Cronfa Bensiwn
GWYNEDD
Pension Fund

ANNUAL REPORT 2022/23

Contents

1. Foreword

Welcome to the Gwynedd Pension Fund's annual report for the financial year ended 31 March 2023.

During the year, the value of the Pension Fund has stabilised at £2.7 billion which is consistent with last year's value. The year has been a challenging one with the Ukrainian war and high inflation affecting the money markets. The Fund achieved a performance of -1.5%, and although this was behind the benchmark, this was a strong performance in challenging circumstances and in the top quartile of LGPS funds in the official PIRC statistics for 2022/23.

The triennial valuation results for the fund was encouraging where it was confirmed that the Fund was funded to a level of 120% on 31 March 2022, with the employers' new contribution level being effective from 1st April 2023 onwards. Having considered the results of the triennial valuation we have reviewed the Fund's investment strategy during 2022/23, deciding to reduce the fund's risk by transferring a portion of the equity assets to other asset classes such as infrastructure and private debt. This new strategic asset allocation will be implemented over the next 12-18 months.

The Pension Fund continues to work as a leading member of the Wales Pension Partnership (WPP) to achieve efficiencies through pooling assets by combining assets in our investment management arrangements which should in turn reduce investment fees. During the year the consolidation of private markets has developed well, with infrastructure funds, private debt and private equity being established. The Partnership has further developed its governance framework in collaboration with other Welsh LGPS funds and with the support of our specialist advisors. A range of policies have been developed and training sessions have been offered to the relevant stakeholders.

We continue to receive requests to set an ambitious timetable for total disinvestment of fossil fuels but as a pension fund, it is more responsible to us to plan properly, take real action, and influence where possible for the benefit of our environment. We continue to support our commitment to be net zero by 2050, supported by a commitment to assess the feasibility of the Fund reaching net zero 5, 10 or 20 years earlier. We do whatever we can to ensure that we act responsibly, and consider the impact our actions will have on future generations. We have taken significant steps in the last year and want to continue to do so in the coming years with a number of exciting developments

The Fund's staff have continued to ensure that we provide a high level of service in 2022/23. There have been great strides in developing electronic ways of working, with employers increasingly using the i-Connect system interface to share data and scheme members (all employers' staff plus pensioners) so that they can use the guidance and interactive information that can be found on the Pension Fund website.

On 30th June 2023, we said goodbye to Dafydd Edwards who has steered the Fund over the past 20 years. I would like to thank Dafydd for his commendable service and wish him a happy retirement. I would also like to thank the Gwynedd pension administration staff and their colleagues in the investment team for their hard work over the past year.

I hope the following report will provide you with useful information about our Pension Fund. For more information, or to give your opinion on this report, the contact details of the relevant officers are provided on the next page of the report. Many thanks for your support during 2022/23, and I look forward to the fund's developments in 2023/24.

Councillor Stephen Churchman
Pensions Committee Chair
2022/23

Dewi Morgan
Head of Finance

Dafydd L Edwards
Fund Director

2. Management Structure

Administering Authority
Cyngor Gwynedd

Pensions Committee
Councillor Stephen Churchman (Chairman)
Councillor Ioan Thomas (Vice Chairman)
Councillor John Pughe Roberts
Councillor John Brynmor Hughes
Councillor Richard Medwyn Hughes
Councillor Elin Hywel
Councillor Iwan Huws
Councillor Robin Wyn Williams (Co-opted Member)
Councillor Goronwy Edwards (Co-opted Member)

Pension Board
Employer Representatives
Mr Huw Trainor (Police and Crime Commissioner for North Wales)
Mrs Sioned Parry (Conwy County Borough Council)
Councillor Beca Roberts (Cyngor Gwynedd)

Member Representatives
Mr Osian Richards
Mrs Sharon Warnes
Mr H. Eifion Jones

Fund Director
Mr Dafydd L. Edwards

Head of Finance ("Section 151 Officer")
Mr Dewi Morgan

Advisor
Hymans Robertson

Fund Managers
BlackRock
Lothbury
Partners Group
Threadneedle
UBS Global Asset Management Limited

Fund Website
www.gwyneddpensionfund.wales

AVC Providers
Clerical Medical, Utmost Life and Standard Life

Pool
Wales Pension Partnership (WPP)

Pool Operator
Link Fund Solutions Limited

Custodian
Northern Trust

Actuary
Hymans Robertson

Bank
Barclays Bank plc

Auditor
Audit Wales

Contact Details
Enquiries and more detailed information regarding:

- administration of the Gwynedd Pension Fund can be obtained by contacting:

  Mr Meirion Jones,
  Pensions Manager,
  Cyngor Gwynedd,
  Council Offices,
  Caernarfon,
  Gwynedd. LL55 1SH
  ☎ 01286 679643
  meirionjones2@gwynedd.llyw.cymru

- the Fund's investment and accounting activities should be made to:

  Mrs Delyth Jones-Thomas,
  Investment Manager,
  Cyngor Gwynedd,
  Council Offices,
  Caernarfon,
  Gwynedd. LL55 1SH
  ☎ 01286 679128
  delythwynjonesthomas@gwynedd.llyw.cymru

3. Annual Report of the Gwynedd Pension Board for 2022/23 (the year to 31 March 2023)

Background / Constitution

The Board was constituted under the Public Services Pensions Act 2013 and held its first meeting on 13th July 2015. The membership consists of three members representing scheme employers and three members representing scheme members (which include staff who contribute to the pension scheme and those who are retired and receiving a pension).

Over the period between 1st April 2022 and 31st March 2023, the Board has met virtually five times. Board members are invited as observers to meetings of the Pensions Committee and have agreed to take this role in turn in order to facilitate understanding as well as communication. This arrangement is reciprocated with the Chair of the Pensions Committee now attending Board meetings, where he is accountable, with officers for the governance and administration of the Fund. At times, the Board has asked for its views and recommendations to be submitted for consideration by the Committee.

Function of the Board

In accordance with legislation, the two primary functions of the Local Pension Board are to assist the administering authority (Cyngor Gwynedd) to:

i. ensure effective and efficient governance and administration of the LGPS, and
ii. ensure compliance with relevant laws and regulation

Therefore, the Board is a monitoring, reviewing and assisting body, not a management or decision making body.

The Board operates under Terms of Reference agreed by Cyngor Gwynedd (in a meeting of the full Council on the 5th March 2015).

It is supported by the Council's Member Support and Scrutiny Officer and reports are prepared and presented by officers including the Fund Director, Investment Manager, and the Fund's Pensions Manager.

The work of the Board

Once again, the last year has been a busy year for the senior staff of the Administration Authority with the valuation of the pension fund taking place. Therefore, Board members were aware of the need to prioritise requests for officers to prepare reports for the Board.

Attendance

During 2022/23 there was a change in the membership of the board with Councilor Aled Evans and Huw Trainor standing down as members of the board, and Councilor Beca Roberts joining the Board. Work will continue during 2023/24 to re-appoint members to the Board.

	04/04/2022	18/07/2022	03/10/2022	15/12/2022	06/03/2023
Councillor Aled Evans	✓				
H. Eifion Jones	✓	✓	✓	✓	✓
Osian Richards	✓	✓	✓	✓	✓
Huw Trainor	✓	✓	✓	✓	
Sharon Warnes	✓	✓		✓	✓
Sioned Evans Parry	✓	✓	✓	✓	
Councillor Beca Roberts			✓		✓

Work Plan

In accordance with the work plan agreed in the previous year, reports on the following issues were received:

- Representation Policy
- Pension Fund Budget
- Investment Advisers objectives
- Responsible Investment Policy
- Investment performance of the Pension Fund
- Pension Administration
- Wales Pension Partnership
- Actuarial valuation
- Fund accounts
- Training plan
- Taskforce on climate related financial disclosures ('TCFD')
- Currency hedging
- A clean energy project in Wales
- A review of the Pension Fund's strategic asset allocation
- Wales Audit Report
- The McCloud case
- Pension dashboards programme
- Risk register
- Funding strategy statement
- Breach reporting policy
- Cash flow modeling projections
- Review strategic objectives for the fund's investment advisers

During the discussions, input was given and a number of comments were made by Board members which has assisted administrative authority officials to complete their work.

The Board completed the Pensions Regulator's public service governance survey. The survey was a mixture of factual questions and an opinion poll. Following discussion between Board members, the survey was presented to the Regulator within the specified time limit.

Board members also attended the Fund's valuation meeting in October 2022 and the Fund's virtual annual meeting in November 2022, and it was noted that the Fund has performed highly satisfactory compared to other LGPS funds.

The work plan for 2023/24 includes:

- General update on Pension Administration
- The Fund's Statement of Accounts
- Update on the McCloud project
- Update on the Wales Pension Partnership
- Risk Register
- Update on the Fund's actuarial valuation
- Update on the Fund's investment performance
- Pensions dashboard
- 2023/24 Budget
- 2023/24 Business plan
- 2023/24 Training plan

Training

During Board meetings all members of the Board were given details on the LGPS and its administration in Gwynedd through various presentations by the Fund Director, Investment Manager and Pensions Manager.

Members of the Board have also attended a number of virtual meetings and presentations. These include:

Provider	**Title**
Wales Pension Partnership	Private Market Asset Classes & the role of the Allocator
Wales Pension Partnership	Active Sustainable Equities
Wales Pension Partnership	Pool Knowledge: Governance & Administration
Wales Pension Partnership	Pool Knowledge: Roles & Responsibilities
Wales Pension Partnership	What Responsible Investment means for the WPP
Wales Pension Partnership	Stewardship Code and TCFD Reporting
Wales Pension Partnership	Progress of other LGPS pools
Wales Pension Partnership	Collaboration Opportunities
LGC	LGC Investment Seminar
LGC	LGC Investment and Pensions Summit
LAPFF	Annual Conference

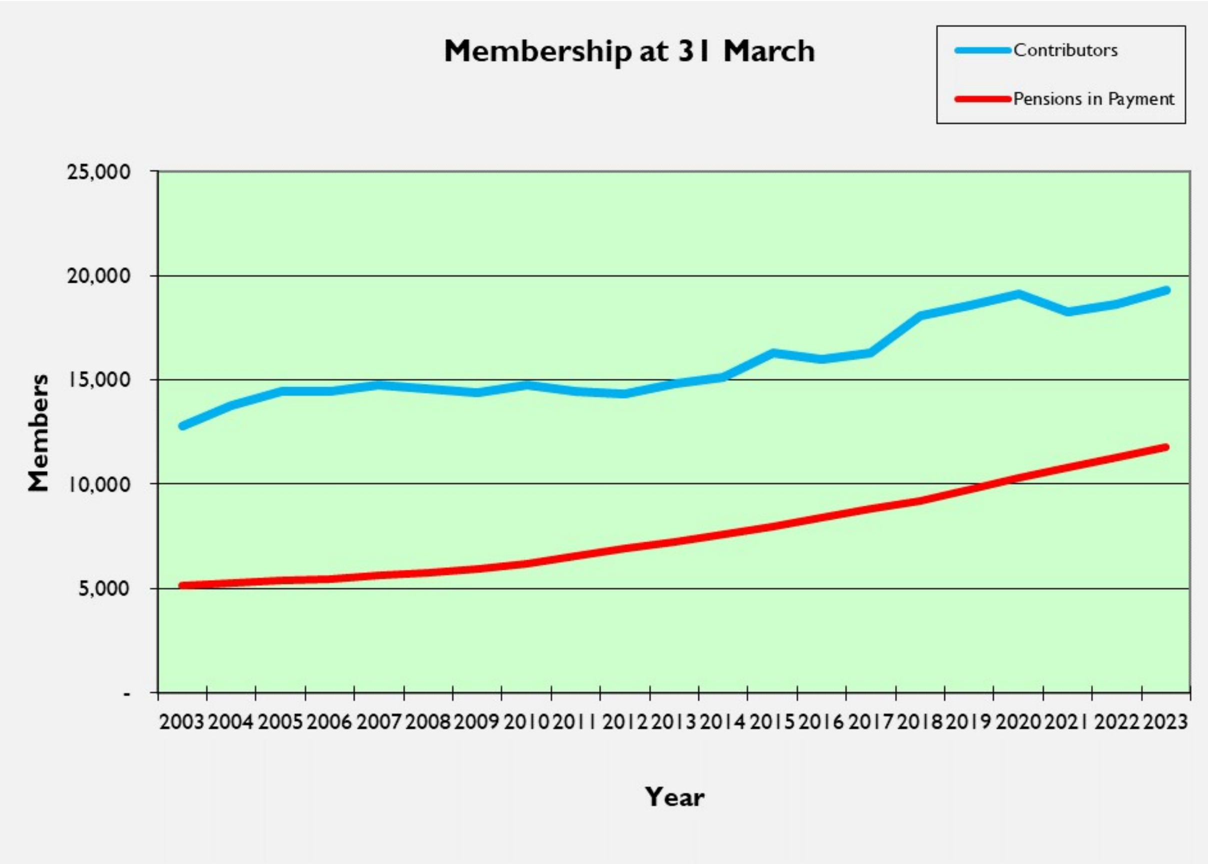
Thanks

The Chair wishes to thank his fellow members on the Board, who have volunteered their time to the roles, and the relevant officers for their support.

Hywel Eifion Jones
Chair

4. Membership Summary

The graph below shows the changes in the Fund's membership over the last 20 years. It shows that the number of pensioners has slowly increased from 5,114 in 2003 to 11,780 in 2023 and the number of active contributors has also increased from 12,810 in 2003 to 19,304 in 2023.



The table below shows further details on the Fund's membership:

31 March 2022	Description	31 March 2023
18,657	Contributors	19,304
11,298	Pensions in Payment	11,780
12,540	Deferred Pensioners	13,160
2,425	Unclaimed Benefits	2,973
6,192	Undecided Leavers*	4,993
51,112	**Total Membership**	**52,210**

*An undecided leaver is someone who has left their employment but is undecided as to the action that they now want to take with regard to their pension benefits. These records are closely monitored and are ultimately removed from the system once the individual member has decided upon the action they wish to take with regard to their pension benefits. Some records are also undecided leaver as the fund is awaiting termination details from the scheme employer or because there is a delay in processing the records to the correct status due to staff shortage as a result of struggling to recruit new staff.

5. Pensions Administration

5.1 Review of the Year

Introduction

2022/23 has been another busy year for The Pension Service. This report provides a general overview of pension administration over the past year. It contains information on the work carried out over the period and an update on various previously mentioned projects.

Performance Management

The Pension Fund is committed to improving its service delivery and will review the measures in place to monitor performance on an annual basis to identify where improvements can be made. Where areas of poor performance are identified, The Pension Service will review the reasons for poor performance and put in place appropriate processes to improve the level of service provision in the future. The service's core duties performance for 2022/23 compared to 2021/22 is as follows:

Core Activities	Performance in 2021/2022		Performance in 2022/2023	
	Number of cases	Average days taken	Number of cases	Average days taken
Average number of work days taken to send a quotation letter offering a transfer in	194	53.28	351	26.60
Average number of work days taken to send a quotation letter detailing a transfer out	205	28.63	218	17.11
Average number of work days taken to send process a refund of pension contributions	206	1.42	287	0.72
Number of working days on average taken to send a letter informing of the value of the deferred benefits	987	5.98	2,015	7.86
Average number of work days taken to send a letter informing value of benefits – estimates	1,714	1.33	2,056	1.16
Average number of work days taken to send a letter informing value of benefits – actual	683	0.99	797	0.84
Average number of work days taken to notify dependents benefits	264	1.84	385	1.61
Monthly pension payments processed and paid on time (figure based on number of payments in Month 12 of each year)	11,609	100%	11,999	100%
Number of cases where amended payments were necessary as a result of an error in the section	0	n/a	0	n/a

As can be seen, overall, the performance of the service has improved. The performance of sending a letter informing of the value of the deferred benefits has worsened slightly. The main reason for this is the fact that new staff have been appointed in 2022/23 to undertake this work and it has taken time to train them. Although the number of days has increased for this aspect of the work, we have processed 2,015 cases during 2022/23 to compare with 978 cases during 2021/22 and this helps to improve the accuracy of our data.

We will continue to work to improve the performance for all tasks during 2023/24.

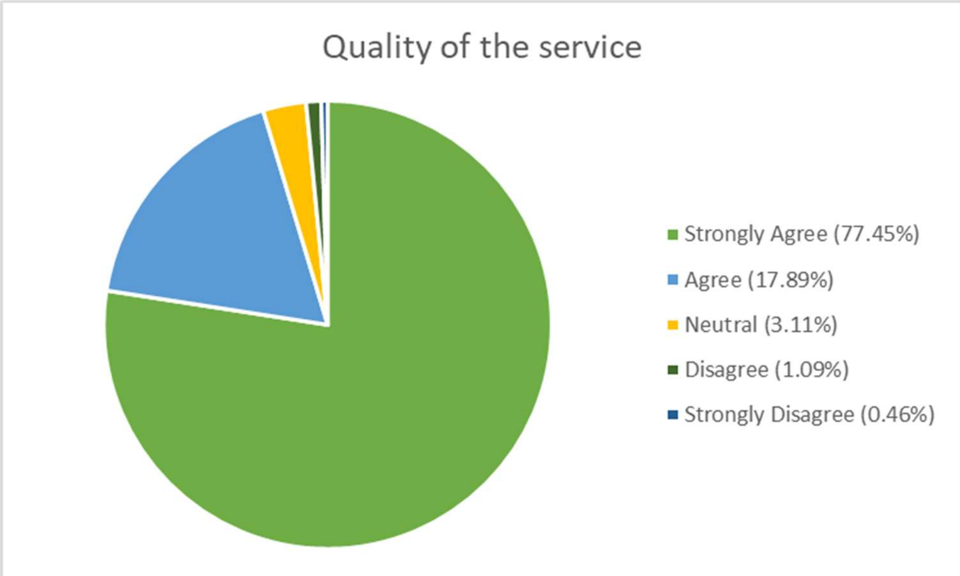
Member Satisfaction Survey

To ensure that we offer the best possible service to our members, a Member Satisfaction Survey is sent at the end of each process, e.g. retirements and payment of refunds for the members to give their opinion on the quality of the service received and their opinion about the service provided by the staff.

Here is a summary of the 2022/23 results:

Quality of Service

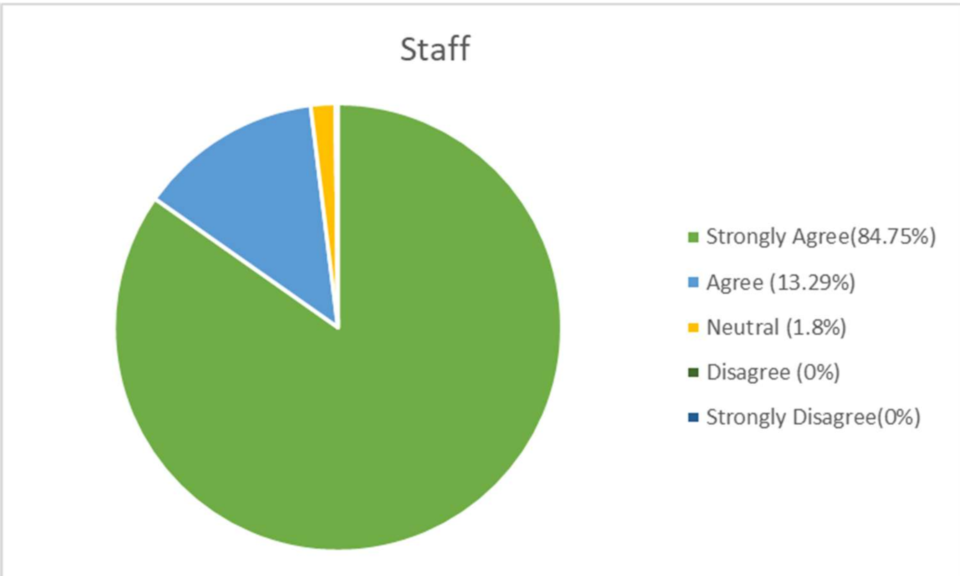
The chart below shows the percentage of users who are satisfied with four aspects of the service's performance based on: i) Service as a whole; ii) clear information; iii) Quality of service; iv) Time to deal with the enquiry.



As can be seen, 95.34% of the users strongly agree or agree that the quality of the service provided is of a high standard.

Staff

The chart below shows the percentage of users who are satisfied with four aspects of staff performance based on: i) Courtesy; ii) Punctuality; iii) Assistance given; iv) level of knowledge.



As can be seen, a high percentage once again (98.04%) of the users strongly agree or agree that the quality of the service provided is of a high standard in relation to the staff.

Complaints

Fortunately, the number of complaints we receive is very low. Here are the details of the complaints we have received during 2022/23:

Ill-health Retirement: Members unhappy that their application to retire under the ill-health retirement option was not successful. This decision is outside the fund's control - These complaints are referred back to the relevant employer.

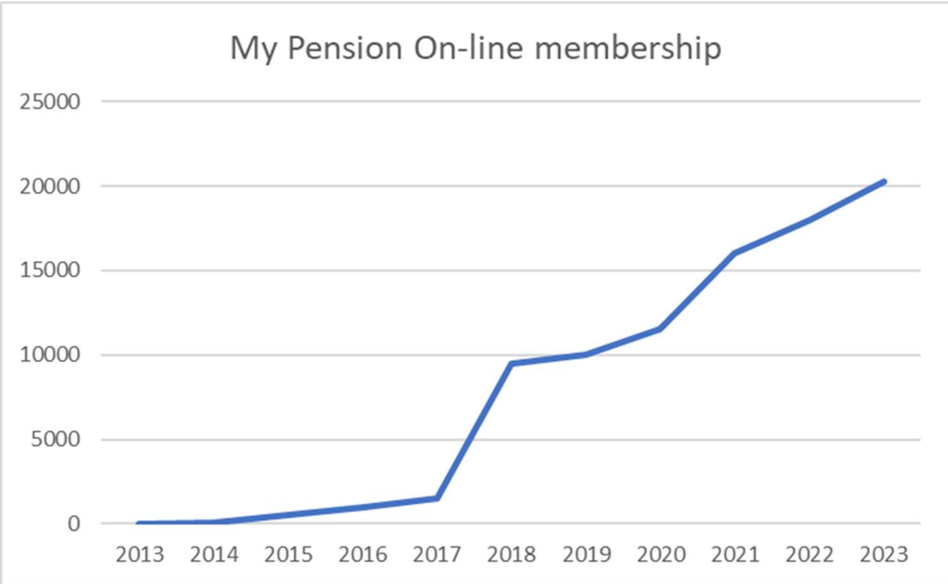
Delay in transferring pension benefits: A member was unhappy with the time taken to transfer her benefits out of the pension fund to another pension fund. When looking into the complaint it was clear that the delay was due to the other pension fund, and therefore this was out of the hands of the Gwynedd Pension Fund.

We correct any errors as soon as possible and try to change our processes, if appropriate, to avoid the same mistake happening again.

My Pension Online

The 'My Pension Online' system continues to be very popular, with a large number of members visiting the site daily.

Approximately 20,000 have registered for the service to date. The graph below shows an increase in the number of members joining the self-service system over the last 10 years:



The system allows members to:

- View and update personal details and addresses
- Find out how much benefits will be worth at retirement
- Calculate the amount of extra lump sum they can take in retirement
- View their service history, including any transmitted service
- View and update their nominated beneficiaries
- View their Annual Benefit Statements

We hope that a brand new version of the system will be introduced during 2023/24 and we plan to carry on developing the options available to members e.g. loading the pensioners' monthly pension slips into the system.

i-Connect

i-Connect updates member data in our pension administration system on a monthly basis, avoiding the need for employers to send information at the end of the year.

Data is taken directly from a payroll system by i-Connect which then automatically identifies and submits details of new members, opt-outs and leavers to us.

By now all the employers use i-Connect, with the information being submitted promptly by all the employers on the whole.

Annual Benefit Statements

We are required to produce an Annual Benefit Statement for each member of the scheme by the end of August each year. This statement provides members with details of the benefits accrued up to the end of the previous financial year and predicts the benefits payable at their Normal Pension Age. The statement also includes pay details and explanatory notes about how the benefits are calculated.

Since 2018 these statements have been available electronically on the Member Self Service section of our website. 2022 statements were uploaded to the system for active members on 19/07/2022 and deferred members on 08/07/2022.

1,143 members have written in to confirm that they want to continue receiving a paper copy of their statements. These statements were sent at the end of August 2022.

The Pensions Regulator – Measuring Data

In 2015, the Pensions Regulator (tPR) took over responsibility for Public Sector Pension Schemes. Before that, in June 2010, the tPR published guidance on what they consider to be good practice to measure the presence of members' data.

Over the last few years we have been commissioning our software provider, Aquila Heywood to produce a Data Quality Report for our Fund every September. We now have software to run this report internally.

The report is divided into two sections:

- **Common Data:** e.g. name, address, NI number, gender, date of birth, status and start date
- **Scheme Specific Data:** e.g. benefits in the scheme, transfer details, AVC, salary details, contributions, service, lifetime allowance, annual allowance and GMP**.**

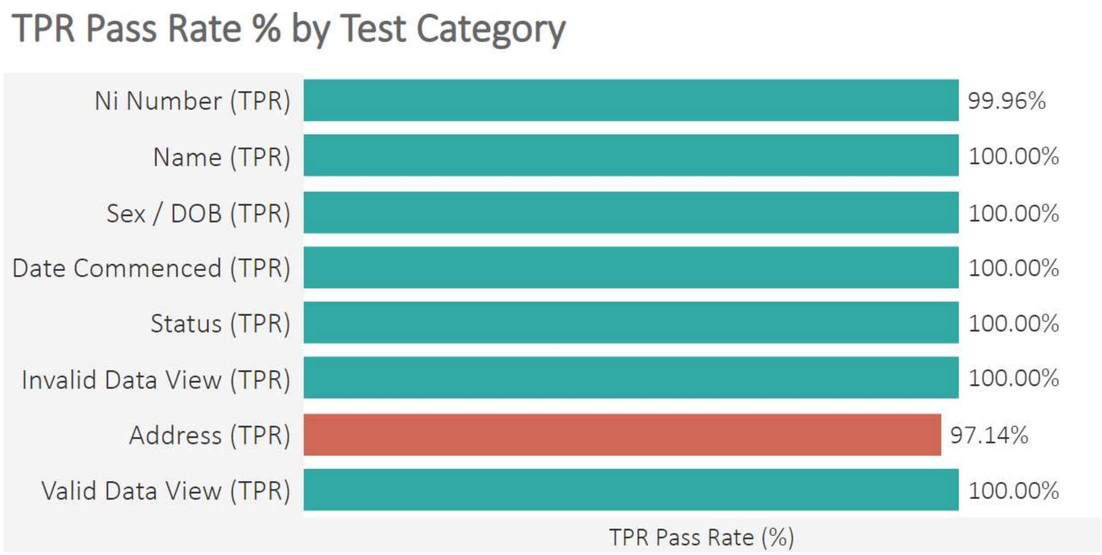
We provide below a summary of the results:

Summary of Common Data Results

The graph below shows Gwynedd's performance for each data category.

7 of the 8 categories achieved the highest benchmark of more than 98% with 5 categories not recording a single failure. The only category that did not reach the highest benchmark in question was **members' addresses** with a score of **97.14%.** With the exception of members' addresses, the general quality of common data in Gwynedd is of a high standard. In order to improve the member address score we will be working with a company called ATMOS to carry out work to track the address of members recorded as having "disappeared".

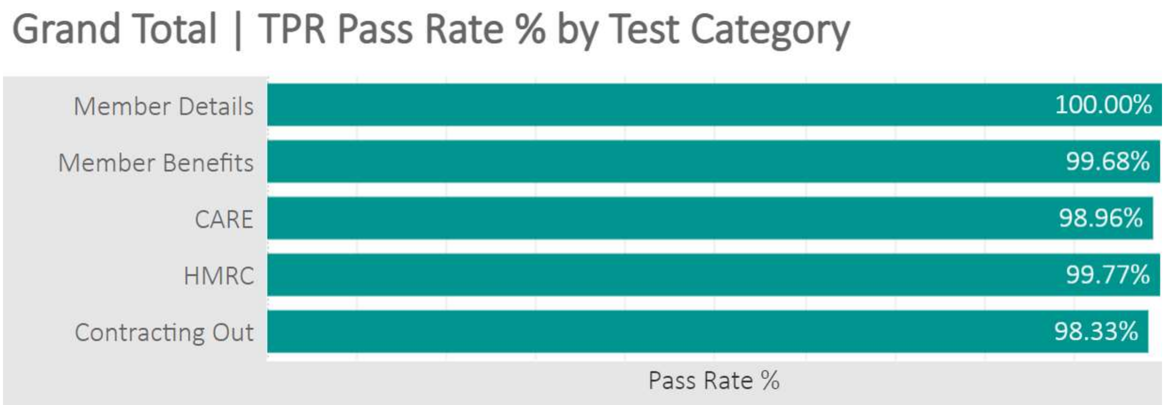
The percentage of member records without a common data failure is **97.9%** (97.7% last year) at the date of preparing this report (09/06/2023).



Summary of Scheme Specific Data Results

The graph below shows Gwynedd's performance for each data category against the agreed plan benchmarks.

The percentage of member records without individual data failure that is specific to the scheme is **98.78%** (94.89% last year) at the date of preparing this report.



An action plan is being developed in relation to the implementation of any data cleansing highlighted as part of this exercise and this data cleansing is expected to improve the data scores for next year.

<u>Training</u>

During 2022/23 Hymans Robertson has been holding training sessions for employers on the subjects below:

- Outsourcing staff
- Employer discretion
- Assumed Pensionable Pay - examples

An invitation was sent to the employers of our fund to attend these sessions and very positive feedback was received to the sessions from the employers who attended.

Some of the fund's staff have attended training sessions provided by the Local Government Association:

- Annual Allowance and Lifetime Allowance
- Overview of the Pension Scheme

Valuation

One of the big projects for 2022/23 was the valuation. The department had to allocate extensive resources to the project to update members' records and to clear as many errors as possible following feedback from the Actuary.

Overall, the project was a success with the Actuary noting that the quality of the data was of a high standard.

Work to do

There are a number of tasks and projects requiring attention during the next year. These include:

- Website: Continue to update and expand the website.
- Pensioners' pay slips: providing pay slips to pensioners electronically through the My Pension Online portal.
- Continue to develop process automation and improve our correspondence.
- Scanning the paper files in the office in order to be a paperless office.
- McCloud: Update records for undertaking the McCloud project.
- Reduce the number of 'undecided leavers' records, which are members who have left the scheme but their record has not been closed.

Scheme Administration Statistics

Number of Employers

This table provides a summary of the number of employers in the Fund with active members and ceased (no active members but some outstanding liabilities).

	Active	**Ceased**
Scheduled bodies:	24	6
Admitted bodies:	22	10
Total:	**46**	**16**

Scheme membership

	31/03/2019	**31/03/2020**	**31/03/2021**	**31/03/2022**	**31/03/2023**
Active	17,373	18,582	18,295	18,657	19,304
Deferred	12,594	12,605	12,431	12,540	13,160
Pensioners	9,825	10,329	10,780	11,298	11,780
Undecided	3,563	6,441	8,133	8,617	7,966
Total:	**45,355**	**47,957**	**49,639**	**51,112**	**52,210**

Retirements during 2022/23

This table provides a summary of the number of retirements within the Fund during 2022/2023.

Reason for leaver	Number of pensioners
Early/Normal Retirement	571
Redundancy/ Efficiency	14
Ill Health	36
Late Retirement	109
Flexible Retirement	28
Total	**758**

Staffing indicators

The table below shows the number of staff in the Pensions Administration Team working exclusively on Local Government Pension Scheme benefits.

	2020/21	2021/22	2022/23
Number of full-time equivalent Pension Fund staff	18.10	19.16	20.16
Total fund membership (Does not include undecided members)	41,506	42,495	44,244
Number of fund members to one member of administration staff	2,293	2,218	2,195

Unit cost per member

Investment Management Expenses	2021/22	2022/23
Total Costs	£14,788,000	£10,593,000
Total Membership Numbers (Does not include undecided members)	42,495	44,244
Cost per member	£347.99	£239.42
Total Costs	£1,373,000	£1,588,000
Total Membership Numbers (Does not include undecided members)	42,495	44,244
Cost per member	£32.30	£35.89
Total Costs	£364,000	£548,000
Total Membership Numbers (Does not include undecided members)	42,495	44,244
Cost per member	£8.57	£12.39
Total Cost	**£388.86**	**£287.70**

Acknowledgments

Overall, 2022/23 has been a successful year for The Pension Service. I would like to thank all the staff for their hard work and support over the year, the employers for providing timely information and our actuary Hymans Robertson for their work and advice over the year.

Meirion Jones
Pensions Manager

5.2 Local Government Pension Scheme Regulations

General
The Public Service Pensions Act 2013 governs the Fund. The Fund is administered in accordance with the following secondary laws:

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

Cyngor Gwynedd administers the Gwynedd Pension Fund for its own employees and those of 45 other bodies (including 2 Local Authorities). The Fund does not cover teachers, for whom separate arrangements exist. The Fund is financed by contributions from employers and employees, together with income earned from investments.

From April 2014 employee contribution rates are determined in bands according to their actual pay indexed annually in line with inflation. Employees may opt to pay half rate contributions to accrue half rate personal benefits in what is called the 50/50 scheme, death and dependant benefits remain at full rate. The bandings for April 2022 – March 2023 are shown in the table below:

Pay Bands	Contribution Rates main scheme	Contribution Rates 50/50 scheme
Up to £15,000	5.5%	2.75%
£15,001 - £23,600	5.8%	2.9%
£23,601 - £38,300	6.5%	3.25%
£38,301 - £48,500	6.8%	3.4%
£48,501 - £67,900	8.5%	4.25%
£67,901 - £96,200	9.9%	4.95%
£96,201 - £113,400	10.5%	5.25%
£113,401 - £170,100	11.4%	5.7%
More than £170,001	12.5%	6.25%

Employers contribute to the fund at a rate assessed triennially by the Fund's Actuary, or in the event of any significant change in an employer's membership or profile. Employers continue to pay the full rate in respect of members who opt for the 50/50 option or are on reduced pay due to illness.

Benefits
The LGPS provides significant benefits to members based on two separate schemes. There is a final salary arrangement, itself consisting of two accrual rates, and a CARE (Career Average Revalued Earnings) arrangement that came into force from 1 April 2014. Below are brief details of how the pensions accrue in both arrangements.

For the final salary element benefits will normally be based on two factors: service or membership during which contributions have been paid to the scheme, known as "Total Membership", and the wage or salary on which those contributions were paid (normally the last 12 months of service), known as "Final Pay".
The CARE part will be in the form of 1/49ths pension calculated on individual years' actual pensionable earnings revalued annually.

- **Annual Pension**
  The calculation of the annual standard pension is based on the following formula:

  Final Pay x 1/80 x Total Membership to 31 March 2008; plus
  Final Pay x 1/60 x Total Membership from 1 April 2008 to 31 March 2014; plus

The accrued and revalued CARE pension on years from 1 April 2014 onwards

Once the pension is in payment it will rise each April in line with the increase in the Consumer Price Index.

- **Lump Sum**

  There is also an entitlement to a standard tax-free lump sum on membership to 31 March 2008, based on the following formula:

  Final Pay x 3/80 x Total Membership to 31 March 2008 only

- **Conversion of Benefits**

  There is an option to convert part of the pension into an additional lump sum in excess of the formula shown above, but subject to HMRC limits.

Councillor Pensions

The scheme also provides access for Councillors. The benefit package is based on the pre April 2008 formula for pension and lump sum shown above but using Career Average Salary instead of Final Pay. This remains the position for councillor members even after the introduction of the new main scheme from April 2014. No new Councillors are eligible to join the LGPS in England and current Councillor Members must leave the scheme when their term of office comes to an end.

Ill-Health Retirement

If the membership period is 2 years or more, and an administering authority approved independent registered medical practitioner certifies that the member has become permanently unable to do their job or any comparable job with their employer, they will receive a pension, and if choosing to convert their pension, a tax free lump sum immediately.

The benefit payable depends on the ill health retirement awarded:

Tier 1

If the member is unlikely to be capable of gainful employment before their Normal Pension Age (NPA), ill health benefits are based on the pension they have already built up in their pension account at the date of leaving the scheme plus the pension they would have built up, calculated on assumed pensionable pay, had they been in the main section of the scheme until they reached their NPA.

Tier 2

If the member is unlikely to be capable of gainful employment within 3 years of leaving, but are likely to be capable of undertaking such employment before their NPA, ill health benefits are based on the pension they have already built up in their pension account at the date of leaving the scheme plus 25% of the pension they would have built up calculated on assumed pensionable pay, had they been in the main section of the scheme until they reached their NPA.

Tier 3

If the member is likely to be capable of gainful employment within 3 years of leaving, or before their NPA if earlier, ill health benefits are based on the pension they have already built up in their pension account at leaving. Payment of these benefits will be stopped after 3 years, or earlier if the member is in gainful employment or become capable of such employment, provided they have not reached their NPA by then. If the payment is stopped it will normally become payable again from their NPA.

Gainful employment means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

Early Retirement

If membership period is 2 years or more, a member may elect to retire and receive their LGPS benefits at any time from age 55 onwards; however payment before normal pension age may result in an actuarial reduction for early release, and if after normal pension age benefits may be actuarially increased due to late payment.

Preserved Benefits

Leavers with 2 years of membership are awarded preserved benefits, calculated in the same way as described in the paragraph 'Benefits', but with payment being deferred and index linked until payment is made any time after age 55 (age 60 if termination before 1/04/2014). Alternatively, it may be possible to transfer the equivalent value of benefits to another pension scheme.

Leavers with less than 2 years' membership, and with no further LGPS rights, may reclaim their contributions, less tax and any contracted out premiums that may apply.

Death in Service

A death grant of three times Final Pay is payable, regardless of the length of membership. For part-time employees, the Final Pay is not increased to its whole-time equivalent rate.

In addition, survivor benefits may be payable to spouses, or partners, with dependent children benefits also payable subject to certain criteria, mainly based on age and whether in full time education.

Death after Retirement

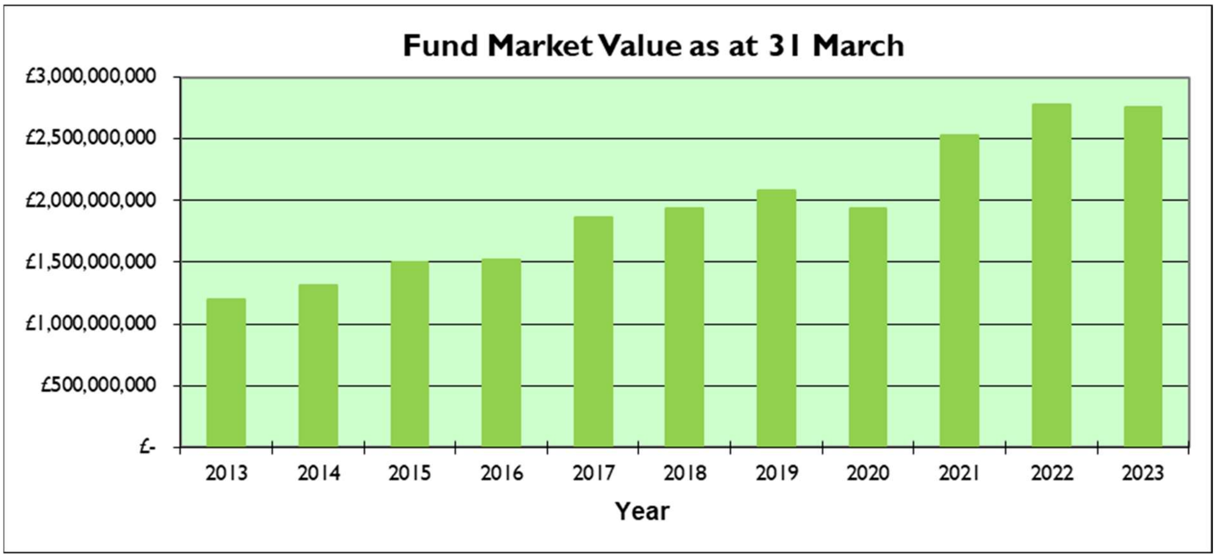
If a member dies after drawing their LGPS pension and before reaching age 75, a death grant may be payable. Generally speaking, the death grant is equal to 10 times (or 5 times if they left the LGPS before 1 April 2008) the pension less the amount already paid. If the member left after 31/03/2014 then the amount of additional lump sum the member received on retirement as a result of giving up pension for lump sum is also deducted from the sum payable.

Like for death in service, spouses and partners' pensions are payable for life whilst dependant eligible children's pensions are payable subject to the same conditions as for Death in Service.

6. Investments

6.1 End of Year Position

The Gwynedd Pension Fund is in a relatively healthy position with the value of the fund gradually increasing for some time now. At 31st March 2023, the Pension Fund's value has stablisied at £2.7 billion.



Asset Allocation
The main determinant of the Fund's long-term performance is the strategic allocation of assets.

The following table shows the Fund's benchmark allocation at 31.03.23.

	Actual %	Target %	Difference %
UK Equity	8.9	10.5	-1.6
Global Equity	52.5	49.5	3.0
UK Bonds	13.9	15.0	-1.1
Multi Asset Credit	7.2	7.5	-0.3
Property	8.0	10.0	-2.0
Private Equity	6.1	5.0	1.1
Infrastructure	2.7	2.5	0.2
Cash	0.7	0.0	0.7
Total	**100.0**	**100.0**	

Having considered the results of the triennial valuation, with the Fund's funding level at 120%, it was decided to review the Fund's investment strategy in the Pensions Committee on the 21st of November 2022. It was decided to reduce the risk of the fund by transferring a portion of the equity assets to other asset classes such as infrastructure and private debt. This new allocation will be active within the next 12-18 months and the new allocation can be seen in the following table:

Type of asset	Allocation
UK Equity	9.00%
Global Equity	38.50%
Emerging Markets Equity	2.50%
Private Equity	5.00%
Total Growth	**55.00%**
Property	10.00%
Infrastructure	5.00%
Multi Asset Credit	7.50%
Private Credit	5.00%
Total Income	**27.50%**
Absolute Return Bond	12.50%
Corporate Bonds	5.00%
Total Defensive	**17.50%**

Investments by investment manager

Over the period of this report, there were 3 Investment Managers as follows: Wales Pension Partnership, BlackRock and Partners. The Fund has also made direct property investments with Lothbury, Threadneedle and UBS funds.

Manager	Fund	Asset Class	31 March 2022 £000	31 March 2023 £000
Wales Pension Partnership	Global Opportunities	Global Equity	454,098	430,059
Wales Pension Partnership	Global Growth	Global Equity	430,749	426,908
Wales Pension Partnership	Absolute Return Bond	Bonds	353,857	386,103
Wales Pension Partnership	Multi Asset Bond	Multi-Credit Asset	197,920	200,600
Wales Pension Partnership	Emerging Markets	Global Equity	59,802	57,616
Black Rock	Aquila Life UK Equity Index	UK Equity	239,314	246,433
Black Rock	Aquila Life GBL Dev Fundamental	Global Equity	200,811	207,927
Black Rock	ACS World Low Carbon Equity	Global Equity	346,072	331,802
Black Rock	Property	Property	65,192	55,032
Lothbury	Property	Property	72,139	57,297
UBS	Property Global Ast Triton	Property	75,739	74,865
Threadneedle	Property TPEN	Property	37,063	32,056
Threadneedle	Property TPUT	Property	2,387	2,047
Partners	Private Equity	Private Equity	158,711	166,622
Partners	Infrastructure	Infrastructure	67,417	67,566
		Total	**2,761,271**	**2,742,933**

6.2 Investment Performance

Quarterly Meetings

The performance of the Investment Managers is monitored on a quarterly basis. A quarterly meeting with the Investment Managers is rotated. The Investment Managers submit quarterly reports to the Pensions Committee, relevant officers and the Fund's adviser.

Performance Monitoring

Gwynedd subscribes to a service provided by Pensions & Investment Research Consultants Ltd (PIRC), who calculate the rate of return for Gwynedd and for other pension funds and provides comparisons.

Targets

Individual performance benchmarks for the Investment Managers are shown in the table below.

Fund/ Asset Class	Benchmark
WPP Global Growth	MSCI AC World
WPP Global Opportunities	MSCI AC World
WPP Absolute Return Bond	ICE BofA SONIA Overnight Rate Index +2%
WPP Multi Asset Credit	ICE BofA SONIA Overnight Rate Index +4%
WPP Emerging Markets	MSCI Emerging Markets Index
Black Rock Fundamental Indexation	FTSE RAFI Developed 1000
BlackRock UK/ Low Carbon	FTSE All-Share 52%, MSCI World Low Carbon Index 48%
Property	IPD All Balanced Property Funds
Partners	MSCI World

The fund has made direct investments with Lothbury, UBS and Threadneedle, so therefore have not given them a benchmark. However, for indicative purposes we monitor them against the 'IPD Balanced Property Unit Trust Index'.

The Fund's Performance

	1 Year Return	1 Year Benchmark	3 Year Return	3 Year Benchmark	Since Inception Return	Since Inception Benchmark
Wales Pension Partnership Funds						
WPP Global Growth	-0.9%	-1.4%	14.8%	15.5%	9.0%	9.8%
WPP Global Opportunities	-0.3%	-1.4%	16.3%	15.5%	10.3%	9.5%
WPP Multi Asset Credit	-6.2%	6.4%	d/b	d/b	-1.1%	4.9%
WPP Absolute Return Bond	2.1%	4.3%	d/b	d/b	1.8%	3.0%
WPP Emerging Markets	-10.6%	-10.0%	d/b	d/b	-6.7%	-7.2%
Local Funds						
Black Rock Aquila Life UK Equity Index	3.0%	2.9%	14.0%	13.8%	7.2%	7.2%
Black Rock ACS World Low Carbon Equity Tracker	-4.1%	-4.7%	d/b	d/b	9.1%	8.7%
Black Rock Aquila Life Global Dev Fundamental	3.5%	3.0%	20.1%	19.5%	10.0%	9.4%
BlackRock Property	-15.7%	-14.5%	2.1%	2.6%	5.4%	5.9%
Lothbury Property	-20.5%	-14.5%	-1.8%	2.6%	5.7%	6.3%
Threadneedle TPEN Property	-13.8%	-14.5%	2.7%	2.6%	3.2%	3.2%
Threadneedle TPUT Property	-13.7%	-14.5%	2.3%	2.6%	1.7%	2.0%
UBS Property	-14.8%	-14.5%	2.6%	2.6%	3.5%	4.6%
Partners Group Infrastructure	16.7%	8.0%	13.4%	8.0%	12.1%	8.0%
Partners Group Private Equity	0.1%	5.4%	15.5%	12.7%	15.8%	11.4%
Whole Fund	**-1.5%**	**-0.3%**	**11.7%**	**11.4%**	**d/b**	**d/b**

The year has been challenging with the effect of the war in Ukraine and high inflation impacting the financial markets. The Fund achieved a performance of -1.5%, although this was behind the benchmark, this was a strong performance in challenging circumstances and in the highest quartile of the LGPS funds in the official PIRC statistics for 2022/23.

It is generally accepted that investment performance over a longer period of time (say, 3+ years) is a more valid indicator than over a single year as investment strategies designed to bring good performance in the longer run may from time to time suffer from short-term setbacks.

The Fund's performance was 0.3% above the benchmark over three years with a return of +11.7%. The Fund's performance over three years by 2022/23 is ranked 3rd out of all LGPS funds, with a gradual improvement over the time horizons years. We were ranked 36th (20 years return), 10th (10 years return) and 7th (5 years return) and therefore the recent strategy has had a very positive impact on the Fund's position.

6.3 Administrative and Custody Arrangements

Governance
The Fund is administered within the framework established by statute, which stipulates that Cyngor Gwynedd is the Administering Authority.

Governance Policies
The Governance Policy Statement and the Governance Compliance Statement states the governance practices of the Pension Fund.

Copies can be seen in 10.4 and 10.5.

Specialist Advice
The Local Government Pension Scheme Regulations oblige the Council to take specialist advice on investment. This advice is provided by an independent advisor from Hymans Robertson (the Fund's advisors), who joins the Pensions Committee in monitoring the Investment Managers. An advisor from Hymans Robertson is always present at the quarterly meetings with the Investment Managers.

Custodians
Some of the investment managers have an associated custodian who holds the assets of their part of the portfolio. The managers and their associated custodians are as follows:

- BlackRock's custodian is JP Morgan Chase Bank;
- WPP's custodian is Northern Trust.

Lothbury, Threadneedle and UBS, with whom the Fund has direct investments, have Northern Trust as their custodians.

Partners Group is not included in the Fund's custody arrangements.

Administrative Procedures
Administrative procedures ensure that those transfers which do take place, between the Council and the Investment Managers, must be authorised by the signatories of two named officers who are on the Pension Fund's authorised signature list.

6.4 Investment Powers

Investment Powers
The regulations require that the Fund has an Investment Strategy Statement (ISS).

This enables pension funds to be flexible in their strategy and invest a larger percentage of their fund in individual pooling arrangements. There are no specific limits in the legislation and therefore no need to formally increase the amounts. However, it is good practice to have some broad limits and these are included in the ISS.

6.5 Investment Management

General
The main objective of an investment policy is to maximise the return on the money entrusted to the Council, consistent with acceptable levels of risk, and for the annual return in the longer run to exceed the level of wage inflation. It must be borne in mind that the Fund's liabilities (pensions) are very long-term, extending to the middle of the century. These liabilities will increase with inflation, both because of the index-linking of pensions and also due to the rising level of employees' salaries and wages to the time of retirement. There is a relationship between the level of returns achieved and the contribution rate which employers are expected to pay. The Pensions Committee considers that in the long run equity returns will exceed bond returns and it is for this reason that the majority of the Fund is invested in equities.

Investment Manager Briefs
As a result of a deliberate policy to diversify assets and investment styles, the Fund has Investment Managers with varying briefs:

Investment Manager	Brief
BlackRock	Passive
WPP	Active
Partners	Active

BlackRock is briefed to be a "passive" manager. The manager will allocate their mandate's asset allocation in line with that of the benchmark and in each market they aim to track stock exchange indices. As a result, their mandates' performance should be in line with their respective benchmarks. Appointing a passive manager reduces the risk of underperformance relative to benchmark; however, it also reduces the possibility of out-performance relative to the benchmark.

All the others are "active" managers. They are given the discretion to invest in their best investment ideas. Whilst they have a great deal of flexibility in terms of which stocks, regions and sectors they can invest in, there are a number of restrictions in place which prevents the managers deviating too far from the benchmark and taking excessive risk. Appointing active managers increases the possibility of out-performance, relative to the benchmark; however it also increases the risk of underperformance relative to benchmark.

6.6 Wales Pension Partnership

The WPP was established in 2017 with the objective to deliver:

- economies of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

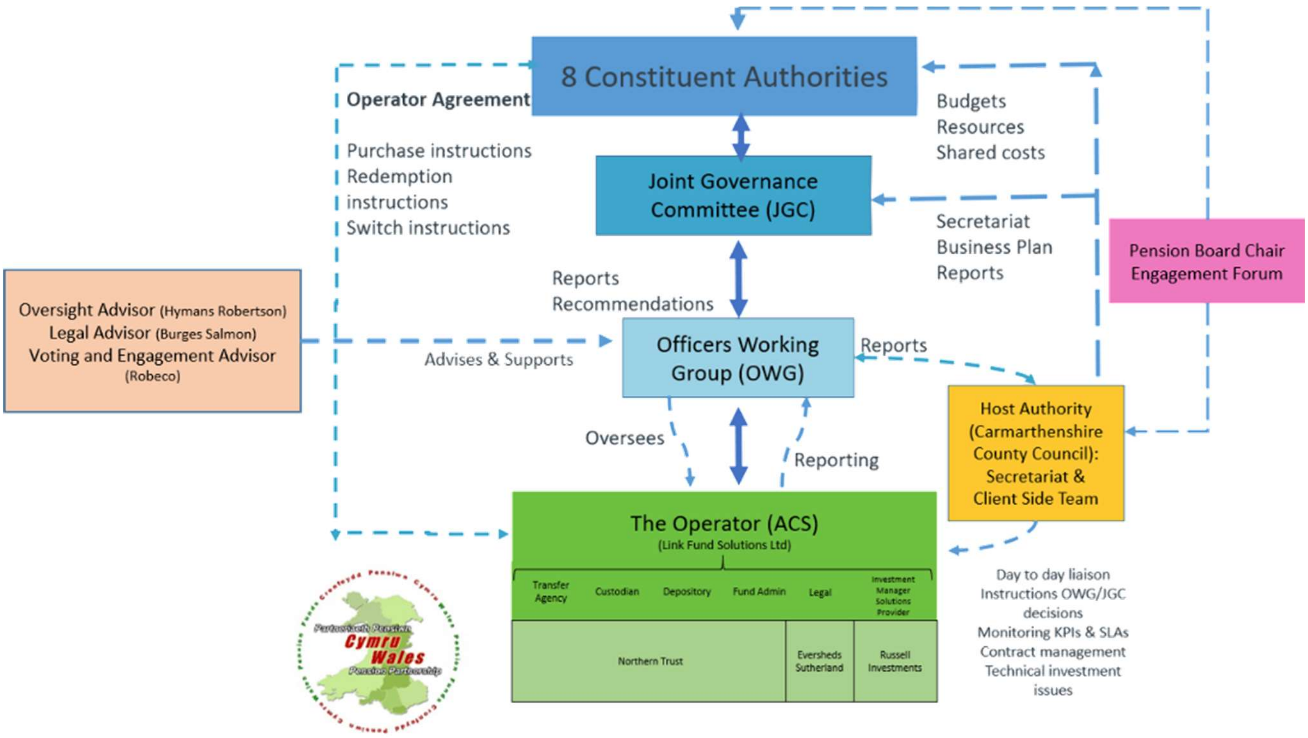
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government's pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP's operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

Governance

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:



The eight Constituent Authorities of the WPP are:

The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's Business Plan, which outlines the WPP's budget and work plan, as well at its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities.

The Officer Working Group (OWG) provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

Carmarthenshire County Council is the Host Authority for the WPP and is responsible for providing administrative and secretarial support to the JGC and the OWG, and liaising day to day with the Operator on behalf of all of the Welsh LGPS funds.

Link Fund Solutions (Operator) carries out a broad range of services for the WPP, which includes facilitating investment vehicles and sub-funds, performance reporting, transition implementation, manager monitoring and fee negotiations. There is an Operator Agreement in place which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of Hymans Robertson, oversee the work that Link Fund Solutions carries out on behalf of the WPP. Link engages with the Constituent Authorities by:

- Direct engagement – attendance at one committee meeting annually
- Indirect engagement – with all Constituent Authorities through the JGC and OWG

In collaboration with Link Fund Solutions, Russell Investments provide investment management solution services to the WPP and they work in consultation with WPP's eight Constituent Authorities to establish investment vehicles.

Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

Hymans Robertson are WPP's Oversight Advisor and their role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

Burges Salmon are WPP's legal advisors and they provide legal advice in relation to FCA regulated funds, tax and governance arrangements, including assisting with complex procurement processes.

Robeco UK has been appointed as WPP's Voting and Engagement provider and are responsible for implementing the Voting Policy across WPP's portfolio and undertaking engagement activity on behalf of the WPP.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies. The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances, the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP's key policies, registers and plans are listed below and can be found on the WPP website.

Responsible Investment has been a key priority for the WPP since it was established in 2017. Various activities have been undertaken to work towards WPP's ambition of becoming a leader in Responsible Investment. Initially the focus was on formulating a Responsible Investment Policy and since then the WPP has formulated its own Climate Risk Policy and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. A WPP Responsible Investment Sub-Group has been established to take ownership of Responsible Investment related work streams and actions that are required to achieve the commitments made in the WPP's Responsible Investment and Climate Risk Policies.

The WPP's Business Plan, Governance Manual and all other policies detailed in the chart above can be found on the WPP website:

https://www.walespensionpartnership.org/

Risk

Risk management is a critical element of WPP's commitment to good governance. The WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis.

Training

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

Pooling progress to date

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP has made significant progress towards delivering on this objective. The launching of WPP's first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets equity sub-fund in 2021/22, alongside the

Constituent Authorities' existing passive investments, has meant that that the WPP has now pooled 70% of assets.

As at 31 March 2023, WPP has total assets worth £22.5bn, £15.6bn of which sits within the pool, see breakdown below:

Fund	**Managed by**	**Launch Date**	**31 March 2023 £000**	**%**
Global Growth Equity	Link Fund Solutions	February 2019	3,274,153	14.6
Global Opportunities Equity	Russell Investments	February 2019	3,269,124	14.6
UK Opportunities Equity	Russell Investments	September 2019	760,143	3.4
Emerging Markets Equity	Russell Investments	October 2021	354,601	1.6
Global Credit	Russell Investments	July 2020	693,665	3.1
Global Government Bond	Russell Investments	July 2020	481,417	2.1
UK Credit	Link Fund Solutions	July 2020	520,721	2.3
Multi-Asset Credit	Russell Investments	July 2020	655,191	2.9
Absolute Return Bond	Russell Investments	September 2020	559,107	2.5
Passive Investments	BlackRock	March 2016	5,074,366	22.6
Investment not pooled			6,812,892	30.3
Total Investments across all 8 Pension Funds			**22,455,380**	**100**

The investment assets split between Gwynedd Pension Fund and WPP are as follows:

Fund	**31 March 2023 £000**	**%**
Global Opportunities	430,059	15.7
Global Growth	426,908	15.6
Multi Asset Credit	200,600	7.3
Absolute Return Bond	386,103	14.0
Emerging Markets	57,616	2.1
Passive Equity	786,162	28.7
Investment not pooled	455,485	16.6
Total Investment Assets	**2,742,933**	**100**

The above table provides additional details to note 14 from the financial statements and summarises Gwynedd Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund.

Pooling costs

Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership, is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs and the running costs are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to the Gwynedd Pension Fund for the financial year ending 31 March 2023 was £158k and this is included in Note 12d in the financial statements.

In addition to the running costs, there are also transition costs associated with the transition of assets into the pool, these costs can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs include both explicit and implicit costs, such as commissions, spread and impact, and opportunity costs known as implementation shortfall. Transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their net asset value as opposed to a direct charge to the Fund.

Investment Management Costs

The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP for 2022/23.

		Direct £000	Indirect £000	Total £000
Management Fees	Pool Assets	2,268	2,366	4,634
	Non-Pool Assets	7,502	595	8,097
Transaction Costs	Pool Assets	551	0	551
	Non-Pool Assets	0	1,975	1,975
Custody Costs	Pool Assets	247	0	247
	Non-Pool Assets	25	0	25
Whole Fund Total		**10,593**	**4,936**	**15,529**

2023/24 Objectives

Following the launch of a number of sub-funds to date, progress will continue to be made with significant rationalisation of the existing range of mandates. The Operator/ Allocator will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the eight constituent funds and facilitate a significant move of the assets to be pooled.

In establishing the WPP pool, the focus has been on pooling the most liquid assets, namely equities and fixed income. In July 2021, the Joint Governance Committee appointed BFinance as WPP's Allocator Advisors and they will assist the WPP with the identification of Private Markets Allocations for the Private Market Asset Classes. The Infrastructure, Private Credit and Private Equity allocators have been appointed and work is underway with Real Estate.

WPP's Infrastructure and Private Credit investment programmes have been launched with the Private Equity investment programme due to launch in 2023/24. No funds have yet transitioned into these programmes.

A transition timetable has been provided below:

Investment Portfolio	Timeline for Launch / Implementation
Sustainable Equities	Launch due by the middle of 2023
Private Debt / Infrastructure	Investments to commence in 2023/24
Private Equity	Investments to commence in 2023/24

During 2022/23, the WPP published its second annual Stewardship Report, remaining a signatory to the 2020 UK Stewardship Code. This year has seen an enhanced approach as a responsible investor with the establishment of an engagement framework to review its engagement themes, enhanced reporting in accordance with the requirements of the UK Stewardship Code, and continued reviews of the existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs. 2023/24 will see further enhancements, with the delivery of a WPP climate report, in preparation for the upcoming Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements. WPP is also working closely with its service providers to further its responsible-investment aims, including evolving its Voting Policy towards a more-encompassing Stewardship Policy, with plans to establish an appropriate Escalation Policy.

There will also be a focus on the review and development of additional WPP policies, as well as the provision of timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

Securities Lending

Securities lending commenced in March 2020. Revenue is split on an 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. Total revenue of LF Wales Revenue during 2022/23 was £1,328,759 (gross) / £1,129,506 (net) with £454,055,990 out on loan as at 31 March 2023.

6.7 Responsible Investing

The Fund recognises that environmental, social and corporate governance (ESG) issues can represent a material financial risk to its stakeholders and can influence the Fund's long-term returns and reputation. Given this, the Committee aims to be aware of, and monitor, financially material ESG factors and has agreed the following set of investment beliefs in relation to Responsible Investment in its March 2022 meeting:

- In accordance with the Committee's fiduciary duty, financial considerations should carry more weight than non-financial considerations when making investment decisions, even though ESG matters can materially affect risk and returns. Therefore, ESG factors should be embedded in the investment processes and in the decision-making processes of asset managers appointed by the Fund / Wales Pension Partnership.
- The Fund's Committee will seek to invest in sustainable assets, including investing within the Wales area when non-financial investments can derive from this, on condition that they satisfy the requirements of the fiduciary duty.
- The Committee accepts that it has a duty to be a responsible investor. It is expected that consulting with companies, rather than avoiding investing, will be more effective in changing

corporate behaviour and reducing risk. Wherever possible, collaborative action (such as that taken via Local Authority Pension Fund Forum (LAPFF) membership and commissioned from Robeco alongside WPP partners) provides the most successful route to influence outputs.

- As a long-term investor, the Fund is vulnerable to systemic risks such as climate change and the expectation of a transfer to a low carbon economy. Financial outcomes can be improved through managing how open to such risks the Fund is.
- Shareholder comprehension and outcomes can be improved through providing transparency at each step of the value-adding chain.
- Training and education are likely to form a key element in developing the Fund and its Committee position on ESG related matters.

The Committee recognises that the Fund's assets are invested globally and across many sectors, which means reducing the Fund's carbon emissions is more challenging than it would be for an individual organisation. In March 2022, the Committee committed to set a goal for the Fund to be net zero by 2050, supported by an undertaking to assess the feasibility of the Fund **reaching net zero 5,10 or 20 years earlier.**

The Committee believes it is important for LGPS funds to take a leading role in shaping the future, both in terms of supporting the transition to a low carbon economy and achieving broader ESG goals. The Committee is able to exert influence in two ways: through the investment decisions it takes; and through ongoing engagement with the companies and projects the Fund invests in. Against this background, the Committee believes it is appropriate to set a realistic goal while also looking at the feasibility to achieve a more ambitious goal.

At the same time, the Committee believes that the reduction in the Fund's carbon emissions should be achieved in a measured way. The Fund must remain focused on its primary obligation to pay benefits to its members, including consideration of any associated risks. A measured approach allows the Fund to capture investment opportunities arising from the transition to a low carbon economy, as well as mitigating the risks. Further, a measured approach supports active stewardship, giving the Committee more time and greater scope to effect change and achieve a just transition through ongoing engagement.

7. Management and Financial Performance

7.1 Managing Risk

The Gwynedd Pension Fund recognises the importance of effective risk management. Risk management is the process by which the Fund identifies and deals with the risks associated with the activities.

For the Gwynedd Pension Fund, the risks come from a number of sources including long-term investment strategy, funding position, investment performance, scheme administration, membership change, financial systems and communications.

The following documents explain these major risks and show how they are identified, avoided, managed and reviewed:

- Risk Register
- Investment Strategy Statement
- Funding Strategy Statement
- Gwynedd Pension Fund Accounts- reference to financial instrument risks

Expert advice is provided by Hymans Robertson, our advisers, and the Pensions Committee meets to review the performance of our investment managers on a quarterly basis.

7.2 Investment Strategy Statement

The Pensions Committee approved the Investment Strategy Statement in March 2023 following the 2022 valuation. This strategy defines the types of investments that the fund may use in the long term.

There are no specific limits for types of investments. However, it is good practice to have some broad limits and these are included in the Investment Strategy Statement. A copy of the Investment Strategy Statement is available at Appendix 10.2 or on the Fund's website at:

https://www.gwyneddpensionfund.wales/en/Investments/Gwynedd-Pension-Fund-Investment-Strategy-Statement-March-2023.pdf

7.3 Funding Strategy Statement

Local Government Pension Scheme (LGPS) administering authorities are required to prepare and publish a Funding Strategy Statement. The Funding Strategy Statement sets out the fund-specific strategy which will identify how employers' pension liabilities are best met going forward.

LGPS benefits are guaranteed by statue and thereby the pensions promise is secure. The Funding Strategy Statement addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure. It also provides LGPS administrative authorities with a statutory framework within which to manage their Funds' long-term pension liabilities going forward.

The Funding Strategy Statement was reviewed during 2022/23 to reflect the Actuarial Valuation at 31 March 2022. It includes all employer contribution rates from 1 April 2023 onwards.

A copy of the Funding Strategy is available at Appendix 10.1 or on the Fund's website at

https://www.gwyneddpensionfund.wales/en/Investments/Gwynedd-FFS-2023-Saesneg.pdf

7.4 Financial Performance

Income

	Actual 2021/22 £000	Actual 2022/23 £000
Employee/ Member contributions	19,703	21,519
Employer contributions	63,268	68,243
Transfer in	2,664	6,773
Investment Income	26,170	30,940
Other Income	4	4
Total Income	**111,809**	**127,479**

There was an increase across all categories of income but in particular a higher level of contributions from employees/members and employers was received due to salary increases in the year.

Expenditure

	Actual 2021/22 £000	Actual 2022/23 £000
Benefits payable	(66,979)	(72,108)
Payments to leavers	(3,683)	(3,121)
Management expenses	(16,525)	(12,729)
Total Expenditure	**(87,187)**	**(87,958)**

There was an increase in the amount of benefits paid after the benefits increased with CPI, and there was a reduction in management costs during the year due to exceptional performance fees in three specific funds from Partners last year.

Net Assets

	Actual 2021/22 £'000	Actual 2022/23 £'000
Profit and losses on disposal of investments and changes in the market value of investments	223,010	(22,213)
Net Increase/ (Decrease) in the Net Assets available for benefits during the year	**247,632**	**(13,632)**

The value of investments on the market has decreased during the year after the investments faced a challenging year with the war in Ukraine and high inflation affecting the money markets. This was common to all LGPS pension funds and is therefore not cause for concern and there are forecasts that the value of the assets has increased in the first quarter of 2023/24.

Further information is included in the Statement of Accounts (Section 9).

7.5 International Accounting Standard 19 (IAS19) and Financial Reporting Standard 102 (FRS102)

Definition of IAS19
IAS19 effectively defines how pension scheme assets and liabilities are to be measured for financial reporting purposes and notes that any deficit or surplus should be recognised in full as a balance sheet item, with any movements being recognised in the annual profit and loss account. IAS19 is relevant to bodies required to report under International Financial Reporting Standards (IFRS). This includes the scheduled bodies in the Pension Fund, which are part of Government accounting, namely Cyngor Gwynedd, Isle of Anglesey County Council, Conwy County Borough Council and their foundation schools, Snowdonia National Park Authority, the Police and Crime Commissioner for North Wales and Careers Wales North West. Two of the smaller employers also requested IAS19 reports. All other employers are still subject to FRS102 reporting requirements.

Accounting for IAS19 and FRS102
Adoption of IAS19 or FRS102 means that employers have to recognise the net asset or liability, and a pensions reserve, in the balance sheet. They also have to make entries in the Consolidated Revenue Account for movements in the asset or liability relating to defined benefit schemes.

IAS19 and FRS102 Reports as at 31/03/2023
In February 2023, the necessary data was collected to enable the Actuary to calculate the individual IAS19 or FRS102 information for the Fund's employers.

IAS19 and FRS102 Results as at 31/03/2023
The employer had the choice to base the results on expected returns or actual returns. Each employer's results reflect their own specific circumstances. Therefore, this update should be considered as an illustrative guide to the main issues affecting most employers, rather than a detailed explanation of each employer's experience.

7.6 Final Accounts 2022/23

The Final Accounts were audited by Audit Wales, and the final version in Section 9 was presented to the Pensions Committee on 27 November 2023.

7.7 Knowledge and Skills Framework

Gwynedd Pension Fund recognises the importance of ensuring that all staff and members charged with the financial administration and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

Therefore, Gwynedd Pension Fund seeks to utilise individuals who are both capable and experienced and it will provide training for staff and members of the pension decision-making bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

7.8 Investment Unit

Collaboration has been a very important theme again this year. I would like to thank the staff within the Investment Unit for their hard work during the year and the teams at Hymans Robertson and all the Wales funds for their willing co-operation throughout.

Delyth Jones-Thomas
Investment Manager

8. Actuarial Report

General

The Fund needs to be sufficient to meet its commitments, and therefore the Fund receives a valuation every three years to assess the situation. The most recent actuarial valuation of the Fund was undertaken as at 31st March 2022 (previously 31st March 2019), and the new rates are effective from 1 April 2023.

Method and Assumptions Used

The actuarial methods used in the valuation were the "Projected Unit Method" for the Fund as a whole and employers who will continue to admit new entrants to the Fund and the "Attained Age Method" for employers who no longer admit new entrants to the Fund. The main financial assumptions were as follows:

	% per annum
Discount Rate	4.1%
Salary Increases	3.2%
Benefit increases and CARE revaluation (CPI)	2.7%

2022 Valuation Results

The triennial actuarial valuation as at 31 March 2022 was completed during 2022/23. The funding position for the whole Fund improved from 108% at 31 March 2019 to 120% at 31 March 202022, mainly due to strong investment performance over the period.

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	1,042	855
Deferred Pensioners	392	321
Pensioners	874	750
Total Liabilities	**2,308**	**1,925**
Assets	**2,776**	**2,081**
Surplus/(Deficit)	**468**	**156**
Funding Level	**120%**	**108%**

The funding position has increased from a surplus of £156m to a surplus of £468m. See the movements in the table below:

Change in the surplus/deficit position	Assets (£m)	Liabilities (£m)	Surplus / (Deficit) (£m)
Last valuation at 31 March 2019	**2,081**	**1,925**	**156**
Cashflows			
Employer contributions paid in	179	0	179
Employee contributions paid in	56	0	56
Benefits paid out	(192)	(192)	0
Net transfers into / out of the Fund*			
Other cashflows (e.g. Fund expenses)	(5)	0	(5)
Expected changes in membership			
Interest on benefits already accrued	0	238	(238)
Accrual of new benefits	0	255	(255)
Expected investment returns	249	0	249
Membership experience vs expectations			
Salary increases greater than expected	0	17	(17)

Benefit increases greater than expected	0	(26)	26
Early retirement strain (and contributions)	0	4	(4)
Ill health retirement strain	0	(3)	3
Early leavers less than expected	0	(2)	2
Pensions ceasing less than expected	0	0	0
Commutation less than expected	0	0	0
McCloud remedy	0	7	(7)
Other membership experience	0	20	(20)
Changes in market conditions			
Investment returns on the Fund's assets	407	0	407
Changes in future inflation expectations	0	175	(175)
Changes in actuarial assumptions			
Change in demographic assumptions (excl. longevity)	0	(30)	30
Change in longevity assumptions	0	6	(6)
Change in salary increase assumption	0	7	(7)
Change in discount rate	0	(92)	92
This valuation at 31 March 2022	**2,775**	**2,309**	**468**

The actuary produced a provisional report for each individual employer. A forum was held for all employers in October 2022, where the Actuary presented the results and answered questions. This was a very useful session and a number of employers attended.

The final Gwynedd Pension Fund 2022 Actuarial Valuation Report was produced in March 2023 and is available on the Fund's website at:

https://www.cronfabensiwngwynedd.cymru/cy/Buddsoddiadau/230328-Gwynedd-Pension-Fund-Final-Valuation-Report.pdf

Employer Contribution Rate

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates.

For each employer in the Fund to meet the Contribution Objective, a primary rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within each individual employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at this valuation.

Primary Rate (% of pay)	Secondary Rate £		
1 April 2023 – 31 March 2026	2023/24	2024/25	2025/26
21.8%	-£8,746,000	-£9,021,000	-£9,303,000

The next triennial actuarial valuation will be at 31 March 2025.

9. Statement of Accounts 2022/23

NARRATIVE REPORT

Introduction

Gwynedd Pension Fund's accounts and notes for the year 2022/23 are presented here.

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

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

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

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

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

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

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

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

Further information relating to the accounts is available from:

Delyth Jones-Thomas
Investment Manager
01286 679128

Finance Department
Cyngor Gwynedd
Council Offices
Caernarfon
Gwynedd
LL55 1SH

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE PENSION FUND'S RESPONSIBILITIES

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

27th November 2023

Councillor Stephen Churchman

Pensions Committee Chair

THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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

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

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

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

16th November 2023

Dewi Morgan CPFA

Head of Finance, Cyngor Gwynedd

GWYNEDD PENSION FUND ACCOUNTS

THE FUND ACCOUNT

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

The notes on pages 41 to 77 form part of these Financial Statements

NET ASSETS STATEMENT

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

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

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE 1 – DESCRIPTION OF FUND

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

a) General

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

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

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

b) Membership

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

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

NOTE 1 – DESCRIPTION OF FUND (continued)

The following bodies are active employers within the Pension Fund:

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

NOTE 1 – DESCRIPTION OF FUND (continued)

Membership details are set out below:

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

c) Funding

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

NOTE 1 – DESCRIPTION OF FUND (continued)

d) Benefits

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

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

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

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

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

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

NOTE 2 – BASIS OF PREPARATION

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

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

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

a) Contribution Income

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

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

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

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

b) Transfers to and from other schemes

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds including property

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

iv) Movement in the net market value of investments

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund account – expense items

d) Benefits payable

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

e) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

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

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

f) Taxation

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets statement

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

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

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

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

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

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

k) Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Additional voluntary contributions

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

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

m) Contingent assets and contingent liabilities

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

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

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity and infrastructure investments

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

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

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

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

NOTE 6 – EVENTS AFTER THE REPORTING DATE

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

NOTE 7 – CONTRIBUTIONS RECEIVABLE

By category

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

By type of employer

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

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

NOTE 8 – OTHER INCOME

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

NOTE 9 – TRANSFERS IN FROM OTHER PENSION FUNDS

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

NOTE 10 - BENEFITS PAYABLE

By category

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

By type of employer

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

(i) NOTE 11 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

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

(ii) NOTE 12 – MANAGEMENT EXPENSES

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

NOTE 12a – INVESTMENT MANAGEMENT EXPENSES

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

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

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

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

NOTE 12b- ADMINISTRATIVE COSTS

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

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

NOTE 12c- OVERSIGHT AND GOVERNANCE COSTS

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

NOTE 12d- WALES PENSION PARTNERSHIP

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

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

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

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

NOTE 13 – INVESTMENT INCOME

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

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

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

NOTE 14 – INVESTMENTS

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

NOTE 14a – RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

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

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

NOTE 14b – ANALYSIS OF INVESTMENTS

Investments analysed by fund manager

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

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

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

NOTE 14c – STOCK LENDING

The Fund's investment strategy permits stock lending subject to specific approval. The income earned by the fund through stock lending was £109,916 (£126,800 in 2021/22). Currently the Fund has total quoted equities of £40.6m on loan (£35.8m on 31 March 2022). These equities continue to be recognised in the Fund's financial statements. No liabilities are associated with the loaned assets.

NOTE 15 – FAIR VALUE- BASIS OF VALUATION

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

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

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

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

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

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

Description of Asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the Valuations provided
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short- term nature of these financial instruments	Not required	Not required
Pooled investments- equity funds	Level 2	The 'NAV' (net asset value) is calculated based on the market value of the underlying assets	Evaluated price feeds	Not required
Pooled investments- fixed income	Level 2	The 'NAV' is calculated based on the market value of the underlying fixed income Securities	Evaluated price feeds	Not required
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price is published	'NAV'- based set on a forward pricing basis	Not required
Private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	• EBITDA multiple • Revenue multiple • Discount for lack of marketability • Control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Infrastructure	Level 3	Valued using discpinted cashflow techniques to generate a net present value	Discount rate and cashflow used in the models	Rate of inflation, interest, tax and foreign exchange

Sensitivity of assets valued at level 3

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

Transfers between levels 1 and 2

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

NOTE 15a – FAIR VALUE HIERARCHY

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

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

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

NOTE 15a – FAIR VALUE HIERARCHY (CONTINUED)

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

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

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

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

NOTE 16 - CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

NOTE 16a – NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

The Fund manages these risks in two ways:

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

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

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

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

Other price risk – sensitivity analysis

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

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

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

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

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

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

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

Interest rate risk

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

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

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

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

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

Interest rate risk sensitivity analysis

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

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

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

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

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

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

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

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

Currency risk

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

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

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

Currency risk – sensitivity analysis

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

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

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

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

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

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

b) Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

c) Liquidity risk

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

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

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

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

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

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

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

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

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

NOTE 18 – FUNDING ARRANGEMENTS

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

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

The key elements of the funding policy are:

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

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

NOTE 18 – FUNDING ARRANGEMENTS (continued)

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

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

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

Principal Actuarial Assumptions and Method used to Value the Liabilities
Full details of the methods and assumptions used are described in the 2022 valuation report.

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

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

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

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

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

NOTE 18 – FUNDING ARRANGEMENTS (continued)

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

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

Experience over the period since 31 March 2022

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

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

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

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

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

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

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

Assumptions used

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

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

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

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

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

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

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

NOTE 20 – CURRENT ASSETS

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

NOTE 21 – CURRENT LIABILITIES

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

NOTE 22 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The market value of the funds is stated below:

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

AVC contributions were paid directly to the managers as follows:

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

NOTE 23 - RELATED PARTY TRANSACTIONS

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

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

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

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

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

Key Management Personnel
The key management personnel of the fund is the Fund Director and Head of Finance (s151).

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

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

NOTE 24 - COMMITMENTS UNDER INVESTMENT CONTRACTS

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

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

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

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

NOTE 25 – CONTINGENT ASSETS

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

NOTE 26 – CONTINGENT LIABILITIES

There are no contingent liabilities identified.

NOTE 27 – IMPAIRMENT LOSSES

There are no impairment losses identified.

Proposed Audit Report

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

Opinion on financial statements

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

In my opinion the financial statements:

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

Basis of opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

I have nothing to report in this regard.

Opinion on other matters

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

Matters on which I report by exception

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

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

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

My procedures included the following:

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

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

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

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

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

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

Other auditor's responsibilities

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

Certificate of completion of audit

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

Adrian Crompton Auditor General for Wales 29 November 2023	1 Capital Quarter Tyndall Street Cardiff, CF10 4BZ

The maintenance and integrity of Gwynedd Pension's Fund website is the responsibility of the Head of Finance; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

10. Appendicies

10.1 Funding Strategy Statement

1 Welcome to our Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for Gwynedd Pension Fund.

The Gwynedd Pension Fund is administered by Cyngor Gwynedd, known as the administering authority. Gwynedd Council worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 27th March 2023.

There's a regulatory requirement for Gwynedd Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact delythwynjonesthomas@gwynedd.llyw.cymru.

1.1 What is the Gwynedd Pension Fund?

The Gwynedd Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

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

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies
Employers who are specified in a schedule to the LGPS regulations, such as councils. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers
Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at www.gwyneddpensionfund.wales.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers. Both strategies also consider the Fund's Responsible Investment beliefs and policy.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A).

1.6 How is the funding strategy specific to the Gwynedd Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of two elements:

a) **the primary contribution rate** – contributions payable towards future benefits

b) **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the Fund's expenses.

The Fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The Fund permits the prepayment of employer contributions in specific circumstances. The Fund's policy on prepayments is detailed in **Appendix E**.

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	**Scheduled bodies**		**Colleges, Community Admission Bodies and Designating Employers**		**Transferee Admission Bodies**
Sub-type	**Local Authorities, Police and Parc Cenedlaethol Eryri**	**Parish & town councils**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding target*	Ongoing participation basis, assumes long-term Fund participation	Ongoing participation basis, assumes long-term Fund participation	Ongoing participation basis, but may move to low-risk exit basis		Contractor exit basis, assuming fixed-term contract in the Fund
Minimum likelihood of success	70%	75%	75%	75%	75%
Maximum time horizon	17 years	17 years	14 years	14 years or average future working lifetime, if less	Outstanding contract term
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon				
Secondary rate	Percentage of pay				
Stabilised contribution rate?	Yes	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Reduce contributions through a negative secondary rate	Reduce contributions through a negative secondary rate		Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes	Covered by stabilisation arrangement	3 years	3 years	3 years	None

* *Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

** *See Appendix D for further information on funding targets.*

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The Fund adopts a stabilised approach to setting contributions for certain employers, which either

- keeps contribution variations within a pre-determined range from year-to-year, or
- dampens contribution rate volatility over time via a phasing mechanism

After taking advice from the Fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for the Fund's local authorities, police body and Parc Cenedlaethol Eryri.

For these bodies, the Fund sets pre-determined ranges for contribution variations. For the 2022 valuation, it has been agreed that all stabilised employers are subject to rate reductions that are linked to their 2022 primary rates. The extent of the reduction depends on the 2022 funding level (i.e. no reduction if funded below 110%, a 1.0% reduction if funded between 110% and 115%, a 2.0% reduction if funded between 115% and 130%, and a 3.0% reduction if funded above 130%).

The longer-term movements in contribution rates are subject to the following rules:

Table 2: contribution variations for stabilised employers

Type of employer	Local Authorities, Police and Parc Cenedlaethol Eryri
Maximum contribution increase per year	+1.0% of pay
Maximum contribution decrease per year	-1.0% of pay

Increases and reductions to rates for open admitted bodies are subject to a phasing mechanism. For the 2022 valuation, this is determined by calculating the difference in total rates at 2019 and 2022 before application of the mechanism, and then restricting the subsequent increase or reduction as follows: a) if the difference is 5.0% or less of pay, the rate will change by the full difference, or b) if the difference is more than 5.0% of pay, then the rate will change by 5.0% plus half of the difference above 5.0%.

Rate reductions for stabilised employers, and those employers that are subject to the phasing mechanism, will apply in full from 2023/24. Any increases in rates will be phased in over a 3-year period.

Eligibility for the stabilisation approach and the phasing mechanism, and the numerical limits, are reviewed during each triennial valuation process. The administering authority may also review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's policy is available in **Appendix F**. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 Are any employers pooled?

The administering authority does not currently operate formal contribution rate pools for similar types of employers.

The only employers that may be pooled are those that have a pass-through or other form of risk sharing agreement in place with a letting authority. The Fund's pass-through policy is detailed in **Appendix G**.

2.6 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The Fund permits the prepayment of employer contributions in specific circumstances. Further details are set out in the Fund's prepayment policy detailed in **Appendix E**.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread if the administering authority agrees:

Major employing bodies	- up to 5 years
Community Admission Bodies and designating employers	- up to 3 years
Transferee Admission Bodies	-payable immediately

3.2 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

The administering authority has arranged an external insurance policy to cover ill-health early retirement strains for smaller employers. Each employer's contribution includes a share of the premium. When an active member retires on ill-health early retirement, the claim amount is credited to the employer's asset share.

For other employers, each employer's contributions include an allowance for expected ill health strain costs. These costs are monitored as part of the triennial valuation process.

The Fund's policy is detailed in Appendix H.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

The fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when an outsourced contract begins, the Fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the Fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designating employers may also join the Fund if they pass a resolution to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass- through arrangement). More details on this are in Section 5.2 below.

5.2 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting authority to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting authority or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

The Fund's policy is to allow all new admission bodies to be set up with a pass-through arrangement, at the discretion of the letting authority. The Fund's policy on pass through is detailed in **Appendix G**.

5.3 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designating employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designating employers in the Fund.

5.4 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund will assess an employer's own unique circumstances when considering whether the body can be admitted to the Fund. This will take into account the above considerations.

The regulations state that an administering authority may make an admission agreement with any body falling under Schedule 2 Part 3 1(d (i) (previously known as a transferee admission body). In addition to the requirements within the regulations, the Fund will put in place an admission agreement. The terms of admission will need to be agreed by all three parties to the admission agreement - the Scheme Employer, the admission body and Gwynedd Council in its capacity as administrator of the Fund.

The regulations also state that an administering authority may make an admission agreement with any body falling under Schedule 2 Part 3 1 (a) (previously known as community admission bodies). In addition to the requirements given within the regulations, the Fund will put in place an admission agreement where a local authority has agreed to act as guarantor, and as such it will be a party to the admission agreement.

If the administering authority deems it appropriate to admit a new body to the Fund, an admission agreement will be put in place which covers that employer's specific circumstances.

Some of the key issues which will need to be agreed prior to admitting a new employer to the Fund include:

- The terms upon which the admitted body can be admitted to the Fund
- Details of any members who are eligible to transfer to the admitted body
- The approach for allocating assets to the admitted body and setting contributions
- Whether any guarantee or indemnity is required
- How frequently ongoing monitoring of the funding position is carried out
- The basis upon which any termination valuation will be carried out
- Details of any risk sharing or pass-through agreement, including whether the admitted body may be eligible for an exit credit.
- If the admitted body is eligible to have a pooled contribution rate, how this will be set
- The recovery of ill health and early retirement costs

The purpose of the administering authority's consideration is to reduce the risk of cross-subsidy of liabilities between employers, and to try and ensure the security of employers which participate in the Fund.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- The Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the body
- a breach of any admission agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the Fund.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the Rates and Adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and Fund.

The cessation policy is in **Appendix I**.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The Fund's approach to exit credits is detailed in the cessation policy in **Appendix I**.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- if an exiting employer enters into a deferred debt arrangement, it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is detailed in the cessation policy in **Appendix I**.

7.5 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The Fund actuary will portion the liabilities on a pro-rata basis at successive formal valuations.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other Fund employers on a pro- rata basis.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the Fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the Rates and Adjustments certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A- The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the Fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

In practice, for the Fund, the consultation process for this FSS was as follows:

- A draft version of the FSS was issued to all participating employers in January 2023 for comment;
- Comments were requested within 42 days;
- Following the end of the consultation period the FSS was updated where required and then published, in March.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website
- A copy sent by e-mail to each participating employer in the Fund;
- A full copy linked from the annual report and accounts of the Fund;
- Copies made available on request.

The FSS is published at Funding Strategy Statement (gwyneddpensionfund.wales) .

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the investment strategy statement, governance policy statement and communication policy statement. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at Home (gwyneddpensionfund.wales).

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a Fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the Fund against employer default

9 works with the Fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the Fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the Fund.

B3 The Fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

2 provides information to the Government Actuary's Department so they can carry out their statutory obligations

3 advises on fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the Fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the investment Strategy Statement (ISS) is consistent with the Funding Strategy Statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS

3 auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The Pensions Board has an oversight / assisting role not a decision making role, its responsibilities are to:

1. Assist the Gwynedd Pension Fund as Scheme Manager;

2. Securing compliance with regulations and requirements enforced by the Pensions Regulator and the Department for Communities and Local Government

3. Ensuring effective and efficient governance and administration of the Fund.

4. Assist with other matters as the scheme regulations may stipulate.

Details of the key fund-specific risks and controls are set out in the risk register at Risk Register 2021 (gwyneddpensionfund.wales).

C2 Employer covenant assessment and monitoring

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund's approach is to review such employers' covenants every 3 years ahead of the formal valuation.

C3 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the Fund has included climate scenario stress testing in the contribution modelling exercise for the local authority employers at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the Fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has a Responsible Investment Policy Framework (Responsible Investment Policy 2022 (gwyneddpensionfund.wales)) of which was agreed by Pensions Committee in 2022.

Appendix D – Actuarial assumptions

The Fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the Fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The Fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns										
		UK Equity	Developed World ex UK Equity	Private Equity	Property	Emerging Markets Equity	Listed Infrastructure Equity	Multi Asset Credit (sub inv grade)	Absolute Return Bonds (inv grade)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16th %'ile	-2.7%	-3.2%	-5.0%	-2.5%	-5.9%	-3.5%	0.3%	0.5%	2.3%	-2.2%	1.1%
	50th %'ile	5.5%	5.3%	9.5%	4.0%	5.6%	4.8%	3.1%	2.0%	3.9%	-1.3%	2.1%
	84th %'ile	13.9%	14.0%	24.1%	11.0%	17.9%	12.8%	5.7%	3.4%	5.5%	-0.4%	3.3%
10 years	16th %'ile	-0.4%	-0.7%	-1.2%	-0.6%	-2.5%	-1.1%	1.7%	0.9%	1.6%	-1.7%	1.1%
	50th %'ile	5.7%	5.6%	9.4%	4.4%	5.8%	4.9%	3.5%	2.3%	3.3%	-0.5%	2.5%
	84th %'ile	11.6%	11.7%	20.1%	9.5%	14.4%	10.9%	5.2%	3.7%	4.9%	0.7%	4.3%
20 years	16th %'ile	1.7%	1.5%	2.4%	1.4%	0.1%	1.2%	2.8%	1.4%	1.2%	-0.7%	1.3%
	50th %'ile	6.2%	6.1%	10.0%	5.0%	6.3%	5.6%	4.4%	2.9%	2.7%	1.1%	3.2%
	84th %'ile	10.6%	10.8%	17.6%	8.9%	12.8%	10.1%	6.0%	4.6%	4.3%	2.7%	5.7%
	Volatility (Disp) (1 yr)	19.9%	20.1%	31.2%	15.0%	27.0%	17.5%	7.4%	2.8%	1.4%		

D3 What financial assumptions were used?
Future investment returns and discount rate

The Fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	(b) Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	2.3%
Low-risk exit basis	Community admission bodies closed to new entrants	0%
Contractor exit basis	Transferee admission bodies	Equal to the margin used to allocate assets to the employer on joining the Fund

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.1% pa applies. This is based on a prudent estimate of investment returns, specifically, that there is an 75% likelihood that the Fund's assets will generate future investment returns of 4.1% pa over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.5% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	65% of future retirements elect to exchange pension for additional tax-free cash up to the maximum
50:50 option	0.5% of members will choose the 50:50 option.

D4 Rates for demographic assumptions

Males

Incidence per 1000 active members per year								
Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	323.45	609.76	0.00	0.00	0.00	0.00
25	117	0.17	213.65	402.77	0.00	0.00	0.00	0.00
30	131	0.20	151.59	285.73	0.00	0.00	0.00	0.00
35	144	0.24	118.44	223.22	0.10	0.07	0.02	0.01
40	150	0.41	95.36	179.66	0.16	0.12	0.03	0.02
45	157	0.68	89.57	168.72	0.35	0.27	0.07	0.05
50	162	1.09	73.83	138.92	0.90	0.68	0.23	0.17
55	162	1.70	58.14	109.45	3.54	2.65	0.51	0.38
60	162	3.06	51.82	97.51	6.23	4.67	0.44	0.33
65	162	5.10	0.00	0.00	11.83	8.87	0.00	0.00

Females

Incidence per 1000 active members per year								
Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	352.42	373.90	0.00	0.00	0.00	0.00
25	117	0.10	237.14	251.55	0.10	0.07	0.02	0.01
30	131	0.14	198.78	210.83	0.13	0.10	0.03	0.02
35	144	0.24	171.57	181.90	0.26	0.19	0.05	0.04
40	150	0.38	142.79	151.34	0.39	0.29	0.08	0.06
45	157	0.62	133.25	141.21	0.52	0.39	0.10	0.08
50	162	0.90	112.34	118.92	0.97	0.73	0.24	0.18
55	162	1.19	83.83	88.83	3.59	2.69	0.52	0.39
60	162	1.52	67.55	71.50	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

D5 What assumptions apply in a cessation valuation following an employer's exit from the Fund?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.

2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

3. Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Contractor exit basis

Where there is a guarantor (eg in the case of contractors where the local authority guarantees the contractor's admission in the Fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contribution rates. Specifically, the discount rate is set equal to the risk-free rate at the cessation date, plus a margin equal to that set to allocate assets to the employer on joining the Fund.

Appendix E - Policy on Prepayments

1 Introduction

The purpose of this policy is to set out the administering authority's approach to the prepayment of regular contributions due by participating employers.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where prepayment of contributions will be permitted.
- To outline the key principles followed when calculating prepayment amounts.
- To outline the approach taken to assess the suitability of a prepayment as sufficient to meet the required contributions.

1.2 Background

It is common practice in the LGPS for employers to pre-pay regular contributions that were otherwise due to be paid to the Fund in future. Employer contributions include the 'Primary Rate' – which is expressed as a percentage of payroll and reflects the employer's share of the cost of future service benefits, and the 'Secondary Rate' – which can be expressed as a percentage of payroll or a monetary amount and is an additional contribution designed to ensure that the total contributions payable by the Employer meet the funding objective.

On 22 March 2022, following a request from the LGPS Scheme Advisory Board, James Goudie QC provided an Opinion on the legal status of prepayments. This Opinion found that the prepayment of employee and employer contributions was not illegal, subject to the basis for determining the prepayment amount being reasonable, proportionate and prudent. Further, the Opinion set out specific requirements around the presentation of prepayments.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Regulation 9 – outlines the contribution rates payable by active members
- Regulation 62 - sets the requirement for an administering authority to prepare an R&A certificate.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and specifies that primary contributions be expressed as a percentage of pensionable pay of active members.

2 Statement of Principles

This statement of principles covers the prepayment of regular employer contributions to the Fund. Each case will be treated on its own merits, but in general:

- The administering authority will permit the prepayment of employer contributions.
- Prepaying contributions expressed as a percentage of pay introduces the risk that the prepayment amount will be insufficient to meet the scheduled contribution (as a result of differences between expected and actual payroll). Prepaying contributions is therefore only permissible in the case of secure, long-term employers (e.g. local authorities).
- The prepayment of employee contributions is not permitted.
- A discount will be applied where employer contributions are prepaid, to reflect the investment return that is assumed to be generated by the Fund over the period of prepayment.
- The Fund actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due.
- Where contributions expressed as a percentage of pay have been prepaid, the administering authority will carry out an annual check (and additional contributions may be required by the employer) to make sure that the actual amounts paid are sufficient to meet the contribution requirements set out in the R&A certificate.
- Prepayment agreements will be documented by way of correspondence between the administering authority and the employer.
- The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.
- Employers are responsible for ensuring that any prepayment agreement is treated appropriately when accounting for pensions costs.
- Prepayment agreements can cover any annual period of the R&A (or a consecutive number of annual periods).

3 Policy

3.1 Eligibility and periods covered

The Fund is happy to consider requests from any employers to pre-pay certified primary and secondary contributions. However, in general, prepayments are most appropriate for large, secure employers with stable active memberships. Employer contributions over the period of the existing R&A certificate (and, where a draft R&A certificate is being prepared following the triennial valuation, the draft R&A certificate) may be pre-paid by employers.

Prepayment of contributions due after the end of the existing (or draft) R&A certificate is not permitted, i.e. it would not be possible to prepay employer contributions due in the 2026/27 year until the results of the 2025 valuation are known and a draft R&A certificate covering the 2026 to 2029 period has been prepared.

3.2 Request and timing

Prior to making any prepayment, employers are required to inform the Fund in writing of their wish to prepay employer contributions and to request details of the amount required by the Fund to meet the scheduled future contribution.

This request should be received by the Fund within 2 months of the start of the period for which the prepayment is in respect of.

The Fund will then provide the employer with a note of the prepayment amount and the date by which this should be paid. In general, the prepayment should be as close as possible to the beginning of the appropriate R&A period and by 30 April at the latest.

Failure to pay the prepayment amount by the specified date may lead to the need for an additional and immediate payment from the employer to ensure that the amount paid is sufficient to meet the certified amount set out in the R&A certificate.

3.3 Calculation

The Fund actuary will determine the prepayment amount required.

Where the prepayment is in respect of contributions expressed as a percentage of pay:

- The Fund actuary will determine the discounted value of scheduled contributions based on an estimate of payroll over the period (using the information available and assumptions set at the previous valuation) and the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- A sufficiency check will be required at the end of the period (see section 3.4)

Where the prepayment is in respect of contributions expressed as a monetary amount:

- The Fund actuary will determine the discounted value of scheduled contributions based on the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- No sufficiency check will be required

Employers may pay more than the prepayment amount determined by the Fund actuary.

No allowance for expected outsourcing of services will be made in the Fund actuary's estimation of payroll for the prepayment period.

3.4 Sufficiency check

Where required, the Fund actuary will carry out an **annual** assessment to check that sufficient contributions have been prepaid in respect of that period. Specifically, this will review the prepayment calculation based on actual payroll of active members over the period and this may lead to a top-up payment being required from the employer.

If this sufficiency check reveals that the prepayment amount was higher than that which would have been required based on actual payroll (i.e. if actual payroll over the period is less than was assumed), this will not lead to a refund of contributions to the employer.

The sufficiency check will not compare the assumed investment return (i.e. the discount rate) with actual returns generated over the period. i.e. the check considers payroll only. Any shortfall arising due to actual investment returns being lower than that assumed will form part of the regular contribution assessment at the next valuation (as per the normal course of events).

The administering authority will notify the employer of any top-up amount payable following this annual sufficiency check and the date by which any top-up payment should be made.

3.5 Documentation and auditor approval

The Fund will provide the employer with a note of the information used to determine the prepayment amount, including:

- Discount rate used in the calculations
- The estimate of payroll (where applicable)
- The effective date of the calculation (and the date by which payment should be made)
- The scheduled regular payments which the prepayment amount covers.

The prepayment agreement will be reflected in the R&A certificate as follows:

- The unadjusted employer regular contribution rate payable over the period of the certificate
- As a note to the contribution rate table, information relating to the prepayment amount and the discount applied, for each employer where a prepayment agreement exists.

The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.

Employers should discuss the prepayment agreement with their auditor prior to making payment and agree the accounting treatment of this. The Fund will not accept any responsibility for the accounting implications of any prepayment agreement.

3.6 Costs

Employers entering into a prepayment agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority. These costs would be recharged to employers by the Fund.

3.7 Risks

Employers may enter into prepayment agreements on the expectation that the Fund will be able to generate higher returns than they can over the prepayment period. Employers should be aware that future returns are not guaranteed, and it is possible that the returns generated on prepayment amounts may generate a lower return than that which can be generated by the employer. It is also possible that negative returns will lead to the value of any prepayment being less than that which was scheduled to be paid. In such circumstances, a top-up payment would not be required (as the sufficiency check only considers the effect of actual payroll being different to that assumed in the prepayment calculation), however the employer's asset share would be lower than it would have been if contributions were paid as scheduled. This would be considered by the Fund actuary at the next triennial valuation (as per the normal course of events).

4 Related Policies

The Fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

Appendix F - Policy on contribution reviews

1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

1.2 Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the Fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

1.3 Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the Fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

2 Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the Fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.
- An additional level of security or guarantee may be sought by the Fund, in certain circumstances.

3 Policy

3.1 Circumstances for review

The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the Fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

3.2 Employer requests

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The administering authority will endeavour to complete any review within 3 months of request subject to receipt of satisfactory evidence, and will monitor any change in an employer's circumstances on a regular basis following any change in contribution rate and may require further information from the employer to support this monitoring process.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

3.3 Impact on other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other Fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole Fund.

The administering authority will consult with other Fund employers as necessary.

3.4 Effect of market volatility

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

3.5 Documentation

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

4 Related Policies

The Fund's approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

Appendix G - Policy on pass-through

1 Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the Fund on a pass-through basis. In addition, and subject to review on a case-by- case basis, the Fund may be willing to apply its pass-through principles to other admission bodies where liabilities are covered by a guarantor within the fund.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the Fund's approach to admitting new contractors / admission bodies, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new contractors / admission bodies into the Fund.

1.2 Background

Employees outsourced from local authorities, police and fire authorities must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007) and the Welsh Authority Staff Transfers (Pensions) Direction 2012. This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (e.g. the local authority) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the Fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the fund.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.

2 Statement of principles

This statement of principles covers the admission of new contractors (or other admission bodies) to the Fund on a pass-through basis. Each case will be treated on its own merits, but in general:

- Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. There are typically three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

- Pooling
    - Under this option the contractor is pooled with the letting authority. In this case, the contractor pays the same rate as the letting authority, which may be under a stabilisation approach.
- Letting authority retains pre-contract risks
    - Under this option the letting authority would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff.
    - The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of exit credit (if any) payable on cessation would be determined by the Administering Authority in accordance with the Regulations and this FSS.
- Fixed contribution rate agreed
    - Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and does not pay any deficit or receive an exit credit.

- The administering authority is willing to administer any of the above options as long as the approach is documented in the admission agreement as well as the transfer agreement.
- The Fund has no strong preference for any of the approaches discussed above.
- Unless otherwise instructed by the letting authority, under the fixed contribution rate approach, the contractor's pension contribution rate is set equal to the primary contribution rate payable by the letting authority.
- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, and longevity under its pass-through arrangement, irrespective of the size of the outsourcing.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations together with funding strains arising from excessive salary growth.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond.
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the Fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the Fund, save for any outstanding regular contributions and/or invoices. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or letting authority).
- The terms of the pass-through agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.

- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

3 Policy and process

3.1 Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the Fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

3.2 Contribution rates

Where a contract is let on the basis of pass-through, as described above, the contribution rate payable by the contractor over the period of participation will be determined at the start of the contract in accordance with the agreed methodology (as discussed above) and this approach will apply throughout its participation in the Fund.

3.3 Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the Fund.

A cessation valuation is required when a contractor no longer has any active members in the fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the Fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore that no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations and/or in respect of excessive salary increases at the end of the contract.

Under a typical pass-through arrangement, the contractor will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

Risks	Letting authority	Contractor/ Admitted body
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual	✓	
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual	✓	
Price inflation affects past service liabilities	✓	
Price inflation / pension increases that affect future accrual	✓	
Exchange of pension for tax free cash	✓	
Ill health retirement experience	✓	
Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements)		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package	✓	
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund		✓
Award of additional pension or augmentation		✓

3.4 Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (e.g. contractors paying a fixed rate are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the pension risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The administering authority expects employers to seek approval to the treatment of pension costs from their auditor.

3.5 Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

3.6 Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the contractor.

- **Tender Notification -** The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the Fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, the cost of benefit augmentations and excessive salary growth (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 3.2.

- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting uthority must also confirm that the terms of this policy have been adhered to.

- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.

- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund.

- **Template admission agreement** – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.

- **Signed admission agreement -** Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the Fund can start to receive contributions from the contractor and its employee members (backdated if necessary).

- **Admitted body status** – The letting authority will advise the contractor of its requirements and responsibilities within the Fund.

3.7 Costs

Contractors being admitted to the Fund under a pass-through agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

4 Related Policies

The Fund's approach to setting regular employer contribution rates is set out in its Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

The treatment of new employers joining the Fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the Fund?"

The treatment of employers exiting the Fund is set out in the Funding Strategy Statement, specifically "Section 6 – What happens when an employer leaves the Fund?"

Appendix H - Policy on ill health risk management

1 Introduction

The purpose of this policy is to set out the administering authority's approach to managing the risk arising due to ill health retirements.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To explain the approach taken to manage ill health risk
- To specify circumstances where a review of experience may lead to additional contributions.
- To outline the key risks and benefits to this arrangement.

1.2 Background

Additional liabilities can arise following the retirement of members due to ill health. These additional liabilities can include the unreduced early payment of pension benefits and the award of additional pension. The level of pension benefits paid on ill health depends on the severity of the member's condition.

The LGPS Regulations require the additional liabilities to be funded by way of payments from employers. Payment of large lump sums to meet strains as and when they arise can lead to unexpected payments and put significant strain on employers' budgets. LGPS funds are able to put arrangements in place which mitigate the risk of having to pay a large cash sum due to an ill health retirement strain payment.

To mitigate this risk to smaller employers, and to evidence good governance and risk management, the administering authority has arranged for an external insurance policy to cover ill health early retirement strains for smaller employers in the Fund. Each of these employer's contributions to the Fund includes its share of that year's insurance premium. When an active member retires on ill health early retirement, the claim amount received from the insurer will be credited to the respective employer's asset share in the Fund.

For all other employers that are not covered by the external insurance policy, any funding strain in excess of the allowance made in the funding basis would be met through an increase to ongoing contributions.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the benefits payable to members and the way in which additional benefits (such as those arising on ill health early retirement) should be funded. These include the following:

- Regulation 35 – permits the early retirement of pension on ill health grounds.
- Regulation 39 – sets out the calculation of the pension payable in the instance of ill health retirement.
- Regulation 68 – sets out the additional contributions payable by the employer to meet the liability strain caused by a member retiring through ill health.

2 Statement of principles

This statement of principles covers the external insurance arrangement in place to manage the risks created by ill health retirements for smaller employers, and the equivalent risks for larger employers not using the ill health insurance arrangement. In general:

- Employers will not be required to pay lump sum amounts to meet ill health retirement strains (in the normal course of events).
- Both Tier 1 and Tier 2 ill health retirement strains will be covered by this arrangement.
- For smaller employers in the Fund that are covered by external insurance:
  - Eligible employers are unable to opt out of this arrangement.
  - Each of these employer's contributions to the Fund includes its share of that year's insurance premium.
- For all other employers in the Fund:
  - Regular contribution rates will include the expected cost of assumed ill health retirements.
  - The Hymans Robertson Employer Asset Tracker (HEAT) system is used to track actual ill health experience.
  - Any funding strain in excess of the allowance made in the funding basis would ordinarily be met through an increase to ongoing contributions at the next triennial valuation. However, the Fund reserves the right to request immediate additional contributions in the event of material ill health strains during the period between valuations.

3 Policy

3.1 Purpose

The purpose of this ill health risk management policy is to protect the Fund against adverse ill health retirement experience of individual employers.

3.2 Eligibility

This policy applies to all employers in the Fund. The 'smaller employers' that are covered by external insurance include all town councils and community admission bodies (with under 75 active members) and exclude scheduled or designated bodies.

3.3 Operation

The policy works as follows:

- Assets shares for each employer are determined each month by Hymans Robertson, using the HEAT system and based on the monthly cashflows and asset information provided by the fund.

  As part of this data provision, the fund determines the strain costs arising due to ill health retirements and this strain is allocated to each active employer in proportion to their asset share at the beginning of that month.

- Contribution rates are set by the Fund Actuary every three years as part of the triennial valuation.

  Primary contribution rates include allowance for the expected cost of assumed ill health retirements (expressed as a percentage of payroll).

This provides ongoing funding for the assumed level of ill health retirement strains.

3.3.1 Smaller employers

- Smaller employers in the Fund are covered by the ill health insurance arrangement.
    - When an active member retires on tier one or tier two ill health early retirement, a claim amount equal to the fund calculated strain cost for the retirement will be received from the insurer (assuming a valid claim) and credited to the respective employer's asset share in the Fund.
    - It is not guaranteed that the insurer will pay the claim, for example if it does not believe that the requirements for a tier one or tier two ill health retirement have been met.

3.3.2 Other employers

- Other employers in the Fund not covered by the ill health insurance arrangement.
    - Where the actual level of ill health retirement strains exceeds the assumed level, this will lead to a shortfall arising at the next triennial valuation for those employers not covered by the ill health insurance arrangement.

      No immediate additional contributions will be required from employers to meet this shortfall, but this could increase the contribution requirement following the next triennial valuation.
    - Similarly, where the actual level of ill health retirement strains is lower than the assumed level, this will lead to a surplus arising at the next triennial valuation.

      No refund will be paid to employers as a result of this, but this surplus could lead to downwards pressures on contributions following the next triennial valuation.

3.4 Review and additional contributions

The administering authority will review the level of ill health experience across all employers at each triennial valuation.

If an employer has an unusually high incidence of ill health retirement over the previous inter- valuation period, the administering authority will engage with the employer to understand the reasons for this. In the event of concerns around the eligibility criteria applied by the employer in granting ill health retirements, this could lead to the need for the employer to pay additional contributions to the Fund.

3.5 Costs

The costs of operating this policy will be met by the Fund as part of its administration expenses.

4 Related Policies

The Fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

Appendix I - Policy on cessations

1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the Fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the Fund's discretionary policies (as described in Section 3 – Policies below).

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the Fund.
- To provide information about how the Fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

1.2 Background

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the Fund. On cessation from the Fund, the administering authority will instruct the Fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The Fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer
- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.
- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
    a) Notify its intention to make a determination to-
        (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer

(ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement

b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
    a) The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
    b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
    c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
    d) Any other relevant factors

- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.

- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.

- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.

- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the Fund from the exiting employer.

- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.

- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the Fund.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the Fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.

- the Fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the Fund by the exiting employer.

- the Fund's key objective is to protect the interests of the Fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

3 Policies

On cessation, the administering authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see 3.2 Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see 3.3 Exit credits below).

3.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the Fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Parc Cenedlaethol Eryri	Low risk basis[1]	Shared between other Fund employers
Other Scheduled Bodies	Low risk basis[1]	Shared between other Fund employers
Admission bodies (TABs)	Ongoing basis / contractor exit basis[2]	Letting authority (where applicable), otherwise shared between other Fund employers
Admission bodies (CABs)	Low risk basis	Shared between other Fund employers (if no guarantor exists)
Designating employers	Low risk basis	Shared between other Fund employers (if no guarantor exists)

[1]Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

[2]Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

3.2 Repayment flexibility on exit payments

(c) Deferred spreading arrangement (DSA)

The Fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the Fund's policy is:

- The agreed spread period is no more than three years, but the Fund could use its discretion to extend this period in extreme circumstances.
- The Fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The Fund will only consider written requests within six months of the employer exiting the Fund. The exiting employer would be required to provide the Fund with detailed financial information to support its request.
- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the Fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
- Where appropriate, cases may be referred to the Pensions Committee for consideration and considered on its individual merit. Decisions may be made by the Chair in consultation with officers if an urgent decision is required between Committee meetings.

(d) Deferred debt agreement (DDA)

As an alternative, where the ceasing employer is continuing in business, the Administering Authority may enter into a written agreement with the employer to defer its obligations to make an exit payment and continue to make secondary contributions (a 'Deferred Debt Agreement' as described in Regulation 64 (7A)).

The adoption of this approach will continue to expose the employer to stock market and other funding risks during the deferment period, leading to changes in the size of the debt, rather than crystallising the size of the debt at the point of cessation.

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the DDA.

The Administering Authority may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrols new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the administering authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on its low risk basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the employer pays its outstanding cessation debt on its cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

3.3 Exit credits

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors.

a) the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.

b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.

c) any representations to the administering authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.

d) any other relevant factors

(i) Admitted bodies

i. No exit credit will normally be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the fund.

ii. No exit credit will normally be payable to any admission body who participates in the fund via a pass-through approach. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph iii) below.

iii. The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund. The Fund will also consider any representations made by the letting authority/awarding authority/ceding employer regarding monies owed to them by the admission body in respect of the contract that is ceasing or any other contractual arrangement between the two parties. The letting authority/awarding authority/ceding employer must make such representations in a clear and unambiguous document within one month of the admission body ceasing participation in the Fund.

iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in iii) above, the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.

v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

vi. If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

viii. The decision of the Fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

(ii) Scheduled bodies and designating bodies

i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

ii. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

iii. The decision of the Fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.

iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

v. If a scheduled body or designating body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

(iii) General

i. The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.

iii. The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.

iv. The final decision will be made by the Head of Finance, in conjunction with advice from the Fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

v. The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

vi. The guidelines above at point v) in the 'Admitted bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 1 (section 2.2) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

vii. None of the above should be considered as fettering the Fund's discretionary decision, instead it is an indication of how decisions are likely to be made. However it is important to bear in mind that each and every potential exit credit case will be considered by the administering authority on its own merits, and the administering authority will make its discretionary decision on that basis.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

4 Practicalities and process

4.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).

- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.

- provide all other information and data requirements as requested by the administering authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

4.2 Responsibilities of administering authority

The administering authority will:

- gather information as required, including, but not limited to, the following:

    - details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.

    - complete membership data for the outgoing employer and identify changes since the previous formal valuation.

    - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).

- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).

- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation.

- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.

- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.

- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.

- At the time this policy was produced, the Fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

4.3 Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the Fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.

- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.

- where appropriate, advise on the implications of the employer leaving on the remaining Fund employers, including any residual effects to be considered as part of triennial valuations.

5 Related Policies

The Fund's approach to exiting employers is set out in the FSS, specifically "Section 7 – What happens when an employer leaves the Fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix D of the FSS.

10.2 Investment Strategy Statement

1. Introduction and background

This is the Investment Strategy Statement ("ISS") of the Gwynedd Pension Fund ("the Fund"), which is administered by Gwynedd Council ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee in March 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

2. The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

The Fund carried out an asset liability modelling exercise in conjunction with the 2022 actuarial valuation. A number of different contribution and investment strategies were modelled and the future evolution of the Fund considered under a wide range of different scenarios. The Committee considered the chances of the Fund being fully funded at the end of the projection period, and considered the level of downside risk in the various strategies by identifying the low funding levels which might emerge in the event of poor outcomes.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns
- Environmental, Social and Governance (ESG) factors

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation.

The long term asset class returns assumed within the modelling exercise were as follows:

Asset Class	Median expected return 10 years (% p.a.)	Median expected return 20 years (% p.a.)
UK Equities	5.7	6.2
Global Equities	5.8	6.3
Emerging Market Equities	5.8	6.3
Private Equity	9.4	10.0
Infrastructure	5.9	6.5
Property	4.4	5.0
Private Credit	6.0	6.8
Multi-Asset Credit	3.5	4.4
Corporate Bonds	2.4	3.2
Absolute Return Bonds	2.3	2.9

3. Investment of money in a wide variety of investments

(e) Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007".

Table 1: Fund allocation

Asset class	Target allocation %
UK Equities	9.0
Overseas Equities	41.0
Private Equity	5.0
Total Growth	**55.0**
Property	10.0
Infrastructure	5.0
Private Credit	5.0
Multi-Asset Credit	7.5
Total Income	**27.5**
Corporate Bonds	5.0
Absolute Return Bonds	12.5
Total Protection	**17.5**
Total	100.0

(f)

Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Committee's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various risks involved and rebalancing is considered on a quarterly basis to maintain the asset split close to the agreed asset allocation target. Therefore it is not felt necessary to set additional restrictions on investments.

(g) Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's active investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. They will make changes to their portfolios as the economic outlook alters, as individual company prospects change and in response to any unexpected market shocks in an attempt to deliver a better return than the market overall. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

For the assets invested with WPP, the operator, LINK, is responsible for the appointment of investment managers for the WPP sub-funds.

4. The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. The results from the 2022 analysis highlighted that the Fund has a greater than 75% probability of being fully funded in 2039 under the current investment strategy and level of agreed contributions. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all eventualities that may arise under this heading.

(h) Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns. This includes recognising the potential impact of Climate Change and the extent to which companies have addressed the potential risks.
- Climate change – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Committee measures and manages asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a significant proportion of the Scheme's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

Details of the Fund's approach to managing ESG-related risks, including risks associated with climate change, are set out later in this document.

(i) Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.

- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.

- Credit default - The possibility of default of a counterparty in meeting its obligations.

- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

5. The approach to pooling investments, including the use of collective investment vehicles and shared services

(i) The Fund is a participating scheme in the Wales Pensions Partnership (WPP). The proposed structure and basis on which WPP will operate was set out in the July 2016 submission to Government.

(ii) Assets to be invested in the WPP Pool

The Fund's intention is to invest its assets through WPP as and when suitable investment solutions become available. An indicative timetable for investing through WPP was set out in the July 2016 submission to Government. The key criteria for assessment of WPP solutions will be as follows:

1 That WPP enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund

2 That there is a clear financial benefit to the Fund in investing in the solution offered by WPP, should a change of provider be necessary.

At the time of preparing this statement the Fund has agreed investments in the following assets via WPP.

Asset class	Fund	Target % of Fund assets	Benchmark and performance objective
Global Equities	Global Growth Fund	10.0	MSCI AC World plus 2% p.a.
Global Equities	Global Opportunities Fund	10.0	MSCI AC World plus 2% p.a.
Global Equities	Sustainable Equity Fund	10.0	MSCI AC World plus 2% p.a.
Emerging Markets Equities	Emerging Markets Equity Fund	2.5	MSCI EM Index plus 2% p.a.
Infrastructure	Infrastructure Funds	5.0	8% p.a.
Private Credit	Private Credit Fund	5.0	8% p.a.
Bonds	Multi-Asset Credit Fund	7.5	LIBOR + 4% p.a.
Bonds	Absolute Return Bond Fund	12.5	LIBOR + 2-3% p.a.
Total		62.5	

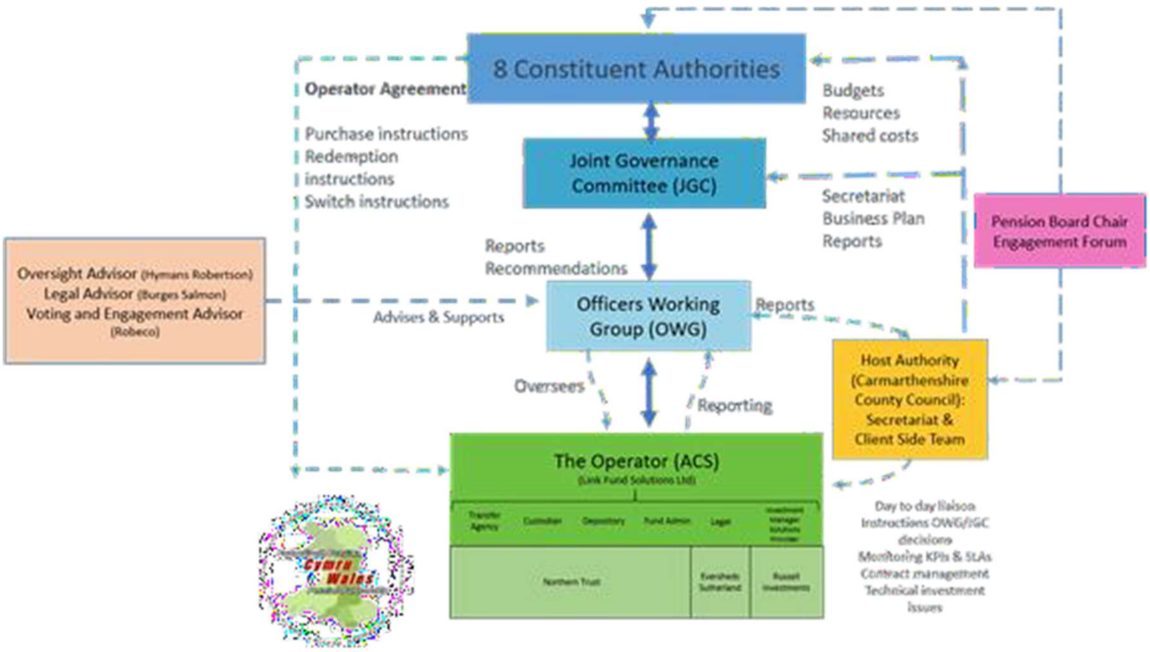
Although investments with BlackRock are currently retained by the Fund, the procurement process for BlackRock as index-tracking manager on behalf of partner funds (and any subsequent re-tender) was handled by WPP in order to achieve substantial fee savings.

At the time of preparing this statement the Fund has of yet not invested the following existing assets via WPP. However, the Fund has elected to invest new money in Private Equity and Infrastructure funds through WPP. The Fund will consider participating in pooling arrangements for the current and/or future property investments if a suitable solution is made available by WPP.

Asset class	Manager	% of Fund assets[1]	Benchmark and performance objectives	Reason for not investing via WPP
Private Equity	Partners	6.4	MSCI ACWI + 3% p.a.	Existing contractual commitments in closed end funds which have a finite life.
Property	UBS, Lothbury, BlackRock, Threadneedle	8.3	UK All Balanced Property Fund Index	Selling and re-investing property assets would incur material costs
Infrastructure	Partners	2.9	8% p.a.	Existing contractual commitments in closed end funds which have a finite life.

[1]Allocations as at 31 December 2022

Structure and governance of WPP
WPP has appointed a third-party operator, authorised by the FCA to provide a series of investment sub-funds in which the assets of the participating funds will be invested.



A Joint Governance Committee (JGC) has been established to oversee the operator. The Committee comprises elected members – one from each of the eight participating funds. This arrangement will provide accountability for the operator back to individual administering authorities. The Joint Governance Committee (JGC) has been set up formally as a Joint Committee between the participating administering authorities. Each fund has one elected member on the Committee. It operates on the basis of 'One Fund, One Vote', though the intention is that any decisions are reached by consensus wherever possible.

The Committee is responsible for ensuring where practical that there are an appropriate range of sub-funds available to allow administering authorities to implement their own desired asset allocation. The JGC will be in regular discussions with the operator as to the specific sub-funds which should be set up within WPP, both at the outset and on an ongoing basis.

Officers from each administering authority attend JGC meetings (in a non-voting capacity). The officers advise the JGC on the establishment and monitoring of the various sub-funds as well as liaise directly with the operator on any day-to-day investment matters.

In the first instance, it is anticipated that the fund representatives on the JGC will report back to their respective individual funds' Pensions committees who will be responsible for satisfying themselves as to the effectiveness of the pooling arrangements overall and the operation of the JGC. However, the local Pensions Boards may also seek reassurance on aspects of the management of the funds' investments.

External scrutiny and formal due diligence of the operator and depositary will be carried out by the FCA in their role as regulator. In addition, Hymans Robertson have been appointed by the JGC to provide assistance with oversight of the arrangements.

The operator is responsible for selecting and contracting with investment managers for each of the sub-funds as well as appointing other service providers such as depositary asset servicer, and an external valuer as necessary. Under the proposed structure, the depository will hold legal title to the assets of WPP. The operator will be responsible for managing and operating WPP, including entering into the legal contracts with the investment managers.

The appointed operator will provide and operate a range of investment vehicles to allow collective investment by the participating funds. The operator will be responsible for selecting and contracting with investment managers for the management of the underlying assets. They will also be responsible for administration in relation to the vehicles in terms of unit pricing, valuation, handling cash flows in and out of the various sub-funds, trade processing and reporting on performance. They will be responsible for due diligence from an audit, legal and tax perspective for the respective sub-funds and also for electing a depositary to WPP.

WPP will also procure independent external legal and tax advice as necessary to support them in their relationship with the operator.

6. How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

It is recognised that ESG factors, including climate change, can influence long-term investment performance and the ability to achieve long term sustainable returns. The Committee consider the Fund's approach to responsible investment in two key areas:

1. Sustainable investment / ESG factors – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
2. Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee takes ESG matters very seriously and regularly reviews its policies in this area and its investment managers' approach to ESG. The Committee has also developed a set of Responsible Investment beliefs which are set out below and also in the Fund's Responsible Investment Policy.

The Committee recognises that climate change presents a particular systemic risk to the financial stability of the global economy and has the potential to impact on the Fund's investments and, as such, represents a long-term financial risk to the Fund and its holdings.

To date, the Fund's approach to social investments has largely been to delegate this to their underlying investment managers as part of their overall ESG duties.

At the present time the Committee does not prioritise non-financial factors when selecting, retaining, or realising its investments.

The Committee have agreed the following set of investment beliefs in relation to Responsible Investment :-

- In accordance with the committee's fiduciary duty, financial considerations should carry more weight than non-financial considerations when making investment decisions, even though ESG matters can materially affect risk and returns. Therefore, ESG factors should be embedded in the investment process and in the decision-making processes of managers appointed by the Fund and by WPP.

- The Fund's Committee will seek to invest in sustainable assets, including investing within the Wales area when non-financial investments can derive from this, on condition that they satisfy the requirements of the fiduciary duty.

- The Committee accepts that it has a duty to be a responsible investor. It is expected that consulting with companies, rather than avoiding investing, will be more effective in changing corporate behaviour and reducing risk. Wherever possible, collaborative action (such as that taken via Local Authority Pension Fund Forum (LAPFF) membership and commissioned from Robeco alongside WPP partners) provides the most successful route to influence outputs.

- As a long-term investor, the Fund is vulnerable to systemic risks such as climate change and the expectation of a transfer to a low carbon economy. Financial outcomes can be improved through managing how open to such risks the Fund is.

- Shareholder comprehension and outcomes can be improved through providing transparency at each step of the value-adding chain.

- Training and education are likely to form a key element in developing the Fund and its Committee position on ESG-related matters.

7. The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee considers the Fund's approach to stewardship also as a key area by acting as a responsible and active investor, by commissioning considered voting on the Fund's behalf as shareholders, and by indirectly engaging with investee company management as part of the investment process.

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.

Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The voting decisions made by all its investment managers are monitored on a regular basis.

In addition, Robeco are appointed to assist WPP in exercising its voting rights in line with the interest of its stakeholders and engaging with investee companies to enhance the long-term value of the Constituent Authorities' investments within WPP.

Engagement

The Committee endorses the principles embedded in the UK Stewardship Code and intends to apply to become a signatory to the updated UK Stewardship Code 2020. The Committee expects both WPP and any directly appointed asset managers to be signatories to the UK Stewardship Code 2020. In addition, the Fund believes in collective engagement and is a member of the LAPFF, through which it collectively exercises a voice across a range of corporate governance issues. In addition to the Fund's compliance with the Stewardship Code, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

The Committee supports engagement activity that seeks to:

- Achieve greater disclosure of information on the ESG-related risks that could affect the value of an investment;
- Achieve transparency of an investment's carbon exposure and how such companies are preparing for the transition to a low carbon economy;
- Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

Further details are set out in the Fund's Responsible Investment Policy.

Investments made via WPP are subject to its Responsible Investment Policy, which is developed in consultation with the eight Welsh Local Government Pension Scheme funds, including the Gwynedd Pension Fund.

10.3 Communication Policy Statement

Introduction

Regulation 61 of the Local Government Pension Scheme (LGPS) 2013 Regulations stipulates that all administering authorities are required to publish a statement of policy regarding communication with key stakeholders.

Gwynedd Council is the administering authority for the Gwynedd Pension Fund and the Fund's key stakeholders include:

1. **Scheme members:**
    1.1 Active Scheme Members
    1.2 Deferred members
    1.3 Pensioner members
    1.4 Prospective members

2. **Scheme Employers**

3. **Other bodies:**
    3.1 Pension Committee and Pension Board
    3.2 Fund Staff
    3.3 Other Bodies

This communication statement sets out the policy for the provision of information and how the Fund intends to publicise, promote and develop the Scheme to each stakeholder group. It will be kept under review and amended when there is a material change in the policy.

The Fund's aim is to provide a high quality and consistent service to their stakeholders in the most efficient and cost-effective manner.

The intention is that all communications are as timely as possible, factual and in plain language, and presented in a manner appropriate to the receiver. Where individuals have specific needs in relation to the format of information, steps are taken to ensure that the required format is available, such as Braille, Audio, and Large Print.

All Gwynedd Pension Fund's publications are bilingual, in line with Gwynedd Council's Language Policy. Information in other languages may be available on request.

Where legislative Scheme changes are known in advance, procedures will be put in place to implement the changes in the most effective manner.

1.1 Communicating with Active Members

Active Members (including Councillor Members) are those who are contributing into the LGPS through one of the Gwynedd Pension Fund Scheme Employers. The methods of communication with these members are described below.

- Website - The Gwynedd Pension Fund website contains a section dedicated to Active Members. It provides general information about the LGPS including, Transfers, Improving Benefits, Retirement, Divorce, Death Benefits, Tax Allowances and Frequently Asked Questions. News items are added when required to notify members of any Scheme changes. There is a separate section dedicated to the pension benefits for Councillor Members.
- Member Self Service - The member self-service web portal on the Gwynedd Pension Fund website allows members to view and update their pension data securely online, such as death grant expression of wish, contact details, annual benefit statements and letters. The planning tools allow members to perform benefit calculations and prepare for retirement.
- Employer Events – The Gwynedd Pension Fund is available to attend employer events on request and provide a pension stand where members can discuss any pension issues with the pension fund staff and provide relevant scheme literature.
- Presentations – The Gwynedd Pension Fund is always available to offer presentations on the scheme. Presentations are also held when needed to inform Active Members of major changes to scheme regulations. Specialist information sessions can also be held at the request of the employer for members who are affected by the bulk transfer of pensions from the LGPS to other pension providers.
- Pre-Retirement Courses – A program of six courses are held by Chadwicks IFA, a firm of financial advisors' form Chester each year. The Gwynedd and Flintshire Pension Funds provide alternate LGPS presentations at these events.
- Consultation Sessions – The Gwynedd Pension Fund Communications Officers can hold individual consultation session for scheme members at the request of scheme employers. Consultations are usually held at the employees worksites and they offer the opportunity for scheme members to receive general and specific information about the LGPS and ask any question they may have relating to their LGPS pension.
- Individual Appointments **-** Active Members can arrange an appointment with a member of the Gwynedd Pension Fund staff at the Pension office in Caernarfon.
  In some cases (e.g terminal illness) a representative from the Gwynedd Pension Fund will visit a member at their home at the request of their employer.
- Scheme Literature –
  - Pension Starter Pack. Issued when a Scheme Employer notifies us of a new Active Member. This includes a Short Guide to the LGPS, a New Starter Form, Death Grant Expression of Wish form and a Statutory Notification of entry into the scheme.
  - Short Scheme Guide. The short scheme guide provides general information on the LGPS and is issued to all new employees and to existing members on request. Copies of the scheme guide in Braille, large print and audio can be provided on request.
  - Retirement Guide. The Retirement Guide outlines the arrangements for the payment of pension benefits and sets out the benefits payable to survivors in the event of the member's death and the other most important things to note.
  - Factsheets. A range of factsheets have been produced for scheme members which give information specific topics relating to the LGPS.
- Newsletters - We issue periodic newsletters to Active Members to update them of changes in the scheme regulations.
- Annual Benefit Statements - Each year we issue a statement to each member showing the pension they have built up to the previous 31st March and forecasts the benefits payable at

State Pension Age. They are uploaded automatically to a member's Member Self Service Online portal or sent directly to their home address if they have chosen not to register.

- Annual Report and Accounts - An electronic copy of the Fund's Annual Report and Accounts is available to all Scheme members on the website. Hard copies are also available upon request.
- Correspondence - The Fund uses both paper mail and e-mail to receive and send correspondence. Response will be made in the individuals preferred language of choice.
- Statutory Notification - Members are notified when any change occurs to their pension record, thus affecting their pension benefits.
- Pensions Helpline – A single helpline number is available for all pension enquiries and a dedicated e-mail address is available for enquiries by e-mail.
- Poster Campaign – A poster campaign will be implemented when major scheme changes need to be communicated to Active Scheme members. They will be distributed to employers so that they can be displayed at employees work sites.
- Internal Dispute Resolution Procedure (IDRP) leaflet – A document covering stage 1 of the IDRP is available on request.

1.2 Communicating with Deferred Members

Deferred Members (including Councillor Members) are those who have left their employment with a scheme employer and who have preserved benefits within the fund. The methods of communication with these members are described below.

- Website - The Gwynedd Pension Fund website contains a section dedicated to Deferred Members. It provides general information about the LGPS including, Transfers Out, Retirement, Divorce, Death Benefits and Frequently Asked Questions. News items are added when required to notify members of any Scheme changes. There is a separate section dedicated to the pension benefits for Councillor Members leaving before retirement.
- Member Self Service - The member self-service web portal on the Gwynedd Pension Fund website allows members to view and update their pension data securely online, such as death grant expression of wish, contact details, annual benefit statements and letters. The planning tools allow members to perform benefit calculations and prepare for retirement.
- Individual Appointments - Deferred Members can arrange an appointment with a member of the Gwynedd Pension Fund staff at the Pension office in Caernarfon.
  In some cases (e.g terminal illness) a representative from the Gwynedd Pension Fund will visit a member at their home at the request of their old employer, the individual or individual's representative.
- Scheme Literature –
  - Retirement Guide. The Retirement Guide outlines the arrangements for the payment of pension benefits and sets out the benefits payable to survivors in the event of the member's death and the other most important things to note.
  - Factsheets. A range of factsheets have been produced for scheme members which give information specific topics relating to the LGPS.
- Newsletters - we issue periodic newsletters to Deferred Members to update them of changes in the scheme regulations.
- Deferred Benefit Statements - Each year we issue a statement to each deferred member showing the up to date value of their pension benefits. They are uploaded automatically to the member's Member Self Service online portal or sent directly to their home address if they have chosen not to register.
- Annual Report and Accounts - An electronic copy of the Fund's Annual Report and Accounts is available to all Scheme members on the website. Hard copies are also available upon request.
- Correspondence - The Fund uses both paper mail and e-mail to receive and send correspondence. Response will be made in the individuals preferred language of choice.
- Pensions Helpline – A single helpline number is available for all pension enquiries and a dedicated e-mail address is available for enquiries by e-mail.
- Internal Dispute Resolution Procedure (IDRP) leaflet – A document covering stage 1 of the IDRP is available on request.

1.3 Communicating with Pensioners

Pensioners include retired members and the dependants of deceased members. The methods of communication with pensioners are described below.

- Website - The Gwynedd Pension Fund website contains a section dedicated to Pensioners. It provides general information about the LGPS including, Divorce, Death Benefits, Payment Dates, Living Abroad, Pensions Increases and Frequently Asked Questions. News items are added when required to notify pensioners of any Scheme changes.
- Member Self Service - The member self-service web portal on the Gwynedd Pension Fund website allows pensioners to view and update their pension data securely online, such as death grant expression of wish, contact details and letters.
- Individual Appointments - Pensioners can arrange an appointment with a member of the Gwynedd Pension Fund staff at the Pension office in Caernarfon.
- Payslips and P60 – A payslip is sent to Pensioner when there is a change of £5 or more in their next payment as compared with the previous month. All pensioners receive a combined P60 and payslip at the end of each tax year.
- Notice of Pensions Increase – Each April, pensioners receive a notice informing them of the Pensions Increase which is to be applied on their pension (if applicable) and they also receive confirmation of the pay dates for the next 12 months.
- Annual Report and Accounts - An electronic copy of the Fund's Annual Report and Accounts is available to all Scheme members on the website. Hard copies are also available upon request.
- Correspondence - The Fund uses both paper mail and e-mail to receive and send correspondence. Response will be made in the individuals preferred language of choice.
- Pensions Helpline – A single helpline number is available for all pension enquiries and a dedicated e-mail address is available for enquiries by e-mail.
- Birthday Congratulations – Pensioners, including those receiving dependents benefits, celebrating their 100th birthday will receive a birthday card from the Gwynedd Pension Fund.
- Internal Dispute Resolution Procedure (IDRP) leaflet – A document covering stage 1 of the IDRP is available on request.

1.4 Communicating with Prospective Members

Prospective Members are employees who are eligible to join the LGPS with one of the Gwynedd Pension Fund Scheme Employers but have decided not to. The methods of communication with prospective members are described below.

- Website - The Gwynedd Pension Fund website contains a section dedicated to Prospective Members. It provides general information about the LGPS including, Reasons for Joining, Transfers, Contribution Rates, Retirement, Opting Out and Frequently Asked Questions. News items are added when required to notify members of any Scheme changes. There is a separate section dedicated to the pension benefits for Councillor Members.
- Employer Events – The Gwynedd Pension Fund is available to attend employer events on request and provide a pension stand where prospective members can discuss any pension issues with the pension fund staff and provide relevant scheme literature and forms.
  The Gwynedd Pension Fund encourages employers to include pensions as part of staff induction events and will provide scheme literature and forms. The communications team could attend upon request.
- Consultation Sessions – The Gwynedd Pension Fund Communications Officers can hold individual consultation session for scheme members and prospective members at the request of scheme employers. Consultations are usually held at the employees worksites and they offer the opportunity for scheme members to receive general and specific information about the LGPS and ask any question they may have about joining the LGPS.
- Individual Appointments - Prospective Members can arrange an appointment with a member of the Gwynedd Pension Fund staff at the Pension office in Caernarfon.
- Scheme Literature –
  - Short Scheme Guide. The short scheme guide provides general information on the LGPS and is issued to all new employees and on request. Copies of the scheme guide in Braille, large print and audio can be provided on request.
  - Factsheets. A range of factsheets have been produced for scheme members which give information specific topics relating to the LGPS
- Correspondence - The Fund uses both paper mail and e-mail to receive and send correspondence. Response will be made in the individuals preferred language of choice.
- Pensions Helpline – A single helpline number is available for all pension enquiries and a dedicated e-mail address is available for enquiries by e-mail.
- Poster Campaign – A poster campaign is periodically implemented which highlights the benefits of joining the LGPS. They will be distributed to employers so that they can be displayed at employees work sites.

2 Communicating with Scheme Employers

For Gwynedd Council as Administering Authority to efficiently run the scheme it is essential that the flow of accurate, timely and clear information between Scheme Employers and the Fund is maintained through effective communication.

The methods of communication with Scheme Employers are described below.

- Website - Our website is under review to develop a section dedicated to Scheme Employers. The Website also contains all the Pension Fund Governance Documents, for example the Actuarial Valuation Report, Policy Documents and the Annual Report and Accounts. There are also links to sources of further information such as the Local Government Association's (LGA's) dedicated LGPS website.
- i-Connect - i-Connect is a secure online portal that takes data directly from the payroll system and feeds it directly into the pension system on a monthly basis. It automatically identifies and processes new joiners, opt-outs and leavers and enables the employer to check and cleanse the data before submission.
- Contact Database - Regulatory and administrative updates are frequently issued to all employers listed on the contact database via e-mail or letter. The employer Contact database is amended as necessary following updates from the Employers.
- Annual General Meetings - The Annual General Meeting is held specifically for Employers and Union Representatives to discuss the Annual Report and Accounts. Representatives from various professional advisory bodies, such as the Fund Actuary and Fund Managers also attend in order to answer on Funding, Investment Performance and Valuations.
- Employer meetings - As required to discuss topical issues, significant legislation changes, pre and post actuarial valuation and provide information and discuss improvements in the flow of information.
- Individual Employer meetings - Meetings with individual employers can be arranged to discuss matters specific to their participation in the Pension Fund. or to provide advice and guidance on specific issues.
- Individual Employer Training meetings - These can be arranged to resolve any administrative training issues identified by either the employer, or the Fund. These sessions are held at employer venues, with development being monitored and reviewed periodically thereafter.
- Employer Guide - The new Employer Guide is in the process of being completed and will be circulated electronically to all Employing Bodies and uploaded onto our website.
- Service Level Agreements - To improve the standard of service to members we aim to establish Service Level Agreements with Employers. The agreements will provide guidance on statutory obligations and responsibilities and set targets for both Employers and the Administering Authority–
    - To provide correct information
    - To act on, and respond to that information within a given timescale

  Any targets for the Service Level Agreements will be agreed beforehand.

3.1 Communicating with the Pensions Committee and Local Pension Board

As the Gwynedd Pension Fund's administering authority, Gwynedd Council has formed a Pensions Committee and a Pensions Board which meets quarterly to discharge the duties of the Council regarding the governance and administration of the Fund.

The Pensions Committee is responsible for approving the pension fund governance documents, including the Annual Report and Accounts and the Pension Fund Policies. It is also responsible for setting the Pension Fund Investment Strategy and the appointment of Investment Managers. The Pensions Committee is made up of nine elected Councillors.

The Pension Board is responsible for overseeing the work of the Pensions Committee and assists the Pension Fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed. The Pension Board has three scheme member representatives and three employer representatives, one of which is elected as chair.

To facilitate the work of both the Pension Committee and Pension Board they are provided with access to all the Pension Fund Documents including the Annual Report and Accounts, the Actuarial Report, Policy Documents, Pensions Committee reports and decisions and Pension Board reports.

The methods of communication with Pension Committee and Board members are described below.

- E-mails - E-mail is the preferred method of communication for general messages.
- Reports – The Committee and Board members are provided with the following Reports:
    - Annual Reports and Accounts - The key publication on investment and administration.
    - Actuarial Report – Following the Fund's triennial valuation
    - Specialised Reports – Produced by the Gwynedd Pension Fund for their consideration.
- Pension Fund Policies – The committee have access to all the Gwynedd Pension Fund policies for consideration and approval
- Presentations – Committee and Board members are invited to presentations by The Gwynedd Pension Fund and advisers on investment, actuarial, and administration matters.
- Training - Committee members and Pension Board Members are required to undertake relevant training to enable them to carry out their roles effectively. Training can be done in-house, by LGA, the Pension Fund Investment Managers and advisors or the Pension Fund Actuary.
- Agenda and Minutes – The agenda and minutes for each meeting are published on the Gwynedd Council website.

3.2 Communicating with Pension Fund Staff

Effective communication with Pension Fund Staff is an important part of daily operations and enables the Gwynedd Pension Fund to deliver a quality and accurate service to our key stakeholders.

The methods of communication with Pension Fund Staff are described below.

- Induction – All new members of staff undergo an induction program.
- E-mails - E-mail is the preferred method of communication for general messages within the unit. Where necessary, this will be followed up with individual or team training.
- WhatsApp Group Chat – During emergencies when e-mail is not available general messages will be shared on WhatsApp.
- In-house Training – General and pension-specific training on matters arising with regards to regulatory or procedural changes is given as a necessary as part of the unit's commitment to continuous improvement.
- External Training – Professional qualifications can only improve the knowledge and confidence of the team in their communication with stakeholders. All new and existing members of staff are therefore encouraged to study for professional qualifications in pension administration with the Chartered Institute of Payroll Professionals (CIPP). Staff also attend LGA and Heywood training as appropriate
- Staff Meetings – Staff Meetings are held bi-monthly to discuss any developments in legislation, changes to working procedures and operational matters. Staff are encouraged to participate in these meetings and influence the decisions that affect the whole Unit.
  The operational plan, including Key Performance Indicators is also discussed on a regular basis to ensure that the members of the team are aware of and are meeting their targets.
- Staff Appraisals - Fund staff of all levels have an appraisal each year to discuss work issues, monitor performance and areas for development.
- Continuous Monitoring – Service Standards are monitored regularly to ensure staff are aware of their responsibilities in relation to the Scheme. On a daily basis communication is encouraged between members of staff and the Management team and an open door policy is in place.
- Internet - All staff have access to the Internet to ensure timely access to LGPS information. They also have access to Member Self Service to assist them in carrying out their roles.

3.3 Communication with Other Bodies

To facilitate the administration of the Gwynedd Pension Fund we must communicate with the following bodies:

- Member Representatives - These can include any individual or group, such as solicitors, Trade Unions or other Pension Providers, requesting information on behalf of a Scheme Member. This is only provided with the member's authority, in compliance with the Data Protection Act 1998 and GDPR. All Scheme Literature is available on request.
- Wales Pension Partnership - The Wales Pension Partnership (WPP) was established in 2017. The WPP is a combination of eight Local Government Pension Scheme (Constituent Authorities) funds across Wales and one of eight national funds for Local Government Pension Scheme.
- Shrewsbury Pensions Officers Group - Senior Pensions Officers form the Gwynedd Pension Fund meet representatives from other Local Authority Funds in the West Pennines area on a quarterly basis to share information, discuss questions on legislation and prevailing regulations as well as any technical or procedural issues.
- All Wales Group - Senior Pensions Officers form the Gwynedd Pension Fund meet representatives from other Local Authority Funds in Wales on a quarterly basis to share information, discuss questions on legislation and prevailing regulations as well as any technical or procedural issues.
- All Wales Communication Group - The Group meets as and when required, with a view of formalising and unifying approach to communications within the Welsh Local Government Authorities. The Group have collectively produced:
    - Uniform Annual Benefit Statement for both active and deferred members
    - A Short Scheme Guide
    - A Retirement Guide
    - Death Grant Expression of Wish Forms
    - Ill Health Certificates
    - Pension Fact Sheets on various topics which can be distributed to members.
- Scheme Actuary – Regarding Funding Levels, the Triennial Valuation, FRS17, TUPE and all funding issues.
- HMRC – With regards to tax issues for Scheme members.
- Additional Voluntary Contributions – Officers of the Pension fund have regular contact with the Fund's AVC providers regarding the funds of individual Scheme members.
- Fund Managers – Regarding investment and Fund performance.
- LGA – The Local Government Association (The Pensions Team) provides technical advice to Pension Fund Administering Authorities and to employers on the LGPS.

10.4 Governance Policy Statement

Introduction

Gwynedd Council is the Administering Authority for the Gwynedd Pension Fund. This policy sets out the governance responsibilities of the Fund and is prepared in compliance with the Local Government Pension Scheme Regulations 2013, regulation 55.

This statement sets out the delegation of matters in relation to the Gwynedd Pension Fund, along with the terms of reference, structure and operational procedures of these delegations.

Pensions Committee

The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

The Committee is comprised of 9 members, 7 of whom are elected members of Gwynedd Council, 1 member from Anglesey County Council and 1 member from Conwy County Borough Council, all of whom have voting rights. There is no member (staff) representation on the Committee.

The Pensions Committee's responsibilities are to:

1. Decide on the strategy for investing the Pension Fund's assets by approving a Funding Strategy Statement and Investment Strategy Statement;

2. Appoint and terminate the appointment of managers and consultants of the Pension Fund, and review their performance with regard to investment;

3. Ensure that safe and efficient arrangements are in hand for purchasing, selling and monitoring the council's investments;

4. Making some decisions in the context of pension administration in exceptions e.g. appeals;

5. Review and scrutinise the fund's financial affairs, and therefore receive the financial statements and auditors report.

As a duly constituted Committee of Gwynedd Council, the operation of the matters delegated to the Committee are governed by Gwynedd Council's constitution, and in particular, Parts 4 and 5 which govern the rules of procedure and Codes and Protocols which are to be followed by members of the Pensions Committee and officers.

The Pensions Committee is also charged with ensuring that an annual report on Pensions matters is prepared and presented to an annual meeting of employers and employee representatives, at which any of the said parties can question the Committee, their officers, investment adviser or Fund managers on issues relating to Fund performance, and administration and/or pensions matters in general.

In order to ensure an adequate review of investment performance, the Committee's investment adviser and each Fund manager provides the Committee with a quarterly monitoring report. Informal meetings are also held with the investment adviser and Fund managers in order to challenge performance and resolve any issues which arise.

All committee members will be required to undertake training to ensure competency.

All employers who are not members of the Pension Committee are afforded the opportunity to influence the Pension Committee's determinations through the series of informal meetings held periodically with various categories of employer.

Any issue requiring formal consideration is considered at a properly convened meeting of the Committee, in order to allow citizens to exercise their rights to attend any meeting of a Council Committee.

In 2014, the Government asked the 89 LGPS funds in England and Wales to work together to create investment pools to achieve efficiency savings and invest more in infrastructure. The Gwynedd Pension Fund teamed up with the other seven Welsh funds to form the Wales Pension Partnership (WPP).

The WPP Joint Committee is an oversight committee. It determines key strategic objectives and examines the day to day decisions made by a group of governing officers. The chair of Gwynedd Pension Fund sit's on this committee.

Chief Finance Officer

Article 12 of the Council's constitution stipulates that the Head of Finance (as the Council's Chief Finance Officer) shall have responsibility for financial strategy, and as such he is responsible to the Pensions Committee for advising on the appropriate financial strategy for the Pension Fund, and for ensuring that appropriate specialist advice is provided.

Under this Article, the Head of Finance also has responsibility for the proper administration of the Pension Fund's financial affairs. He must report to the Council and the Council's external auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is likely to cause a loss or deficiency, or if the Council is about to enter an item of account unlawfully.

Between the period 01/01/2022 and 30/06/2023 there will be temporary arrangements in relation to the role of Chief Finance Officer. The current Head of Finance will retire on a flexible retirement basis. During this time, he will continue with his pension fund duties, while his successor will deal with other elements of the job.

The Investment Manager and team support the Head of Finance in the responsibility for the monitoring and review of the investments of the Fund including:

- preparation and maintenance of the accounts of the Gwynedd Pension Fund including preparation of the Annual Report
- regular dialogue with the Fund's advisers, investment managers and custodian
- monitoring and reconciliation of investment manager and custodian records
- preparation and maintenance of the Fund's Investment Strategy Statement, Funding Strategy Statement,
- monitoring the activity and performance of the Fund's investment managers including compliance with policy and performance objectives
- interpretation of new legislation and research in respect of the investments and accounts of the Fund
- monitoring the corporate governance activity of the Fund including attendance at the Local Authority Pension Fund Forum (LAPFF)

The Pensions Manager and team support the Head of Finance:

- to collect employee and employer contributions from participating employers
- to make payments in respect of scheme benefits
- to collect and make pension transfer payments as elected by scheme members

- to update and maintain the Fund's website
- the maintenance and update of membership records
- the calculation and authorisation of benefit payments
- the provision of membership data for actuarial valuation purposes
- the preparation and maintenance of the Communication Policy Statement and the Pensions Administration Strategy Statement.

Monitoring Officer

Article 12 also stipulates that the Head of Legal Service (as the Council's Monitoring Officer) will report to the Council if he considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Local Pensions Board

The Public Service Pensions Act (2013) required all Administering Authorities to introduce a Local Pension Board to assist the Scheme Manager. The Gwynedd Pension Board was established by Gwynedd Council on 13/07/2015.

The Pensions Board has an oversight / assisting role not a decision making role, its responsibilities are to:

1. Assist the Gwynedd Pension Fund as Scheme Manager;

2. Securing compliance with regulations and requirements enforced by the Pensions Regulator and the Department for Communities and Local Government

3. Ensuring effective and efficient governance and administration of the Fund.

4. Assist with other matters as the scheme regulations may stipulate.

The Pensions Board is comprised of 6 members, 3 of whom are employer representatives, 3 are scheme member representatives, and 1 will be elected as a chairman.

The Pensions Board will meet on a quarterly basis.

When required, the Pensions Board will be advised by the Section 151 Officer and any other Council Officers and professional Advisers and Consultants, however all board members will be required to undertake training to ensure competency.

Governance Compliance Statement

MHCLG is committed to ensure that all LGPS committees operate consistently at best practice standards. Therefore, in addition to the regulatory requirement to produce this Governance Policy, the LGPS regulations 1997 were further amended on 30 June 2007 to require administering authorities to report the extent of compliance to a set of best practice principles to be published by MHCLG, and where an authority has chosen not to comply, to state the reasons why. This Governance Policy will be updated when necessary and reviewed at least annually.

10.5 Governance Compliance Statement

Principle A – Structure

a)	**The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.**
	Gwynedd Council is fully compliant with this principle. The management of the Fund clearly rests with the main Pensions Committee that has formally been in place within the Council's constitutional arrangements.
b)	**That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.**
	Gwynedd Council is partly compliant with this principle. Representatives from two participating LGPS employers are members of the main committee. Currently there is no representation from admitted bodies or scheme members in order to retain a relatively small committee which can review manager performance in an effective manner. As the pension promise is defined by legislation for scheme members, the actions of the Committee have not hitherto been considered to impinge upon their interests and thus no representation has been afforded. All employers are afforded the opportunity to influence decisions through a series of informal employer meetings.
c)	**That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.**
	No secondary committee or panel exists, although the informal employer meetings ensure effective communication.
d)	**That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.**
	No secondary committee or panel exists.

Principle B – Representation

a)	**That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include :-** **i) employing authorities (including non-scheme employers, e.g., admitted bodies);** **ii) scheme members (including deferred and pensioner scheme members),** **iii) where appropriate, independent professional observers, and** **iv) expert advisors (on an ad-hoc basis).**
	Partly compliant. We do have LGPS employing authority representation on the main committee, and we also have an expert independent advisor (on an ad-hoc basis). However, no scheme members/committed bodies or independent professional observers are given membership.
b)	**That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.**
	No lay members sit on the Committee (see Part A (b) above).

Principle C – Selection

a)	**That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.**
	Fully compliant. All members are made clear of their responsibility as laid out in the Governance Policy Statement.
b)	**That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.**
	Gwynedd Council is fully compliant with this principle.

Principle D – Voting

a)	**The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.**
	The Pensions Committee is comprised of 9 members, all of whom have voting rights, 7 of whom are elected members of Gwynedd Council, and 1 representative from each of the other two participating LGPS employers.

Principle E – Training/Facility Time/Expenses

a)	**That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.**
	Fully compliant – all members are granted equal access to training support and appropriate expenses paid.
b)	**That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.**
	The policy applies to all members of the Committee.
c)	**That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.**
	Gwynedd council is partly compliant with this principle in that a log of all training undertaken is kept and consideration given periodically to members' training needs but no annual formal training plans are established.

Principle F – Meetings (Frequency/quorum)

a)	**That an administering authority's main committee or committees meet at least quarterly.**
	Fully compliant.
b)	**That an administering authority's secondary committee or panel meet at least twice a year and is synchronized with the dates when the main committee sits.**
	No secondary committee or panel exists, although the informal employer meetings are synchronized with the dates of the main committee.
c)	**That an administering authority that does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.**
	An Annual Meeting of the Pension Fund takes place during the Autumn. Employers and employee representatives are invited to the meeting, and they can question the Committee, the administering authority's officers, the investment advisers or the Fund managers on issues relating to the Fund's performance, administration and/or pensions matters in general.

Principle G - Access

a)	**That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.**
	Gwynedd Council is fully compliant with this principle. The Pensions Committee is a public meetings and as such all relevant papers and documentation are available online by the Gwynedd Council democracy service and are circulated to the Committee members in advance.

Principle H – Scope

a)	**That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements**
	The Pensions Committee considers all issues relating to the Local Government Pension Scheme.

Principle I - Publicity

a)	**That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.**
	The Governance Policy Statement is available in the Pension Fund annual report.

11. Glossary

Active Management - A mark through either asset allocation, market timing or stock selection (or a combination of these). Directly contrasted with passive management.

Actuary - An independent consultant who advises on the viability of the Fund. Every three years the actuary review the assets and liabilities of the Fund and reports to the Council as Administering Authority on the financial position and the recommended employers contribution rates. This is known as the actuarial valuation.

Active Member - Current employee who is contributing to a pension scheme.

Administering Authority - The Council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admitted Body - An organisation whose staff can become members of the Fund by virtue of an admission agreement between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

Asset Allocation - Apportionment of investment funds among categories of assets, such as bonds, equities, cash, property and private equity. Asset allocation affects both risk and return.

Asset Class - A specific area/ type of investment e.g. overseas equities, fixed income, cash, property.

Benchmark Return- The benchmark return is the return that would be achieved if the Fund Manager had not deviated from the weightings of each asset class given to them by the Investment Panel, and had achieved returns in each of these asset classes consistent with the average return of all Local Authority Funds for that class. The benchmark weightings of asset classes are outlined within the Investment Strategy Statement.

Corporate Governance - Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management.

Custodian - Bank or other financial institution that keeps custody of stock certificates and other assets of a client, collects dividends and tax refunds due, and settles purchases and sales.

Deferred pensioner - A member who has stopped paying into the scheme but is not yet retired.

Emerging markets - Relatively new and immature stock markets for equities and bonds. Settlement and liquidity can be less reliable than in the more established 'developed' markets, and they tend to be more volatile.

Employer contributions rates - The percentage of the salary of employees that employers pay as a contributions towards the employees' pension.

Equities - Ordinary shares in UK and overseas companies traded on a recognised Stock Exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders meetings.

Fair value - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fixed interest securities/ bonds - Investments, especially in government stocks, with a guaranteed rate of interest. Conventional bonds have fixed rates, whilst index linked vary with inflation. They represent loans repayable at a stated future date, and which can be traded on a Stock Exchange in the meantime.

Fund Manager - A person or company to whom the investment of the whole, or part of the assets of a fund is delegated by the trustees.

Investment - An asset acquired for the purpose of producing income and capital gain for its owner.

Market value - The price at which an investment can be sold at a given date.

Passive - A style of investment management which aims to construct a portfolio in such a way as to provide the same return as to that of a chosen index.

Pensioner - A scheme member who receives a pension from the Fund.

Performance - A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period - either in absolute terms or as measured against the average fund or a particular benchmark.

Pooled funds - Pooled investment vehicles issue units to a range of investors. Unit prices move in response to changes in the value of the underlying portfolio, and investors do not own directly the assets in the fund.

Portfolio - A collective term for all investments held in a fund, market or sector.

Private equity - Investments made by specialist managers in all types of unlisted companies rather than through publicly tradable shares.

Resolution body - Bodies that have a right to allow some or all their staff to become members of the LGPS, subject to the resolution body meeting the requirements of the LGPS regulations.

Return - The total gain from holding an investment over a given period, including income and increase/ (decrease) in market value.

Risk - Generally taken to mean the variability of returns. Investments with greater risk must usually promise higher returns than more 'stable' investments before investors will buy them.

Scheme employers - Local authorities and bodies specified in the LGPS regulations, whose employees are entitled automatically to be members of the Fund, and Admission bodies including voluntary, charitable and similar bodies, carrying out work of public nature, whose staff can become members of the Fund by virtue of an admission agreement with the Council.

Scheduled body - An organisation that has the right to become a member of the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

Transfer value - Payments made between funds when contributors leave service with one employer and decide to take the value of their contributions to the new fund.

Unrealised increase/ (decrease) in market value - The change in market value, since the purchase date, of those investments held at year end.