocacy Trillium Asset Management, Juliette Vartikar, Sustainable Investing Director, UBS
Moderator: Councillor Toby Simon, Avon PF, LAPFF Executive
12.00pm Q&A
- 12.15pm Avoiding a market for lemons: Should investors be concerned by the listing rules review?**
Sir Philip Augar, independent commentator on Banks and other issues **Moderator:** Tim Bush, PIRC Limited,

1.00pm Lunch

- 1.30pm Lunch session on LGPS performance led by Karen Thrumble, PIRC Limited**
Are LGPS Pension Investments Becoming Too Complex to Manage?'
- 2.20pm Welcome back from Chair**
2.25pm Lead the Charge: Ensuring a clean and equitable EV Supply chain
Speakers: Mat McDermid, CEO, The Sunrise Project, Cecilia Mattea, Transport & Environment
Moderator: John Anzani, Lothian Pension Fund, LAPFF Executive
3.00pm Q&A
- 3.10pm Seeing the unseen: What role can investors play in ending Modern Day Slavery**
Lucy Mann, Senior Business Engagement Manager, Unseen UK **Moderator:** Rachel Brothwood, WMPF, LAPFF Executive
3.30pm Q&A
- 3.40pm Refreshments**
- 4.00pm Power of nature: How can investors manage nature-related risks and tackle the biodiversity crisis.**
Isobel Rosen, Investor Outreach Analyst, FAIRR Initiative, Norah Berk, Senior Programme Manager, Nature Action 100 & IIGCC
Moderator: Cllr Rob Chapman, LB Hackney Pension Fund, LAPFF Executive
4.30pm Q&A
- 4.45pm Getting to net zero: the role of alternatives**
James Penney, Chair, Darwin Alternatives, Paddy Dowdall, GLIL, Greg McClymont, Executive Director, Public Affairs, Policy & Strategy, IFM, **Moderator:** Euan Miller, WYPF, LAPFF Executive
5.15pm Q&A
- 5.30pm Conference close**
- 7.30pm Drinks reception**
- 8.15pm Dinner Sponsored by:**
- 10.00pm After Dinner drinks Sponsored by:**
- 11.30pm Close**



BlackRock



Friday
8 December
2023

ACTION + IMPACT CONFERENCE 2023

6 December – 8 December 2023 | Bournemouth Hilton Hotel

Conference programme

- 9.30am** **Chair's welcome back**
LAPFF Chair, Councillor Doug McMurdo
- 9.40am** **The Great Pay Divide: Is it a financial necessity? Executive pay.** In a competitive market are we attracting the best people into our companies in the UK do we need to increase executive pay to compete with other markets such as the US?
Will Hutton, President of the Academy of Social Sciences, Co-Chair, The Purposeful Company and Observer
Columnist Sebastian Bachelier, Senior Programme Manager, Living Wage Foundation
Moderator: Councillor Ged Cooney, GMPF, LAPFF Executive
- 10.45am** **Refreshments**
- 11.00am** **Levelling up: What have Local Authorities Learnt from the Debate?**
Barry Quirk, Special Advisor to the LGA on the Professional Development of Chief Executives
Moderator: Neil Sellstrom Tyne & Wear Pension Fund, LAPFF Executive
- 11.30am Q&A**
- 11.45am** **Dave Fishwick, Burnley Savings and Loans (The Bank of Dave)**
Moderator: Councillor Doug McMurdo, Chair, LAPFF
- 12.00pm Q&A**
- 1.00pm** **Grab and Go lunch**



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