

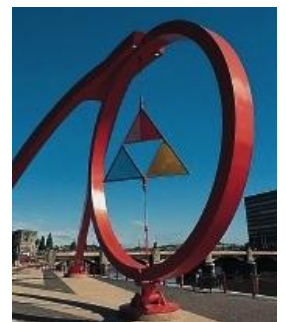


# Greater Gwent (Torfaen) Pension Fund Annual Report & Accounts

## Cronfa Bensiwn Gwent Fwyaf (Torfaen) Adroddiad Blynyddol a Chyfrifon

2024/2025

Andrew Lovegrove, FCA  
Strategic Director Resources



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## STATEMENT OF RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS

### The Council's responsibilities as Administering Authority

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (known as the Section 151 Officer) has the responsibility for the administration of those affairs; in this Council, the Section 151 Officer is the Strategic Director of Resources
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets
- Approve the Pension Fund accounts

### The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Pension Fund 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 Pension Fund accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code

The Section 151 Officer has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

### The Section 151 Officer's Certificate

I certify that the Pension Fund accounts give a true and fair view of the financial position of the Greater Gwent (Torfaen) Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2025.

Signed by:



Andrew Lovegrove, FCA  
Strategic Director Resources (S151 Officer)  
Date: 17 November 2025



## CHAIR'S FOREWORD

### **Chair, The Greater Gwent (Torfaen) Pension Fund**

Councillor Nathan Yeowell

As Chair of the Greater Gwent (Torfaen) Pension Fund, I am pleased to present the Annual Report & Accounts for 2024/25.

This is the fourth foreword I've prepared and presented to you since my appointment as Chair over three and half years ago. The issues facing us remain as complex and challenging as they did in 2022, although my grasp of them has improved: the team might make a pensions expert of me yet!

I would like to highlight a number of these issues and achievements, starting, most importantly, with our funding position. As of 31 March 2025, the Fund's net assets grew to some £4.45 billion – the highest figure on record – supporting over 67,000 scheme members across the Greater Gwent area and beyond. Over the course of the year, our investment strategy continued to deliver robust returns, with a 5.16% absolute return, outperforming the Local Government Pension Scheme (LGPS) average across all long-term timeframes and ranking us second nationally among peer funds over one and three-year periods. With indications suggesting this performance will continue across 2025/26, I'm pleased that our strong funding position, coupled with our approach to risk management, means that we can continue to meet our pension promises both now and in the future.

This year has also seen a significant enhancement of our administration services, with particular emphasis on digital transformation, in line with our 2025-2028 business plan. Of particular note, I'd like to draw your attention to the following:

- We launched a new 'Immediate Payments' system, streamlining the processing of lump sum, refund, and transfer payments, reducing the number of manual interventions and improving accuracy.
- We rolled-out 'i-Connect' as a mechanism for more effective engagement with scheme employers, 48 of which now submit data to us electronically, improving both quality and efficiency.
- Our 'My Pension Online' platform continued to grow, with nearly 39% of members registered. In the coming year we hope to launch the new 'Engage' portal, offering enhanced security, faster registration, and innovative features like video benefit statements and retirement planning tools.
- We continued to invest in, and prepare for, the roll out of the 'Pension Dashboard', a UK-wide initiative to allow savers to access information about various pensions, e.g., LGPS, potential private or former workplace pension pots, state pension entitlement etc., in one place.

These improvements ensured that we issued all of our annual benefit statements on time, with the team supporting members and employers through a responsive helpdesk, targeted communications and specific pension awareness sessions. We remain committed to providing members with the information they need to help them make informed decisions about their retirement.

The Fund's commitment to good governance remained a high priority. We received full assurance from internal audit, and our risk management framework has been further strengthened, with a particular focus on cyber security and compliance with the Pensions Regulator's new General Code of Practice.

## Pension Fund Annual Report 2022/2023

The Local Pension Board continued to play a vital role in terms of challenge, policy development, and general strengthening of our governance arrangements. I would like to take this opportunity to thank Ian Coleman, Chair of the Pension Board, along with the rest of the members, for their continuing commitment and attention to detail.

Finally, this year also saw us respond to the UK Government's 'Fit for the Future' consultation alongside our colleagues in the Wales Pension Partnership (WPP). The Fund contributed to both the local and WPP-wide responses, tackling issues such as improving LGPS pooling mechanisms, boosting investment, and setting a clear trajectory for scale and consolidation across the sector. The WPP's business case for a stand-alone Welsh pool company has been approved, meaning that as of 1 April 2026, the revamped WPP Investments will emerge as the largest financial management institution based in Wales by quite some margin, with north of £25 billion-worth of assets under management. This will have important consequences for how the Fund conducts its affairs in the years ahead, and we will devote proper time and space to this topic in the Annual Report & Accounts for 2025/26.

As I type, we are preparing for the crucial next phase of the 2025 actuarial valuation which will involve extensive engagement with our scheme employers before agreeing individual contribution rates for the period 2026/27 to 2028/29. The team remain focused on maintaining a strong funding position, supporting employers, and delivering excellent service to members.

I'll sign off by thanking all Pension Committee members, officers and advisers for their hard work and support once again this year.



## CHIEF OFFICER'S INTRODUCTION

**Strategic Director Resources (S151 Officer)**

Andrew Lovegrove

I am pleased to present, for the first time as Treasurer to the Greater Gwent (Torfaen) Pension Fund, the annual report and accounts for the period to 31st March 2025.

It has been a busy year, during which we have continued to make progress against the delivery of our Business Plan, despite significant change across the sector. During the year we have rolled out advancements to our payroll and data systems. This has been a big achievement for the team, with more of our systems now fully integrated, giving greater assurance over security and internal control, accessibility of information to assist member decision making as well as accuracy in delivery of services to our members. Despite increasing activity across the scheme and the Fund specifically, it is pleasing to note that we have continued to manage demand during the year, and we expect further improvements in future years because of our investment in system integration.

We have continued to prioritise engagement with our members and stakeholders. During September 2024, we delivered our pension awareness campaign which was carefully designed to accommodate the needs of our members. We hosted online webinars and in-person drop-in sessions for those wishing to have face-to-face contact. This campaign resulted in record attendance and engagement with our members, a key objective of our Business Plan.

Fund officers, in consultation with the Pension Committee and Local Pension Board, are actively working through the changes proposed by UK Government following their "Fit for the Future" consultation and the reforms which are expected to sit within the latest Pensions Bill. This will involve closer collaboration with our Wales Pension Partnership colleagues in the creation of a standalone, FCA regulated investment management pool company which will be responsible for the implementation of our investment strategy and the robust management of our £4.45 billion portfolio. This is a significant undertaking, and one which will create significant activity throughout 2025/26 as we prepare to respond to the Government's 31st March 2026 deadline. In addition to the creation of a new entity, the Fund will also be working hard to enhance its governance arrangements in line with proposals set to feature in the Pensions Bill.

Despite the volume of workload and breadth of activity, we remain focused on delivering against our long-term objectives and the latest reforms as mandated by Government. I am pleased to provide further details of how we've delivered against these objectives within this report.

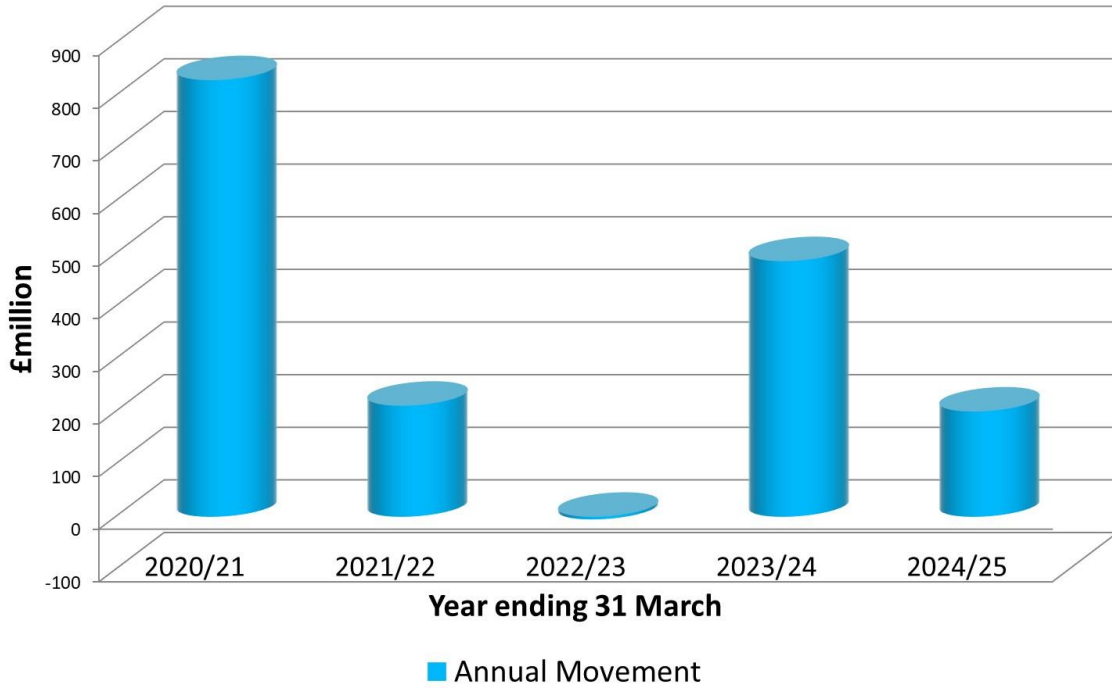
I would like to thank all those involved in the management and oversight of the Fund for their professionalism and dedication. I hope that you find this year's annual report to be informative and look forward to reporting on progress in due course.

## OVERVIEW

### 1. 2024/2025 in summary

Total Scheme Members	Net Assets of the Fund	Payments to Pensioners	Total Contributions
<b>67,359</b>	<b>£4.4bn</b>	<b>£175.015m</b>	<b>£179.461m</b>

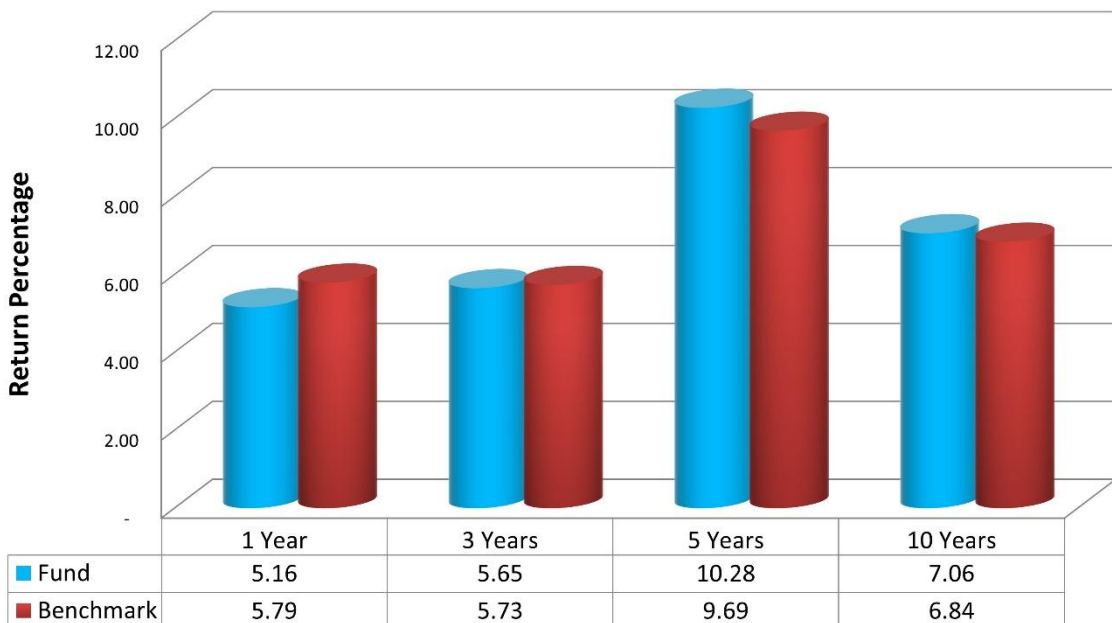
**Annual Movement in the Net Assets of the Fund**



### 2. Investments

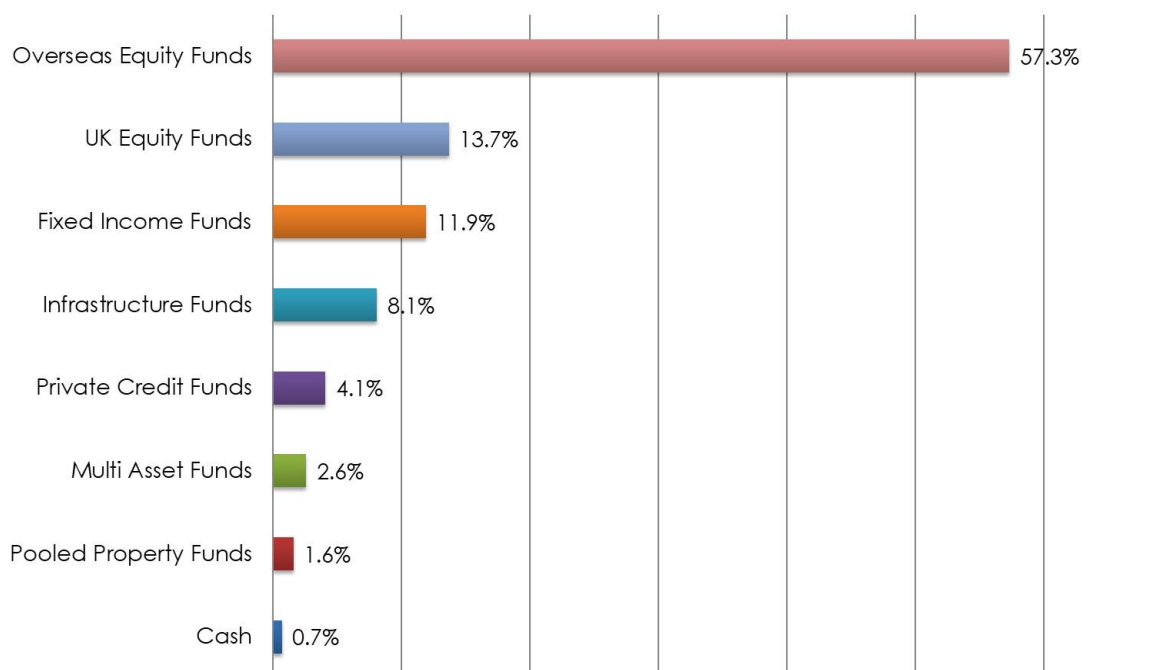
#### Periodic Performance to 31 March 2025

Figures for time periods greater than 1 year are annualised



# Pension Fund Annual Report 2022/2023

## Investment asset allocation as at 31 March 2025



### 3. Membership

Contributing Members

**25,248**

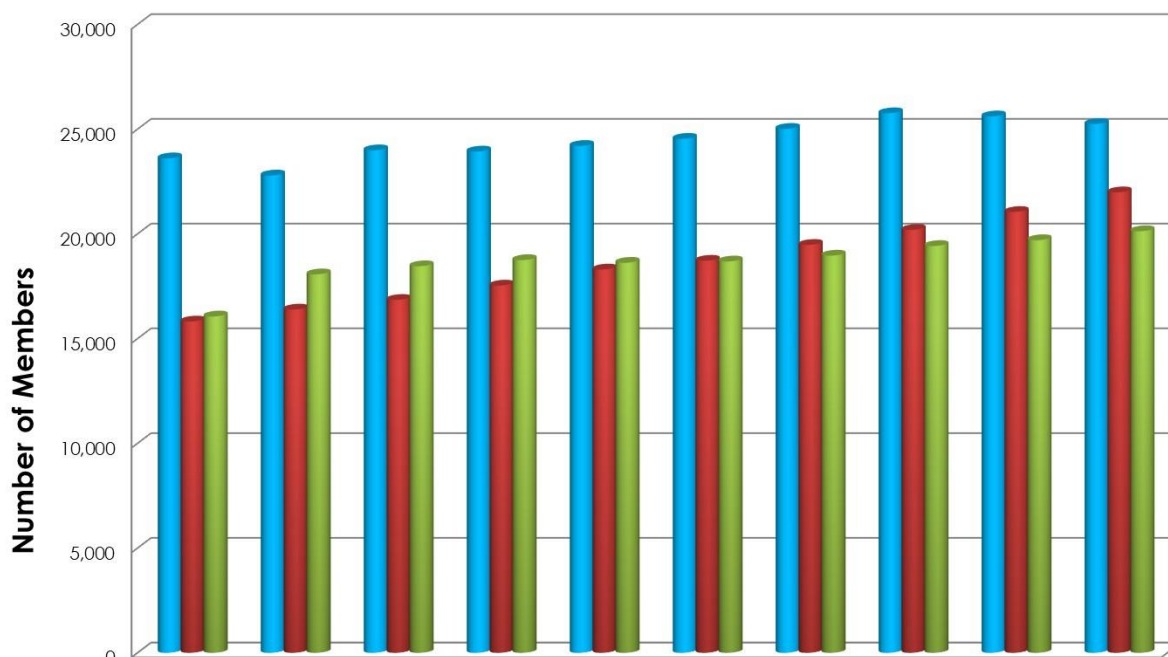
Members in Receipt of Pension

**21,983**

Members with Deferred Benefits

**20,128**

## Split of Fund Membership as at 31 March



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contributors	23,607	22,788	23,991	23,932	24,200	24,539	25,015	25,760	25,610	25,248
Pensioners	15,816	16,388	16,848	17,533	18,299	18,718	19,474	20,190	21,047	21,983
Deferred benefits	16,058	18,068	18,455	18,749	18,621	18,685	18,963	19,422	19,700	20,128



## OVERALL FUND MANAGEMENT

### 1. Scheme management and advisors

- 1.1 The Greater Gwent (Torfaen) Pension Fund is administered in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) (The 2013 Regulations), and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) (The Transitional Regulations). It is the appropriate occupational pension scheme for employees of local authorities in the Greater Gwent area except for teachers and lecturers, who have a separate scheme which applies to them. In addition, the employees of certain bodies providing public services are admitted to the Fund. Details of the authorities covered by the scheme are given on page 76.
- 1.2 Torfaen County Borough Council has established a Pension Committee to discharge the duties of the Council as administering authority of the Fund. The Pension Committee operates within the Council's constitutional arrangements. In addition, the Local Pension Board was established in accordance with the Public Service Pensions Act 2013. The role and purpose of the Board is to ensure compliance with the regulations, and other legislation relating to the governance and administration of the Scheme as imposed by the Pensions Regulator and to ensure effective and efficient governance and administration of the Scheme.
- 1.3 The Committee deals with all matters relating to the Fund. As at 31 March 2025 the membership of the Pension Committee, together with advisors and dedicated internal officers for the Fund are as follows: -

#### Chair

Councillor Nathan Yeowell

#### Committee Members

Councillor Alfie Best  
Councillor Jon Horlor  
Councillor Stuart Keyte  
Councillor Chris Tew  
Councillor David Williams

#### Administrator

Andrew Lovegrove, Strategic Director Resources



#### Head of Pensions

Alexander Bull  
Tel: 01495 742626  
E-mail: [alexander.bull@torfaen.gov.uk](mailto:alexander.bull@torfaen.gov.uk)



#### Pension Manager

Joanne Griffiths  
Tel: 01495 766280  
E-mail: [joanne.griffiths@torfaen.gov.uk](mailto:joanne.griffiths@torfaen.gov.uk)

## **External Investment Advisors**

Aoifinn Devitt, Independent Consultant  
Elizabeth Carey CFA, Independent Research Analyst

## **Consulting Actuary**

Hymans Robertson

## **Solicitor and Legal Advisor to the Fund**

Polly Ellis, Head of Legal Services  
Delyth Harries, Monitoring Officer

## **Investment Fund Managers**

BlackRock  
Fidelity International  
Invesco Perpetual  
Russell Investments  
Capital Dynamics  
GCM Grosvenor  
Gresham House Asset Management  
Quinbrook Infrastructure Partners  
Schroders Capital  
Octopus  
CBRE  
IFM

## **Fund Custodian**

Northern Trust

## **Wales Pension Partnership FCA Authorised Operator**

Waystone Management (UK) Ltd

## **Wales Pension Partnership Investment Management and Advisory Services**

Russell Investments (Investment Management Solutions Provider)  
Hymans Robertson (Oversight & Governance Advisor)  
Burgess Salmon (Legal Advisor)  
Robeco Institutional Asset Management B.V. (Voting & Engagement Provider)

## **Fund Auditor as at 31 March 2025**

Audit Wales

## **Bankers to the Fund as at 31 March 2025**

Lloyds Bank  
1 Gwent Square  
New Town Centre  
Cwmbran, South Wales  
NP44 1XN

## **AVC Providers to the Fund as at 31 March 2025**

Standard Life  
Clerical Medical  
Utmost Life and Pensions (previously Equitable Life)

If you need more information you can email: [pensions@torfaen.gov.uk](mailto:pensions@torfaen.gov.uk)

You can also write to: Pensions Section  
Torfaen County Borough Council  
Civic Centre, Pontypool, Torfaen NP4 6YB

Or visit the website: - [www.gwentpensionfund.co.uk](http://www.gwentpensionfund.co.uk)

## ANNUAL GOVERNANCE STATEMENT 2024/25

Torfaen County Borough Council ("the Council") has statutory responsibility for administering the Greater Gwent (Torfaen) Pension Fund ("the Fund") on behalf of five local authorities (Newport City Council, Torfaen, Blaenau Gwent, Caerphilly and Monmouthshire County Councils) as well as 48 other active employers in the Gwent region.

The primary responsibility of the Fund is to provide retirement and death benefits for Local Government employees and those employed in similar or related bodies. In addition, the Fund is responsible for administering scheme benefits and managing its investment assets.

### Scope of responsibility

As administering authority of the Fund, the Council is responsible for ensuring that its business in managing Fund activity is conducted in accordance with the law and appropriate standards. In accordance with Part 2 (Administration) Regulation 55 and Part 3 (Governance) Regulation 106 of LGPS Regulations 2013, the Fund is required to prepare a written statement setting out the governance arrangements in place.

In discharging these responsibilities, elected members, senior officers, and external advisors are responsible for implementing effective arrangements for governing the affairs of the Fund which extends to appropriate risk management. The Pension Committee, comprising elected members of the Council, has delegated responsibility for overseeing the administration of the Fund.

The Fund has adopted the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) framework which ensures the delivery of good governance in Local Government. This statement explains how the Fund has complied with this framework and how it meets the CIPFA Code of Practice on Local Authority Accounting in the UK.

### Governance arrangements

The governance arrangements detailed within this statement apply equally to the Fund as they do the Council and are detailed within the Council's Annual Governance Statement which can be accessed [here](#):

[Council Annual Governance Statement](#)

In addition, there are specific governance requirements for the Fund which are detailed within several key policy documents, all of which can be accessed via the Fund website:

[Forms and Publications | Greater Gwent \(Torfaen\) Pension Fund \(gwentpensionfund.co.uk\)](#)

- 1) Governance Compliance Statement
- 2) Funding Strategy Statement
- 3) Investment Strategy Statement
- 4) Communications Policy
- 5) Risk Management Policy

Furthermore, other aspects of the governance arrangements specifically relating to the Fund include:

- The roles and responsibilities of the Pension Committee and Local Pension Board operating within the Council's constitutional framework and set out within the Constitution.
- A systemic approach to monitoring performance by the Pension Committee, Local Pension Board (which is independently chaired), Independent Advisors and Senior Officers.
- An appropriate level of oversight relating to the Wales Pension Partnership (WPP) pooling arrangements.

# Pension Fund Annual Report 2022/2023

- The responsibility of Pension Committee, Local Pension Board, Officers, and Independent Advisors to regularly consider, scrutinise and challenge the risk framework.
- A structured training programme to ensure Pension Committee and Local Pension Board members have the required standard of knowledge and understanding of the Local Government Pension Scheme (LGPS) to discharge their duties effectively.
- All investment assets, including assets pooled with the WPP, being under the custodial arrangements of a globally recognised Custodian with appropriate expertise, resources, and a substantial internal control framework.
- Being subject to internal audit review in accordance with the Council's internal audit work plan as agreed by the Audit and Governance Committee each year.
- A review of third-party assurance reports on an annual basis which are prepared in accordance with appropriate standards and cover internal processes and procedures as well as details of the audit testing performed during the year. The reports are reviewed by officers and are used to gain assurance that all third-party internal controls are sufficient and are operating effectively.

A significant aspect of the governance framework is the system of internal controls which is based on an ongoing process of identifying, prioritising, and managing risks in accordance with the Council's objectives. This includes objectives specifically relevant to the Fund.

## **Review of effectiveness of governance framework**

The Pension Committee is responsible for ensuring the effectiveness of the governance framework and system of internal control within which the Fund operates. Supported by the Local Pension Board in their oversight capacity, the Committee, in discharging the responsibilities of the Council, relies on the assurances of officers, financial monitoring and other reports, as well as the work of internal and external audit.

The Fund maintains and reviews its Governance Policy and Compliance Statement as part of its year-end reporting activity. The review of this policy measures the extent to which the Fund's governance arrangements comply with CIPFA requirements and the SOLACE framework.

## **Internal Audit Opinion**

The Fund utilises the Council's internal audit services and is subject to audit in accordance with the agreed annual plan. At the last internal audit of Pension Fund Governance in 2023/24, full (absolute) assurance was provided by the Head of Audit and Procurement, indicating that the internal control environment was sound and designed to achieve system objectives with no evidence of controls being inconsistently applied or operating unsatisfactorily. An internal audit of Pension Fund Administration will be undertaken in 2025/26.

Where recommendations have been made for further improvement following the outcome of an audit, subsequent progress reports have been issued to Local Pension Board and Pension Committee members for information and comment in their roles of oversight and governance, and steps have been taken to implement recommendations accordingly.

## **Update on significant governance issues previously reported**

No significant governance issues were reported in 2024/25 relating specifically to the Fund.

## **Member approval and publication dates**

The Fund is required to prepare and publish its annual report in accordance with Regulation 57 of the Local Government Pension Scheme Regulations 2013 (England and Wales).

Following the conclusion of the audit process, the Pension Fund annual report and financial statements are considered by the Local Pension Board as those charged with governance, followed by the Pension Committee for its approval. The Pension Committee Chair and Council's Strategic Director Resources (section 151 officer) will also sign the letter of representation following approval by Pension Committee.

The audited annual report is published on both the Fund and Council websites by 1<sup>st</sup> December each year in accordance with statutory deadlines.

## Certification

Based on the audit work undertaken by internal audit on behalf of the Fund, and the assurances provided to the Strategic Director Resources and the Head of Pensions, reasonable assurance can be placed on the adequacy and effectiveness of the governance and internal control environment in operation during 2024/25.

### **Andrew Lovegrove, FCA**

Strategic Director Resources (Section 151 Officer)

### **Alexander Bull**

Head of Pensions

## GOVERNANCE AND TRAINING

### 1. Local Pension Board Annual Report

This section constitutes the Annual Report of the Local Pension Board 2024/25 and was agreed by the Pension Board on 29 April 2025.

#### 1.1 Background

The Board was constituted under the Public Service Pensions Act 2013 and held its first meeting, as required under the Act, by 31 July 2015. It was established in the interests of the Fund, by the Council as administering authority and operates independently of the Pension Committee.

- The Local Pension Board operates in accordance with its Terms of Reference (ToR) and consists of five representatives of the scheme employers and five representatives of scheme members. In addition, it has a non-voting Independent Chair.

#### 1.2 Functions and Operation of the Board

- The two primary functions of a Local Pension Board are to assist the administering authority in:
  - 1) Ensuring effective and efficient governance and administration of the LGPS
  - 2) Ensuring compliance with relevant laws and regulations
- The Local Pension Board has a monitoring, assisting, and reviewing purpose, rather than being a decision-making body. It could be seen as being a critical friend. As such, its general approach is to seek assurances, with evidence provided by officers and from other sources, that the Pension Fund is meeting its objectives, producing all required statements, and adequately managing risks.
- In so doing, the Local Pension Board is helping to manage the reputational risk of the Pension Fund, and of the administering authority, which is under the regulatory responsibility of the Ministry of Housing, Communities and Local Government (MHCLG), the Pensions Regulator (TPR) and the LGPS Scheme Advisory Board (SAB).

## 1.3 Detailed Work of the Board

### i) Overview

Since its inception the Local Pension Board has become increasingly visible, as have the expectations placed on it by both the Pensions Regulator (TPR) and the Scheme Advisory Board (SAB).

During 2024/25, the work of the Board included:

- **Administration Strategy Development** - following its recommendation in 2023/24, and to ensure the Fund adheres to best practice standards, the Board played a key role in establishing the first iteration of the Fund's Administration Strategy, which was published in December 2024 following Pension Committee approval.
- **Business Plan Development** - the second substantial recommendation from the group last year; the Board oversaw and contributed to the establishment of the Fund's 2025-2028 Business Plan, which had specific focus for 2025/26 and was approved by the Pension Committee in March 2025.
- **Broader Policy Development** - overseeing the development of existing policy documents. This included a revised Breaches Policy which was published in January 2025.
- **Risk Management (including Risk Register)** - providing suggestions for improvements to the Fund's existing risk management approach. This included support for implementing a 'risk in theme' review.
- **Cyber Security** - receiving regular updates on the cyber security arrangements in place to safeguard the Fund's core activities and operations, including cyber security policies, measures and incidents and training. This included a dedicated training session provided by the Chief Information Security Officer in September 2024.
- **TPR's General Code of Practice** - overseeing the Fund's assessment of compliance against the requirements of the new General Code, which was issued in March 2024.
- **McCloud Remedy** - regular updates on the implementation of the McCloud remedy. These included legislative and statutory guidance updates and project and resources updates.
- **Pension Dashboard** - receiving regular updates on the Pension Dashboard including updates on the dashboard readiness solution and the implementation of the Integrated Service Provider (ISP).
- **Breach Reporting** – a quarterly update of breaches related to the Fund's activities in accordance with policy.
- **Training** - regular training participation which included in-house, external training and webinars, conferences and panel discussions in accordance with the Fund's training policy.
- **WPP Oversight** - quarterly oversight of developments in respect of pooling arrangements in Wales, including review of the Joint Governance Committee papers and updates from Waystone as the WPP's operator.
- **Government Consultations** - oversight of the Fund's response to the 'Fit for the Future' consultation issued by MHCLG, which was officially submitted in January 2025.

### Fit for the Future

In January 2025, the Board had oversight of the Fund's response to the MHCLG 'Fit for the Future' consultation. The consultation was issued as part of a broader Pensions Review launched in July 2024 with the aim of improving pension outcomes and increasing investment in the UK. The government set out 18 proposals for LGPS pooling, investment, and governance, with the goal of putting the LGPS on a clearer, firmer trajectory to scale and consolidation.

In addition to providing a response at Fund level, the WPP were required to provide a 'business case' submission to government, demonstrating how the pool and its eight underlying Welsh partner funds intended to address and act upon the proposals within the consultation. The WPP business case was submitted to government in February 2025.

During 2025/26, the Board will play a pivotal role in overseeing the action taken by the Fund, in collaboration with the WPP, to adhere to future requirements set out by government once the initial consultation and business case submissions have been processed and addressed.

### ii) Scheme Documents

The Local Pension Board is satisfied with the suite of policy documents the Fund currently has in place and is content with the arrangements for further review, which are outlined in the 2025/26 annual Business Plan. However, the Board recommends that work is undertaken during 2025/26 to refresh a host of Fund policy documents including the Responsible Investment (RI), Climate Change, Risk Management, Communications and Training policies, in accordance with the Fund's 2025/26 Business Plan.

### iii) Risk Management and the Risk Register

Following a recommendation by the Local Pension Board in 2016, it was recognised that:

- 1) Management should maintain a clear risk management approach on behalf of the Fund.
- 2) This risk management approach should specifically relate to the Fund and not form part of the Council's policies and procedures.
- 3) The risk register should be a standard quarterly item on all future agendas with all active risks being considered at least annually.

The Local Pension Board supported management's view that a new two-tiered risk register approach to monitoring Fund wide risks should be implemented. The proposal recommended that a two-tiered approach should consist of risks being sorted into 'strategic' or 'operational' risk categories, depending on the severity of the potential consequences, and should provide greater transparency in the risk monitoring process. Despite these presentational changes there were no proposed changes to the way in which risk is managed.

In conjunction with the new two-tiered approach, the Board also supported the establishment of a new Risk Management policy, which was published in July 2023. The Risk Management policy provides greater detail about the Fund's approach to managing and mitigating risk.

During 2024/25, the Board provided support for a new 'risk in theme' approach suggested by management, which involves a 'look-through' approach that promotes more granular oversight of selected risks according to topical, emerging developments. This proposal had dual benefits; to ensure better oversight of the Fund's risk management process and to assist members in their knowledge of specific risk areas.

### iv) Recording and Reporting Breaches

The Local Pension Board and its members have a responsibility to report breaches of law to TPR. During the year the Board examined the recording and reporting procedures and challenged management but identified no breaches which required reporting to TPR.

In late 2024, the Board oversaw development of the Fund's revised Breaches policy, which was published in January 2025. The Breaches policy was primarily revised to reflect the additional reporting requirements within the TPR's General Code of Practice, which came into effect on 28<sup>th</sup> March 2024.

### v) TPR – General Code of practice

In March 2024, the TPR issued an updated General Code of Practice. The General Code sets out in detail what the Pensions Regulator expects of a scheme that is required to maintain an effective system of governance. The Pensions Regulator expects scheme governing bodies to be able to demonstrate that they have appropriate procedures and policies in place.



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In 2024/25, the Board had oversight of the action taken by the Fund in response to issuance of the new requirements set out within the revised General Code. This involved purchasing Hymans Robertson's General Code of Compliance Checker in April 2024. The Compliance Checker is a comprehensive self-assessment tool, covering all LGPS relevant areas of the Code. The tool enables the Fund to gauge current compliance levels and monitor ongoing progress.

A preliminary report highlighting the Fund's initial compliance with the substantial list of requirements was provided to the Board in October 2024. This report, the template of which was provided by the Compliance Checker mentioned above, determined that the Fund had already 'fully met' over half of the 136 requirements laid out within the Code. Part of the Board's remit throughout 2025/26 will be to oversee the Fund's progress towards meeting those requirements within the General Code that have only been 'partially met' or where a review of compliance status is 'not completed'.

## vi) Wales Pension Partnership

Operation of the WPP and the development of the governance and reporting arrangements, continues to be a key area of interest for the Local Pension Board, which reviews the minutes of the WPP's Joint Governance Committee (JGC) on a quarterly basis.

Developments at the WPP which were kept under review during 2024/25 by the Board included:

- Oversight of the WPP's annual policy review process
- Oversight of the WPP's annual Business Plan objectives
- Quarterly oversight of Waystone Management (UK) Ltd as operator, including regular corporate updates
- Oversight of the operator procurement process, including oversight of the evaluation criteria adopted as part of this exercise
- Key updates as they relate to the UK Government's pensions review

## vii) Pension Committee Agenda and Attendance

At each meeting, the Local Pension Board considers the minutes of the previous Pension Committee meeting to identify items for inclusion on their own work plan. During 2024/25, reciprocal arrangements remained in place between the Local Pension Board and the Pension Committee, enabling members to attend and observe their counterparts' meetings. This enabled the Local Pension Board to have access to all papers (including exempt from disclosure items), ensuring that members continued to maintain knowledge and understanding of activities of the Fund.

## 1.4 Pension Fund Budget

- The Local Pension Board must ensure that it has sufficient resources made available by the Fund to carry out its duties effectively. During 2024/25, a budget of £35,000 was made available to cover the costs of an Independent Chair, ensure accessibility to training events and seminars, and give effect to the newly implemented Local Pension Board remuneration policy which covers compensating qualifying members for their time devoted to the Board.
- As at 31 March 2025, the Local Pension Board contained its expenditure within the approved budget having spent £23,809 during the year. The Board is mindful of delivering value for money and has identified means of working in a cost-effective manner. By doing so, it is seeking ways of saving administration costs, plus the valuable time of officers, without compromising its functionality.
- The table below illustrates the hourly cost of Local Pension Board member time attending formal meetings, informal briefings, conferences, seminars and training events considered necessary to carry out their role. The hourly rate is calculated on a best endeavour basis using cumulative hours spent by all members serving the Board during the year, divided by the total annual cost.



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Local Pension Board Expenditure 2024/25	Cumulative Hours Serving the Board 2024/25 <sup>1</sup>	Hourly Rate (per member) <sup>2</sup>
£23,809	268 Hours	£88.84

## 1.5 Training

- A key expectation of the Local Pension Board is to participate in training and to maintain a sufficient level of knowledge of the LGPS to undertake their role effectively. TPR's revised General Code of Practice, recommendations of the Good Governance review and Hymans Robertson's LGPS Online Learning Academy (LOLA) actively encourages Local Pension Board members to undertake frequent and appropriate training, including induction training, on taking up their role.
- During 2024/25, Board members actively participated in a range of training in accordance with the Fund's training programme and records of all attendance have been shared with management for publication in the annual report.

## 1.6 Thanks

I wish to thank my colleagues who have given up their time and energy to serve on the Board during the year; in particular, I would like to acknowledge the service of Clive Rogers who retires later this year having sat on the Board since its formation and I wish him well in his retirement. I would also like to express my thanks to Fund management who have supported the Local Pension Board.

## 2. Member meeting attendance 2024/25

	Pension Committee meetings attended	Pension Board meetings attended
<b>Number of meetings during the year 2024/25</b>	<b>5</b>	<b>4</b>
<b>Pension Committee</b>		
Councillor Nathan Yeowell (Chair)	5	
Councillor Alfie Best	4	
Councillor Karl Gauden (left March 2025)	3	
Councillor Jon Horlor	5	
Councillor Stuart Keyte (joined March 2025)	1	
Councillor Chris Tew	-	
Councillor David Williams	5	
<b>Local Pension Board</b>		
Ian Coleman (Chair)		4
<b>Employee Representatives</b>		
Bob Campbell		4
Ian Reese		3
Anthea Wellington		4
John Wright		2
Dianne Morley (joined April 2024)		2
<b>Employer Representatives</b>		
Steve Harford		3
Rhian Hayden		1
Clive Rogers		2
Meirion Rushworth		3
Jane Waters		3

<sup>1</sup> The cumulative hours spent serving the Local Pension Board throughout 2024/25. This includes preparation time and attendance at standard quarterly meetings, various training and LGPS conferences and has been calculated using best estimates

<sup>2</sup> Calculated by dividing the total Local Pension Board expenditure by the cumulative hours serving the Board during 2024/25

## 3. Risk management

- 3.1 Effective risk management is an essential part of any governance framework as it identifies risks, and the actions required to mitigate their potential impact. For the Pension Fund, those risks will come from a range of sources including the long-term investment strategy, the funding position, investment performance, benefits administration, membership changes, communications, financial systems and, increasingly, cyber security. Broadly, these can be categorised as either Finance, Investment, Administration or Governance risks. The availability of good information is essential in order to ensure the complete and effective identification of significant risks and the ability to monitor them accordingly.
- 3.2 The Fund's approach to risk is informed by the Pension Committee, the Local Pension Board, its advisors, and officers. The Fund's statutory documentation and accounts contain the required sections detailing the Fund's approach to risk management. In particular: -
- The Governance Policy and Compliance Statement reviews the risk areas and mitigation approach within the Fund's management and governance structure.
  - The Investment Strategy Statement covers investment risk measurement and management.
  - The Funding Strategy Statement includes a section (prepared in conjunction with the Fund's actuary) on the identification of risks and countermeasures in relation to the Fund's funding position and investment strategy.
  - The Pension Fund accounts contain a detailed section on the nature and extent of risks arising from Financial Instruments, including detailed sensitivity analysis of the potential monetary impact to the Fund of the varying financial risks.
  - The Pension Fund has established a Risk Management Policy that documents the Fund's approach to managing and mitigating risk. The policy also outlines our philosophy which is centred upon recognising that it is not possible, or even desirable, to eliminate all risks and that accepting and actively managing risk is therefore a key part of the overall risk management approach.
  - The Pension Fund is subject to the Council's internal audit function which is in place to review and test Fund control measures and to report back to management. To help inform and assist their work, the internal audit function refers to the Fund's Risk Register to assess the risks identified and control measures in place.

### **Risk Management Policy**

The Fund maintains a Risk Management policy setting out the approach to monitor, manage and mitigate risk effectively.

The policy details the risk management strategy for the Fund, including:

- Risk philosophy
- How risk management is implemented
- Risk management responsibilities
- The procedures that are adopted in the risk management process

The Council, as administering authority of the Fund, recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, we can:

- Demonstrate best practice in governance
- Ensure high quality administration
- Improve financial management
- Minimise the risk and effect of adverse conditions
- Identify and maximise opportunities that might arise
- Minimise threats

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Further information regarding the Fund's Risk Management policy can be found on our website:

[Risk Management Policy](#)

In line with best practice, the Pension Fund also maintains a Risk Register which is monitored and reviewed on a regular basis by both the Pension Committee and Local Pension Board. Risks are assessed in terms of their potential impact and likelihood of occurring. Each risk is initially scored assuming that no mitigating controls exist and is then scored again based on the mitigation in place. Within the Risk Register, risks are sorted into 'strategic' or 'operational' categories, recognising the severity of risks and the potential consequences of each. The full Risk Register is available via Committee agenda papers.

3.3 A summary of the Fund's most significant risks during the 2024/25 financial year, which can be found in the strategic risks section within the Risk Register, are shown in the table below.

Risk Area / Type	Risk Detail	Risk Mitigation Measures
<b>Finance &amp; Investment Risk</b>		
Inappropriate long-term investment strategy	The risk that the Fund fails to meet funding objectives in the long-term to fund pension liabilities	<ul style="list-style-type: none"> <li>• A comprehensive investment strategy review is undertaken at least every three years following the conclusion of the triennial valuation exercise. This ensures that an assessment of the Fund's strategic asset allocation remains fit for purpose and can meet the actuarial discount rate which underpins the funding strategy.</li> <li>• Quarterly monitoring of investment performance (as a minimum) across all mandates.</li> <li>• Enhanced and collaborative oversight of investment performance related to WPP sub-funds.</li> <li>• Regular monitoring of external market conditions including the presentation of a macro-outlook report prepared by the Fund's Independent Advisor.</li> </ul>
Pension Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term	The risk that the Fund's funding level could deteriorate in the short-term, increasing the pressure on employer contribution rates to fund pension liabilities	<ul style="list-style-type: none"> <li>• Only anticipate long-term returns on a relatively prudent basis to reduce the risk of under-performance.</li> <li>• Assets are invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers etc.</li> <li>• Progress is analysed at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at a whole Fund level.</li> </ul>

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Risk Area / Type	Risk Detail	Risk Mitigation Measures
Investment pooling with the Wales Pension Partnership (WPP) fails to deliver long-term investment returns	The WPP fails to deliver long-term investment returns above and beyond what the Fund could have been expected to return had pooling not occurred	<ul style="list-style-type: none"> <li>• Governance arrangements have been established by the WPP and agreed with Constituent Authorities to ensure that:               <ol style="list-style-type: none"> <li>i) At a minimum, a quarterly review of investment performance will be undertaken by the Officer Working Group (OWG) supported by Hymans Robertson as Oversight Advisor</li> <li>ii) Investment managers are invited to attend OWG and JGC meetings to provide performance update and to respond to questions as required</li> <li>iii) A review of contractual arrangements is undertaken on a regular basis to ensure WPP operational activity remains fit for purpose and aligned to objectives</li> <li>iv) Local investment advisors oversee Fund performance and raise questions as required</li> </ol> </li> </ul>
Inadequate consideration of Environmental, Social and Governance (ESG) risks within the Fund's investments	Failure to incorporate ESG into investment processes as well as broader RI considerations could result in public pressure, political criticism as well as the risk of substantial financial losses as a result of holding stranded assets in the various portfolios	<ul style="list-style-type: none"> <li>• The Fund is focused on addressing its published policy objectives, analysing existing Fund investment exposure to a range of ESG metrics, considering new sustainable investment opportunities and improving reporting output to meet certain Code requirements (i.e. UK Stewardship Code, TCFD). Mechanisms in place to help achieve this are:               <ol style="list-style-type: none"> <li>i) The Fund's Responsible Investment Working Group (RIWG) meets frequently to discuss a range of issues as they relate to the RI objectives of the Fund</li> <li>ii) Fund officer representation on the WPP RI sub-group which meets regularly</li> <li>iii) Ongoing monitoring and maintenance of Fund policies concerning RI, Climate Risk, and Impact Investment to be undertaken by officers and advisors, with formal review in accordance with the Fund's policy timetable</li> <li>iv) Undertake, through the support of Hymans Robertson, carbon and ESG analysis of existing investments to aid future decision making</li> <li>v) Consult existing and prospective investment managers on new sustainable investment opportunities both via the Fund's listed and unlisted (real assets) asset allocations</li> </ol> </li> </ul>

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Risk Area / Type	Risk Detail	Risk Mitigation Measures
Insufficient Fund cash flow to meet liabilities as they fall due	Negative cash flow would require the use of investment income to the cost of providing pension benefits rather than being reinvested. There is also the risk of forced selling of assets to meet short-term cash flow needs, potentially in adverse market conditions	<ul style="list-style-type: none"> <li>The Council and Pension Fund have a contract with MUFG Pension &amp; Market Services who provide treasury advice on current and prospective investment opportunities. MUFG provide real time updates on counterparties and advise of any changes to their creditworthiness in a timely manner.</li> <li>The Pension Fund has a long-term allocation to cash investments of up to 1%. The recently revised strategic asset allocation includes provision for the Fund to maintain a cash allocation of up to 5% should circumstances arise, where the key criteria would be to ensure the return on cash would exceed the discount rate set by the scheme actuary.</li> <li>The Fund's allocation to cash is closely monitored monthly to ensure that all obligations can be met as they fall due.</li> <li>Fund officers frequently liaise with private market managers to obtain quarterly capital call forecasts to ensure that sufficient cash is available to meet any investment-related cash flow requirements that are supplementary to monthly pension liabilities.</li> </ul>
Failure to adhere to the requirement of the LGPS regulations and comply with the Myners' Investment Principles	Risk of inefficient management of the Fund by the administering authority	<ul style="list-style-type: none"> <li>Compliance is regularly considered and subject to annual review in the Investment Strategy Statement (ISS) and Governance and Compliance Statement.</li> </ul>
Macro-economic and geo-political influences impacting the market value of the Pension Fund's investments	Security of the Fund's assets could be weakened and have a negative impact on the value of its investments	<ul style="list-style-type: none"> <li>The Fund is appropriately diversified in terms of both asset class and geography to ensure that no specific political event could have the potential to adversely affect the entire value of the portfolio.</li> <li>The Fund has a preference for active management of its investments and delegates the day-to-day responsibility to external investment professionals. The role of active management is to consider various factors which could influence the performance of such investments of which macro-economic or geo-political events could be within scope.</li> <li>Fund officers have supported the WPP in enhancing its stewardship focus which includes voting, engagement and analysing ESG risks as they relate to macro-economic or geo-political influence. The output of this stewardship is improved measurement and reporting to support decision making.</li> </ul>

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Risk Area / Type	Risk Detail	Risk Mitigation Measures
<b>Administration Risk</b>		
A serious cyberattack, leading to disruption to the discharge of administering authority functions	Compromised data as a result of a cyberattack could lead to its potential misuse, resulting in a number of consequences including a reputational risk to the Fund	<ul style="list-style-type: none"> <li>Business continuity measures are in place and frequently reviewed by the Fund's ICT team.</li> <li>The Council operates a firewall which protects the Council's IT facilities from external threats and provides a control mechanism for access to internal Council data.</li> <li>A full disaster recovery plan and a Business Continuity plan for the Fund's administration software is in place and tested/updated annually.</li> <li>Annual testing/assessment of systems, hardware and software providers resilience to cyber threats and controls in place.</li> <li>Provision of training for officers and members on at least an annual basis, utilising both internal and external training providers to ensure a comprehensive overview.</li> </ul>
Failure to pay pensions and lump sums on time	<p>Financial difficulty for members who are financially dependent on the Fund to pay benefits</p> <p>Reputational risk to the Pension Fund</p> <p>Risk of additional costs to employers where interest is payable as a result of late payment</p>	<ul style="list-style-type: none"> <li>A robust and thorough workflow procedure is in place and carried out within Altair pensions administration system.</li> <li>Independent checking at senior officer level to mitigate the risk of error.</li> <li>The Fund participates in a National Fraud Initiative.</li> <li>The Fund uses Western Union to carry out annual checks on overseas pensioners.</li> <li>External/Internal Audit of the process at least annually.</li> </ul>
Failure to comply with the General Data Protection Regulations (GDPR) resulting in breaches which must be reported to the Pension Regulator and the Information Commissioners Office resulting in complaints from scheme members and/or significant financial fines	<p>Reputational risk to the Fund and complaints from members</p> <p>Breach of the regulations resulting in possible fines</p>	<ul style="list-style-type: none"> <li>The Fund has prepared its own GDPR documentation, separate to that of the County Council, and this can be accessed on the pension fund website: <a href="#">Privacy Notice   Greater Gwent (Torfaen) Pension Fund</a></li> <li>In addition, the Fund uses the Council's designated Data Protection Officer, as required by the legislation, to remain compliant with the regulations and to ensure an appropriately qualified person can assist with reporting and disclosure.</li> </ul>



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Risk Area / Type	Risk Detail	Risk Mitigation Measures
Failure to issue Annual Benefit Statements (ABS) to active and deferred members by 31 July	<p>Reputational risk to the Fund and complaints from members</p> <p>Breach of the regulations resulting in possible fines</p>	<ul style="list-style-type: none"> <li>• Robust procedures are in place to ensure deadline can be met on an annual basis.</li> <li>• Frequent cleansing of membership data to ensure accuracy in the production and distribution of Annual Benefit Statements (ABS) per the regulations and timescales.</li> </ul>
Failure to administer the Local Government Pension Scheme in accordance with the Regulations and the Pension Regulator's New Code of Practice	Financial and reputational risk to the Fund and miss information, or lack of communications resulting in members making wrong or untimely decisions.	<ul style="list-style-type: none"> <li>• The Fund has several control measures in place to mitigate this risk, summarised by the following:                             <ul style="list-style-type: none"> <li>i) Processes and procedures in place to calculate and check benefits</li> <li>ii) Security profiles to ensure segregation of duties</li> <li>iii) Good working relationship with all Fund employers, pension information submitted to the Fund on a monthly basis and reconciled by the Investment and Finance Team</li> <li>iv) External Audit of Pension Administration carried out every 3 years</li> <li>v) Communication Strategy in place which sets out the Fund's communication methods</li> <li>vi) Bilingual Website and My Pensions Online</li> </ul> </li> </ul>
<b>Fund Governance Risk</b>		
Lack of relevant expertise, knowledge, skills and resources at officer and member level in relation to administering the LGPS	<p>Insufficient knowledge, experience, skills, or resource to ensure statutory responsibilities are met</p> <p>Failure to provide an acceptable level of service to stakeholders</p>	<ul style="list-style-type: none"> <li>• The Fund subscribes to the CIPFA Knowledge and Skills Framework for the LGPS and makes this information available to all members of the Pension Committee and relevant officers.</li> <li>• Appropriately qualified external advisers and consultants are used as required. A review of resource requirements is periodically undertaken to ensure that:                             <ul style="list-style-type: none"> <li>i) skills and knowledge are appropriately distributed across the full range of service delivery</li> <li>ii) succession planning and resource resilience is actively considered and maintained</li> <li>iii) internal development and progression opportunities are available to maximise staff retention and ensure staff satisfaction is preserved</li> <li>iv) resource levels continue to meet the short, medium, and long-term needs of the service</li> </ul> </li> </ul>

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Risk Area / Type	Risk Detail	Risk Mitigation Measures
Loss of funds through fraud or misappropriation	Financial loss to the Fund	<ul style="list-style-type: none"> <li>Procedures and processes are in place and applied in relation to checking for "ghost" scheme members, multiple levels of authorisation for claims and Fund payments plus secondary checking of lump sum payments.</li> <li>Procedures are documented and staff are trained and managed in carrying these out; the Fund's internal auditors carry out regular reviews.</li> </ul>
Failure to comply with LGPS and other statutory regulations in terms of policy and reform	<p>Incorrect benefit payments being made</p> <p>Failure to comply with governance standards or HMRC tax requirements</p> <p>Poor customer feedback leading to a loss in confidence of the service provided</p> <p>Increased risk of IDPR and Ombudsman appeals and TPR fines, all of which would have a reputational impact on the Fund</p>	<ul style="list-style-type: none"> <li>External training received by the LGA and other providers.</li> <li>In-house training provided for all staff.</li> <li>Fund officers remain abreast of emerging sector developments through attendance at conferences, networking, circulars, and bulletins.</li> </ul>
Insufficient resource to input effectively into the development of the Wales Pension Partnership (WPP)	<p>The management of the Pension Fund is adversely affected due to key officers concentrating on the pooling proposal, resulting in under-performance and failure to meet statutory obligations</p> <p>The pooling arrangement is not fit for purpose, resulting in increased risk exposure and criticism of Central Government in their pursuit for well established, functional asset pools</p>	<ul style="list-style-type: none"> <li>The Wales Pension Partnership (WPP) is now well established with external advisors appointed to oversee and manage the infrastructure and intellectual capital required to ensure this partnership is a success.</li> <li>A robust governance framework has been established and is fully operational.</li> <li>Representation of the Pension Fund at WPP level is shared amongst the Head of Pensions, the Strategic Director Resources and the Chair of Pension Committee as a JGC member.</li> <li>The establishment of focused sub-groups assists in the granular consideration of important issues which feeds back into the broader Officer Working group (OWG) work plan.</li> </ul>



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Risk Area / Type	Risk Detail	Risk Mitigation Measures
<p>The use of "Third Party" external services within Fund operations</p> <p>Also referred to as "Other Provider Risk" within Funding Strategy Statements</p>	<p>Fund assets at risk through:</p> <ul style="list-style-type: none"> <li>a) Poor external investment management experience</li> <li>b) Security of Assets</li> <li>c) Inappropriate advice</li> </ul>	<ul style="list-style-type: none"> <li>• This risk relates to areas such as transitions, custody, and stock lending. The Fund measures and manages these Other Provider risks through:               <ul style="list-style-type: none"> <li>i) A process of regular scrutiny and engagement</li> <li>ii) Audit of the operations the provider conducts for the Fund, or the delegation of such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds)</li> <li>iii) Retaining the power to replace certain providers should serious concerns exist</li> </ul> </li> </ul>

### 3.4 Control assurance reports

The Fund has outsourced the following functions of the Fund:

- a) Investment management
- b) Custodianship of assets

As these functions are outsourced, the Pension Fund is exposed to third party risk, and this is also acknowledged within the Risk Register. A range of investment managers are used to diversify manager risk. On at least an annual basis, the Fund obtains independent internal controls assurance reports from the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal controls highlighted by the assurance reports are reviewed. The Council's internal audit service undertakes planned programmes of audits of all Pension Fund operations on a phased basis, and the review of internal controls assurance reports is within the scope of these audits.

## FINANCIAL PERFORMANCE

### 1. Fund Account

- 1.1 The Fund account (page 74) indicates an increase in the net assets of the scheme available to fund benefits during the year of £199.990million for 2024/25, this follows a £485.713million increase in the Fund assets in 2023/24. The summarised figures are shown in the table below.

<b>Fund account 31 March 2025</b>	<b>£000</b>
Employees/employers contributions	(179,461)
Benefit payments	175,015
Net transfer values and refunds	6,808
Net return on investments	(239,175)
Other income/expenses	36,823
<b>Net (increase)/decrease in the Fund</b>	<b>(199,990)</b>

- 1.2 Contributions to the Fund from members and employers increased by £10.905million, from £168.556million in 2023/24 to £179.461million in 2024/25. Payments to beneficiaries in respect of pension benefits increased by £16.078million, from £158.937million in 2023/24 to £175.015million in 2024/25.
- 1.3 Transfer values received into the Fund increased by £0.182million, from £11.751million in 2023/24 to £11.933million in 2024/25. Transfer values paid out by the Fund increased by £9.898million, from £8.427million in 2023/24 to £18.325million in 2024/25.
- 1.4 The total assets of the Fund include the £10.160million net current assets as shown in the Fund account. These are the net creditor and debtor amounts owing at year end as detailed in notes 20 and 21 on page 108 of the accounts.

<b>Asset values as at 31 March 2025</b>	<b>Pooled £000</b>	<b>Under pool management<sup>3</sup> £000</b>	<b>Not pooled £000</b>	<b>Total £000</b>
Equities	1,536,133	1,048,723	570,772	3,155,628
Bonds	528,328			528,328
Property			71,688	71,688
Multi-asset funds			115,809	115,809
Private credit	69,558		113,003	182,561
Infrastructure	187,542		168,545	356,087
Cash and net current assets			38,480	38,480
<b>Total net assets</b>	<b>2,321,561</b>	<b>1,048,723</b>	<b>1,078,297</b>	<b>4,448,581</b>

The allocation to investment in the UK within the total assets of the Fund has been evaluated by looking at the country of issue of the underlying holdings in the pooled investment vehicles.

<b>Asset values as at 31 March 2025</b>	<b>Pooled £000</b>	<b>Under pool management £000</b>	<b>Not pooled £000</b>	<b>Total £000</b>
UK Listed Equities	607,895	33,462	1,530	642,887
UK Government Bonds	11,772			11,772
UK Corporate Bonds	17,084			17,084
UK Property			71,688	71,688
UK Private credit	14,607		2,007	16,614
UK Infrastructure	56,339		168,545	224,884
<b>Total UK assets</b>	<b>707,697</b>	<b>33,462</b>	<b>243,770</b>	<b>984,929</b>

<sup>3</sup> Pre-pooling investment initiative whereby the 8 Welsh LGPS funds issued a joint procurement exercise and appointed Blackrock as the manager to manage the passive equity mandates

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## 1.5 Timeliness of receipt of contributions

The table below sets out the percentage of contributions received from employers on or before the due date during 2024/25. The Pensions Regulator requires that contributions deducted from pay must be paid to the Fund no later than the 22nd day (19th if paying by cheque) of the next month.

	2024/2025
Percentage of contributions received on or before the due date	99.85%

The option to levy interest on overdue contributions has not been exercised.

## 1.6 Forecasts

The following tables show the forecasts and outturn for the fund account and net asset statement for the 3 years to 31 March 2026. Contributions and payments are based on current expectations, the administration and investment management expenses are based on current budgets, and the net investment income and change in market value are based on the long-term forecast returns for each asset class. A report is taken to Pension Committee in March to analyse the income and expenditure forecasts and to approve the following year's budget: [Budget Report to Pension Committee March 2025](#)

Fund account	2023/2024 Forecast £000	2023/2024 Actual £000	2024/2025 Forecast £000	2024/2025 Actual £000	2025/2026 Forecast £000
<b>Income</b>					
Contributions receivable	(162,215)	(168,556)	(176,388)	(179,461)	(183,400)
Transfers in	(8,818)	(11,751)	(10,935)	(11,933)	(12,621)
Investment income	(47,191)	(60,933)	(66,982)	(70,582)	(70,352)
<b>Total income to the Fund</b>	<b>(218,224)</b>	<b>(241,240)</b>	<b>(254,305)</b>	<b>(261,976)</b>	<b>(266,373)</b>
<b>Spending</b>					
Benefits payable	142,875	158,937	167,145	175,015	183,484
Transfers out/refunds/other	6,367	11,647	6,878	38,552	19,990
Management expenses	13,162	17,913	14,936	17,012	18,594
<b>Total spending for the Fund</b>	<b>162,404</b>	<b>188,497</b>	<b>188,959</b>	<b>230,579</b>	<b>222,068</b>
<b>Profit and losses on disposal of investments and changes in the market value of investments</b>	<b>(265,866)</b>	<b>(432,970)</b>	<b>(314,394)</b>	<b>(168,593)</b>	<b>(359,821)</b>
<b>Net (increase)/decrease in the Fund</b>	<b>(321,686)</b>	<b>(485,713)</b>	<b>(379,740)</b>	<b>(199,990)</b>	<b>(404,126)</b>

Investment assets	2023/2024 Forecast £000	2023/2024 Actual £000	2024/2025 Forecast £000	2024/2025 Actual £000	2025/2026 Forecast £000
Equities	3,003,304	3,143,105	3,393,984	3,155,628	3,425,797
Government bonds	260,903	254,454	266,668	262,059	277,258
Corporate bonds	254,430	254,390	267,618	266,269	283,576
Property	76,819	70,239	74,945	71,688	76,921
Cash and alternatives	426,684	519,181	552,548	682,777	734,690
<b>Total</b>	<b>4,022,140</b>	<b>4,241,369</b>	<b>4,555,763</b>	<b>4,438,421</b>	<b>4,798,242</b>

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The 2025/2026 forecasts for total investment assets are based on the actual assets under management for 31 March 2025, multiplied by the forecast long term returns for each asset class as provided by the Fund's Actuary.

Expected return on assets	Long term performance Assumptions (20 years annualised)
UK Equities	8.4%
Overseas Equities (inc. EM)	8.6%
Government Bonds (Medium Term)	5.8%
Corporate Bonds (Medium Term)	6.5%
Property	7.3%
Multi Asset Funds	7.1%
Alternatives (Private Credit)	8.8%
Alternatives (Infrastructure)	7.4%
Cash	4.5%

## 1.7 Operational expenses

	2023/2024 Forecast £000	2023/2024 Actual £000	2024/2025 Forecast £000	2024/2025 Actual £000	2025/2026 Forecast £000
Administrative costs	1,749	1,506	1,896	1,759	1,919
Investment management expenses	10,016	15,094	11,497	13,723	14,694
Oversight and governance costs	1,397	1,313	1,543	1,530	1,981
<b>Total</b>	<b>13,162</b>	<b>17,913</b>	<b>14,936</b>	<b>17,012</b>	<b>18,594</b>

Administrative costs relate to the costs associated with administering the pension scheme on behalf of its members, pensioners, and scheme employers. In 2024/25 there were unexpected salary savings from vacant posts and reduced hours posts. In relation to 2025/26 it is assumed that the administrative costs will rise as vacant posts are filled and allowing for pay inflation and increments for staff. Also included in this increase are additional software costs primarily due to implementation of the Pensions Dashboard, which will become a legislative requirement for pension schemes in due course.

Investment management expenses generally increase as the Fund value grows because most external fund managers have fee structures based on the market value of the managed assets, rather than a fixed fee. However, as the Fund continues to finance its commitments in alternative assets these costs also include partnership expenses associated with setting up and operating the private market funds. As a result, management fees payable to private market managers are expected to continue to increase when further drawdowns are made as some investments have fees based on invested capital. This will be partially offset by a reduction in investment management fees paid to equity managers such as BlackRock, as the Fund continues to tactically divest overweight positions in line with its strategic asset allocation.

Included in oversight and governance is an indicative budget agreed by the Joint Governance Committee for the cost of our involvement in the Wales Pension Partnership, the LGPS asset pool for Wales. Oversight and governance costs have been gradually increasing in recent years as progress has been made in the establishment of the WPP, but investment fee savings are expected to outweigh these cost increases over time. Within the WPP budget for 2025/26 there are forecast costs associated with Project Snowdon, a significant workstream that has resulted from the UK Government's Fit for the Future Consultation. The total cost for oversight and governance also includes external services such as the Fund Actuary, benchmarking and performance measurement services, independent investment advisors, consultants, audit fees and legal services. Costs associated with the operation, training and support of the Pension Committee and the Local Pension Board, together with the costs of the Investment Team and Senior Management costs, are also included here.

## ASSET POOLING

### 1. Investment Pooling – Wales Pension Partnership (WPP)

- 1.1 The Pension Fund is a participating scheme in the Wales Pension Partnership (WPP). The existing governance structure and basis by which it operates was set out in the July 2016 submission to government and has since been extensively considered and developed. The final arrangements are set out in an Inter Authority Agreement initially approved by both the Pension Committee and administering authority's full Council in March 2017 and again in 2021 reflecting an addendum to the agreement. The objective is 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
- 1.2 The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. 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.
- 1.3 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.
- 1.4 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 Waystone Management (UK) Limited (Waystone), and they have partnered with Russell Investments to deliver investment management solutions with the aim to provide strong, net of fee performance for all the Constituent Authorities.

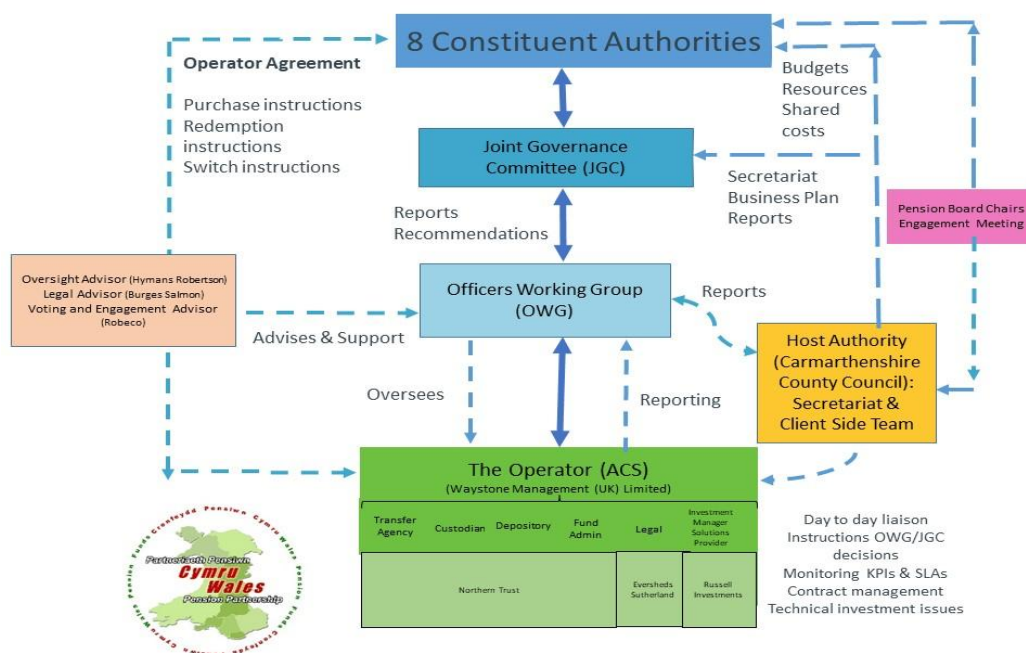
### 2. Governance Arrangements of the WPP

- 2.1 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.
- 2.2 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 workplan, as well as 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 and a co-opted (non-voting) scheme member representative. The OWG provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

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The eight Constituent Authorities of the WPP are:

- Carmarthenshire County Council (Host)
- Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Cyngor Gwynedd
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council



2.3 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 the Welsh LGPS funds.

2.4 Waystone (The Operator) carries out a broad range of services for the WPP, which includes facilitating investment vehicles & sub-funds, performance reporting, transition implementation and 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 Waystone carries out on behalf of the WPP. Waystone engages with the Constituent Authorities by:

- Direct engagement – attendance at annual pension committee meetings
- Indirect engagement – with CAs collectively, through the JGC and OWG

2.5 In collaboration with Waystone, 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.



- 2.6 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.
- 2.7 The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all 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 Business Plan, Governance Manual and all other policies detailed in the chart below can be found on the WPP website: [Wales Pension Fund | Home](#)



- 2.8 RI 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 RI. Initially the focus was on formulating a RI 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 RI Sub-Group has been established to take ownership of RI related workstreams and actions that are required to achieve the commitments made in the WPP's RI and Climate Risk Policies.
- 2.9 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. Induction training is also provided to all new JGC members.

## 3. Pooling Progress

3.1 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 a range of Equity and Fixed Income sub funds, as well as a number of Private Markets Investment programmes. Alongside the Constituent Authorities existing passive investments, this means that that the WPP now has 75.1% of assets under pool management.

3.2 As at 31 March 2025, WPP's Constituent Authorities had total assets worth £25.8bn, £19.4bn of which sits under pool management, see breakdown below:

Asset Class	Managed By	Launch Date	31 March 2025	2024/25
			<b>£000</b>	<b>%</b>
Global Growth Equity Fund	Russell Investments	February 2019	3,541,082	13.7
Global Opportunities Equity Fund	Russell Investments	February 2019	3,402,307	13.2
UK Opportunities Equity Fund	Russell Investments	September 2019	765,495	3.0
Emerging Markets Equity Fund	Russell Investments	October 2021	272,996	1.0
Sustainable Active Equity Fund	Russell Investments	June 2023	1,524,322	5.9
Global Credit Fund	Russell Investments	July 2020	1,026,469	4.0
Global Government Bond Fund	Russell Investments	July 2020	503,406	2.0
UK Credit Fund	Waystone Management (UK) Ltd	July 2020	726,549	2.8
Multi-Asset Credit Fund	Russell Investments	July 2020	848,802	3.3
Absolute Return Bond Fund	Russell Investments	September 2020	532,806	2.1
Infrastructure	GCM Grosvenor, IFM, CBRE and Octopus	March 2023	726,427	2.8
Private Credit	Russell Investments	April 2023	320,921	1.2
Private Equity	Schroders Capital	October 2023	124,883	0.5
Passive Investments	BlackRock	March 2016	5,065,251	19.6
<b>Total Assets under WPP Arrangements</b>			<b>19,381,716</b>	<b>75.1</b>
<b>Total Non-Pooled Investments</b>			<b>6,424,700</b>	<b>24.9</b>
<b>Total Investments across Constituent Authorities</b>			<b>25,806,416</b>	<b>100</b>

3.3 The WPP's actively managed investment sub-funds are held in an Authorised Contractual Scheme (ACS) structure operated by Waystone, with several underlying managers appointed by Russell Investments to manage each sub-fund.

3.4 There was a pre-pooling (i.e. pre WPP) investment initiative whereby the eight Constituent Authorities collectively appointed Blackrock following a joint procurement exercise to manage the passive equity mandates. This is recognised as a WPP pooled investment due to the fee savings gained in exchange for scale of capital. Over time, the Fund has worked with colleagues across the WPP, and Blackrock, to evolve the product offering and the ACS World Low Carbon Tracker Equity Fund is the current passive investment held by the Pension Fund.



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### 3.5 Investment assets split between Greater Gwent (Torfaen) Fund and WPP

The table below gives a further analysis of note 14b to the accounts on page 92 to breakdown the Fund's investments managed by Russell Investments under the structure operated by Waystone, together with the passive investments managed by BlackRock and the assets that remain under the direct oversight of the Fund.

Asset Class	Managed By	31 March 2025	31 March 2025	31 March 2025
		£000	£000	%
<b>Pooled Assets</b>				
Global Opportunities Equity Fund	Russell Investments	685,246		15.4
UK Opportunities Equity Fund	Russell Investments	607,320		13.7
Global Credit Fund	Russell Investments	266,269		6.0
Global Government Bond Fund	Russell Investments	262,059		5.9
Global Sustainable Equity Fund	Russell Investments	170,848		3.8
Emerging Markets Equity Fund	Russell Investments	72,719		1.6
Global Infrastructure (Vintage 1)	GCM Grosvenor	77,975		1.8
Open Ended Infrastructure	Octopus Renewables	30,674		0.7
Open Ended Infrastructure	CBRE	20,448		0.5
Open Ended Infrastructure	IFM Investors	54,052		1.2
Infrastructure	Capital Dynamics	4,393		0.1
Private Credit (Vintage 1)	Russell Investments	69,558		1.6
<b>Total Pooled Assets</b>			<b>2,321,561</b>	<b>52.3</b>
<b>Under Pool Management<sup>4</sup></b>				
Global Passive (Low Carbon)	BlackRock	1,048,723		23.6
<b>Total Under Pool Management</b>			<b>1,048,723</b>	<b>23.6</b>
<b>Total Assets under WPP Arrangements</b>			<b>3,370,284</b>	<b>75.9</b>
<b>Total Non-Pooled Investments</b>			<b>1,068,137</b>	<b>24.1</b>
<b>Total Investments across Greater Gwent (Torfaen) Fund</b>			<b>4,438,421</b>	<b>100</b>

3.6 In 2024/25, the WPP continued its pooling progress by launching the second instalment of its existing global infrastructure offering managed by GCM Grosvenor. This investment focuses on projects across the globe but also provided the WPP with the option to pursue a dedicated 'UK sleeve' that is centred solely around British infrastructure. The Fund committed £125m and £75m to the GCM Global and UK dedicated sleeve respectively, highlighting the Pension Committee's appetite for investing locally in accordance with the Fund's Impact Investment policy.

3.7 In addition, the WPP launched the second vintage of its existing global private credit offering managed by Russell Investments, to which the Fund committed a further £75m. This investment follows an initial £150m commitment made to the first vintage back in 2023, over half of which has since been called.

<sup>4</sup> Pre-pooling investment initiative whereby the 8 Welsh LGPS funds issued a joint procurement exercise and appointed Blackrock as the manager to manage the passive equity mandates

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3.8 For context, private market funds comprising of Private Credit, Private Equity and Infrastructure were launched under separate contractual arrangements and through differing management structures managed by Russell Investments, Schroders and GCM Grosvenor respectively. The Fund has committed a total of £675m to Private Credit and Infrastructure, separated into; Global Closed-ended Infrastructure, (£275m) Closed-ended UK Infrastructure (£75m) Global Open-ended Infrastructure (£100m), and Global Private Credit (£225m). The Fund does not have a strategic allocation to Private Equity hence no commitment has been made to this asset class. The £675m commitment to Private Credit and Infrastructure in aggregate is yet to be fully drawn down, with the investment period expected to span the next couple of years. As a result, the Fund expects its allocation to pooled assets to increase steadily year on year.

3.9 Following a competitive procurement process supported by key advisors, the Joint Governance Committee (JGC) of the WPP approved the appointment of two providers to act as allocators for the new Real Estate Solution, which is set to launch during the second half of 2025. Schroders and CBRE will be responsible for allocating WPP capital into three different lots, as demonstrated below:

Lot	Investment Manager
UK Core Real Estate (Lot 1)	Schroders
Global Real Estate (Lot 2)	CBRE
Impact/Local Real Estate (Lot 3)	Schroders

Importantly, the launch of the WPP real estate offering will provide the Fund with an opportunity to meet its long-term strategic allocation to the asset class whilst simultaneously meeting objectives laid out within its Impact Investment policy through allocation to lot 3 as referenced above.

3.10 Progress in terms of transitioning assets into the WPP is expected to continue into 2025/26 as the Fund, alongside each of the Constituent Authorities, begins to make new investment commitments to Real Estate following the appointments of allocators for this asset class, whilst continuing to fulfil outstanding private credit and infrastructure commitments. Further details of transition activity can be found later within the report.

## 4. Pooling Costs

4.1 Details of the costs incurred by the Greater Gwent (Torfaen) Pension Fund in respect of the WPP are detailed below.

2023/24 £000	WPP Oversight and Governance Costs	2024/25 £000
343	Operator Fees	415
204	Set Up and Oversight Costs	217
22	Host Authority Costs	23
<b>569</b>		<b>655</b>

4.2 The table reflects the costs incurred in financial year 2023/24 and 2024/25. As the WPP operates a Joint Governance Committee (JGC), with the investment infrastructure and management appointment processes operated by Waystone and Russell Investments, the majority of WPP costs incurred by the Fund are in respect of oversight and governance. A summary of the individual categories can be found below:

- a) **Operator Fees** - these are the fees charged by Waystone as the FCA authorised Operator to run a collective investment vehicle. Operator fees increased in 2024/25, largely because of a significant increase in the value of the Constituent Authorities' Assets under Management (AUM).

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- b) **Set up and Oversight Costs** - the Pension Fund bears the cost of its share of the professional fees incurred in the ongoing oversight of the WPP. As the WPP's objectives have evolved, so has the need for additional professional advice and support. The increases relating to set up and oversight costs reflects the WPP's ongoing commitment to achieving its objectives as set by the Constituent Authorities and government following the launch of the LGPS "Fit for the Future" consultation in November 2024.
- c) **Host Authority Costs** - Carmarthenshire County Council acts as the Host Authority for the WPP, providing administrative and secretarial support to the JGC and liaising day to day with the Operator on behalf of all the LGPS funds in Wales.

## 4.3 Investment Fee Savings from Pooling

The table below reflects the estimated investment fee savings achieved as a result of pooling investment assets in the Wales Pension Partnership.

Pooled assets managed by the Wales Pension Partnership	Value as at 31 March 2025 £000	Fee Saving 2024/25 £000	Fee Saving Cumulative (2018/19 – 2024/25) £000
Equities	1,536,133	1,804	6,103
Bonds	528,328	353	2,484
<b>Total</b>	<b>2,064,461</b>	<b>2,157</b>	<b>8,587</b>

## 5. Transition Costs

- 5.1 In addition to the WPP's Oversight and Governance costs shown above, the Pension Fund also incurs costs associated with the transition of its assets into the pool. To date, the Fund has undergone seven transitions in relation to the WPP, one in 2018/19 (Global Equities), one in 2019/20 (UK Equities), two transitions in 2020/21 (Fixed Income), a transition in 2021/22 (Emerging Market Equities) and two transitions in 2023/24 (Active Sustainable Equity and Private Markets respectively). No transitional activity has taken place in 2024/25. The costs of transitioning assets can be categorised in terms of direct and indirect costs, and these are detailed within the table below. 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 are both the explicit and implicit costs of transition, such as commissions, taxes, brokerage fees and spread and impact costs known as Implementation Shortfall. The cumulative cost of transitional activity reflects all costs of transitioning assets into the WPP since the launch of its first sub-fund in 2018/19.

	2024/25		Cumulative (2018/19 – 2024/25) £000
	Direct £000	Indirect £000	
Transition Fee			262
Tax			767
Other Transition Costs			8,194
<b>Total Transition Costs</b>	<b>-</b>	<b>-</b>	<b>9,223</b>

All transitions undertaken to date have involved several of the Constituent Authorities and costs have been shared as a proportion of total AUM. The direct and indirect costs included in the table above reflect the proportion attributable to the Pension Fund only, with cumulative costs including all seven transitions undertaken since inception.

## 6. Asset Allocation and Performance

6.1 The following table shows how each of the investment mandates have performed during the year, with opening and closing values as well as one-year performance where available. In addition, the table splits out investments under pooled arrangements with the WPP and those that remain under non-pooled investment arrangements with the Fund's legacy managers as at 31 March 2025.

Investment Assets	Opening Value		Closing Value		1 Year Performance <sup>5</sup>	
	£000	%	£000	%	Net	Benchmark
					%	%
<b>Pooled Assets</b>						
WPP Global Opportunities Equity Fund	646,496	15.2	685,246	15.4	5.99	4.87
WPP UK Opportunities Equity Fund	569,887	13.5	607,320	13.7	6.57	10.46
WPP Emerging Markets Equity Fund	69,097	1.6	72,719	1.6	5.24	5.79
WPP Global Credit Fund	254,390	6.0	266,269	6.0	4.67	4.84
WPP Global Government Bond Fund	254,454	6.0	262,059	5.9	2.99	3.38
WPP Sustainable Active Equity Fund	170,529	4.0	170,848	3.8	0.19	4.87
GCM WPP Global Infrastructure, L.P.	36,209	0.9	77,975	1.8	n/a	n/a
Octopus Renewables Infrastructure SCSp	17,523	0.4	30,674	0.7	n/a	n/a
CBRE Global Infrastructure Fund	-	-	20,448	0.5	n/a	n/a
IFM Global Infrastructure, (UK)	-	-	54,052	1.2	n/a	n/a
Capital Dynamics CEI (WPP), LP	2,950	0.1	4,393	0.1	n/a	n/a
Russell Investments WPP Global Private Credit LP	13,957	0.3	69,558	1.6	n/a	n/a
<b>Total Pooled Assets</b>	<b>2,035,492</b>	<b>48.0</b>	<b>2,321,561</b>	<b>52.3</b>		
<b>Under Pool Management</b>						
BlackRock ACS World Low Carbon Tracker Equity Fund (pre-WPP initiative)	1,123,224	26.5	1,048,723	23.6	4.48	4.63
<b>Total Assets under WPP Arrangements</b>	<b>3,158,716</b>	<b>74.5</b>	<b>3,370,284</b>	<b>75.9</b>		
<b>Non-Pooled Investments</b>						
BlackRock Ascent Life European Equity Fund <sup>6</sup>	250,610	5.9	224,506	5.1	4.09	3.71
Invesco Asian Fund	278,279	6.6	311,945	7.0	12.10	6.79
Fidelity Emerging Markets Fund	34,983	0.8	34,321	0.8	-1.89	5.79
Fidelity Multi Asset Income Fund	111,046	2.6	115,809	2.6	4.30	5.09
Invesco Credit Partners (Cayman) II, L.P.	67,042	1.6	66,914	1.5	n/a	n/a
Invesco Credit Partners (Cayman) III, L.P.	14,554	0.4	46,089	1.0	n/a	n/a
Gresham House BSI Infrastructure L.P.	25,698	0.6	23,482	0.5	n/a	n/a
Gresham House BSI Infrastructure II L.P.	48,312	1.1	57,919	1.3	n/a	n/a
Gresham House BSI Infrastructure III L.P.	-	-	22,524	0.5	n/a	n/a
Quinbrook Renewables Impact Fund L.P.	50,715	1.2	55,391	1.3	n/a	n/a
Quinbrook Renewables Impact Fund II L.P.	-	-	9,229	0.2	n/a	n/a
Cash and other investment balances	131,175	3.0	28,320	0.7	n/a	n/a
Pooled Property Funds	70,239	1.7	71,688	1.6	4.66	6.43
<b>Total Non-Pooled Investments</b>	<b>1,082,653</b>	<b>25.5</b>	<b>1,068,137</b>	<b>24.1</b>		

<sup>5</sup> Where no performance return is available this is due to the nature and timing of mandate

<sup>6</sup> This mandate is a long-term strategic divestment priority in accordance with the Fund's SAA. Gradual divestment is conducted in a timely manner and where opportunities arise to rebalance accordingly

## 7. Objectives 2024/25

- 7.1 The WPP continues to evolve its private market offerings with the Real Estate Investment programme due to be launched in 2025/26. Through the Private Market programmes, the WPP has been able to facilitate investments in local investment opportunities in Wales and is keen to develop this further.
- 7.2 In November 2024, the WPP was delighted to be awarded the ESG innovation award at the LGC Investment Awards ceremony. This award reflects the critical importance that the WPP and its constituent authorities continue to place on sustainability issues and recognises the success of its Sustainable Active Equity Fund, which has grown to become one of the largest sustainable investment funds of its type in the UK. This area remains a focus for the WPP, with work now ongoing to improve the sustainability characteristics of existing investments, considering how to evolve the Passive and Fixed Income sub-funds to become more sustainable.
- 7.3 During 2024/25, the WPP submitted its fourth annual Stewardship Report and was successful in retaining its signatory status to the UK Stewardship Code. The WPP also completed its first Pool-level annual climate report, as well as an updated analysis of deforestation exposure within its listed-equity Sub-Funds. In 2024/25, the WPP will be publishing its next All Wales Climate Report.
- 7.4 The WPP have made a number of re-appointments during 2024/25, including Waystone as the operator, Hymans Robertson as the Oversight Advisor and Robeco UK as the Voting and Engagement provider. Russell Investments continue as WPP's Investment Management Solutions Provider. All appointments followed comprehensive procurement exercises. WPP's existing Legal Services provider contract comes to an end on 31 December 2025, and work is underway with this contract re-tender process.
- 7.5 The Government launched its Local Government Pension Scheme Fit for The Future Consultation on 14th November 2024, outlining a range of proposals to strengthen the management of LGPS investments. As part of the consultation, the government asked each pool to consider and provide submissions to demonstrate a clear path to meeting the requirements outlined in the consultation document. The WPP business case proposal was approved by the WPP Joint Governance Committee on 12 March 2025 and submitted to government. This proposal sets out the business case for the WPP to retain a stand-alone investment pool for Wales and proceed with building the proposed new Government requirements for the pool operating model. We are delighted that the government has approved WPP's business case and work is now underway to deliver, within the required timescale.

## 8. WPP Risk Management

- 8.1 Risk management is a critical element of the WPP's commitment to good governance. In light of this, an extensive and robust risk strategy has been developed in consultation with the WPP's risk sub-group and its advisors and is considered quarterly by both the OWG and JGC. The approach seeks to identify and measure key risks and ensure that suitable controls procedures are in place to manage these risks. You can access the WPP's risk management documents on their website:

[Wales Pension Fund | Risk Policy and Risk Register \(walespensionpartnership.org\)](https://walespensionpartnership.org)

- 8.2 At Fund level, three specific risks have been identified and are monitored on a regular basis, and the following risk table provides further information regarding these risks and the controls in place to manage them. Further details of the risk process in place for the Fund can be located on page 16.

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Risk Ref	Risk Identified	Potential Consequence	Risk Score Range	Controls/Mitigation
FI18	Financial losses experienced during the process of transitioning Fund assets into the Wales Pension Partnership pool	Poorly executed transitions of pension assets could result in high trading costs or loss of Net Asset Value in the short-term	Medium	<ul style="list-style-type: none"> <li>A reconciliation of assets transferred to the pool is undertaken by the investments team following each transition.</li> <li>A detailed report from the appointed transition experts commissioned by the WPP will be produced following each transition to provide added assurance to constituent Funds and their elected members.</li> <li>The external auditor is informed of all transitional activity undertaken during the reporting period and undertakes their own reconciliation work which is reflected in their audit report to management.</li> </ul>
SR9	Investment pooling with the Wales Pension Partnership fails to deliver long-term investment returns	<p>The WPP fails to deliver long-term investment returns beyond what the Fund would have expected to generate had pooling not occurred</p> <p>This would result in a longer payback period on the initial investment envisaged, and the likelihood of needing to increase employer contribution rates as a result in order to ensure pension liabilities are fully funded in the future</p>	Medium	<ul style="list-style-type: none"> <li>Substantial governance arrangements are in place at both officer (Officer Working Group) and shareholder (Joint Governance Committee) level which ensures that:                             <ol style="list-style-type: none"> <li>i) Both the WPP and the constituent authorities take appropriate professional advice on any investment decisions put before Pension Committee.</li> <li>ii) Quarterly investment performance monitoring is undertaken as a minimum by both the WPP and local advisors to the Fund.</li> <li>iii) A review of contractual arrangements undertaken on a regular basis to ensure WPP operational activity remains fit for purpose and aligned to objectives.</li> <li>iv) Investment Managers are invited to attend OWG and JGC meetings to provide performance update and to respond to questions as required.</li> <li>v) The Fund's independent investment advisors oversee Fund performance and raise questions as required.</li> </ol> </li> </ul>



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Risk Ref	Risk Identified	Potential Consequence	Risk Score Range	Controls/Mitigation
SR10	Service providers within the Wales Pension Partnership, predominantly the Operator, fail to deliver on their contractual obligations or are unable to do so due to regulatory constraints or external challenges	<p>The WPP is unable to operate efficiently, required work is not completed and sub-funds are unable to be managed or launched</p> <p>This could result in material financial loss for the Fund depending on the significance and/or number of obligations that WPP service providers are unable to fulfil</p>	Medium	<ul style="list-style-type: none"> <li>• Controls relating to the WPP's Operator: <ul style="list-style-type: none"> <li>i) Designated Operator Oversight Advisor in place</li> <li>ii) Intensive engagement protocols with Operator</li> <li>iii) The FCA maintains a list of replacement ACS Operators which could step in if the WPP's Operator were to exit the market</li> </ul> </li> <li>• Measures for other WPP service providers: <ul style="list-style-type: none"> <li>i) Regular engagement with the pool's equity and fixed income asset manager Russell Investments via quarterly investment return meetings.</li> <li>ii) Frequent engagement with the WPP's Oversight Advisor, Hymans Robertson, to ensure that contract obligations are being fulfilled sufficiently.</li> </ul> </li> </ul>

8.3 Whilst the risk score range attributable to the above is categorised as medium, the Pension Committee is comfortable with the level of mitigation in place to manage the risks. The Pension Committee recognises that the process of transitioning assets will continue for a number of years and will likely need to be expedited in light of the Government's Fit for the Future consultation, so this risk will continue to be monitored as appropriate. Importantly, experience of undertaking transitional activity over several years has enabled the WPP to collectively strengthen its internal control framework and assist the Constituent Authorities with transitions accordingly.

8.4 The risk of the WPP failing to deliver long-term performance remains high as this underpins the justification for asset pooling and is likely to remain the case for the foreseeable future. However, as the WPP continues to establish itself, and as the governance arrangements mature, it is expected that this level of risk will be reduced over-time to a more acceptable level.

## 9. Securities Lending

9.1 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. A proxy recall service was implemented in December 2023.

WPP's total revenue generated from securities lending during 2024/25 was £839,712 (net) with £382,587,801 out on loan as at 31 March 2025. The Fund's share of this total during 2024/25 was £188,611 (net).

More detailed information can be found in WPP's Annual Return which is published on the WPP website - [Wales Pension Fund | Home \(walespensionpartnership.org\)](https://walespensionpartnership.org)

## INVESTMENT POLICY AND PERFORMANCE REPORT

### 1. Fund and Market Performance

#### General market overview and outlook 2024/25

- 1.1 The 2024/25 financial year was a rollercoaster of optimism and instability. Markets entered the period on a strong footing, lifted by AI excitement, falling inflation and solid corporate earnings, particularly in the U.S. However, the start of 2025 brought back reminders of global fragility: trade tensions, geopolitical uncertainty and renewed market volatility. Yet the resilience of companies, the adaptability of central banks and the strength of certain structural trends ensured that the financial year closed not in crisis – but in cautious recalibration.
- 1.2 For the 12 months to 31 March 2025, the MSCI All Countries World Index (MSCI ACWI) returned +4.87%. Continued strength from the 'Magnificent 7' fuelled index level gains and global markets became increasingly concentrated amid their dominance. In addition, earnings resilience, lower inflation and subsequent central bank pivots helped bolster the U.S equity market performance, whilst a weakening dollar benefitted European and Emerging Market stocks. However, these equity market tailwinds had somewhat subsided by the dawn of 2025 as geopolitical tensions escalated, uncertainty around the impact of Trump-era tariffs and concerns about slowing global growth emerged. The outlook for equity markets remains uncertain in the short-term due to the aforementioned headwinds. However, the underlying earnings and macro fundamentals for equity markets remain broadly supportive, especially with further expected central bank rate cuts on the horizon.
- 1.3 For the 12 months to 31<sup>st</sup>March 2025, the FTSE World Government Bond Index delivered +3.38% whilst the Bloomberg Barclays Global Aggregate Index returned + 4.84%. The 2024/25 financial year was a transitional period for global fixed income markets, marked by shifting inflation dynamics, growing expectations of monetary easing, and the return of geopolitical risk. After two years of aggressive rate hikes, major central banks adopted a more cautious, data-dependent stance, prompting a significant repricing of bond yields and a resurgence in investor appetite for both sovereign and credit markets. Whilst sticky core inflation globally and concerns around U.S fiscal policy remain key risks to be aware of, the environment for fixed-income markets has improved considerably and the short to mid-term outlook remains fairly attractive for the asset class.
- 1.4 For the 12 months to March 31<sup>st</sup>, the MSCI All Balanced Property Fund Index, comprised exclusively of UK Real Estate, posted a return of +6.43%. After two years of being amongst the most underperforming asset classes, real estate markets showed signs of bottoming and selective recovery in 2024/25, albeit unevenly across regions and sectors, owing primarily to falling inflation and expectations of interest rate easing. The UK in particular is heading towards a more balanced market, where price growth is subdued and transaction volumes have showed signs of resurgence, making it an attractive proposition for investors, such as the Fund, that have a long-term investment horizon.
- 1.5 The outlook for the year ahead reflects a period of cautious optimism, underpinned by continued normalisation of interest rates, moderating inflation and shifting global power dynamics. While economic fundamentals show resilience in key markets, persistent structural headwinds and geopolitical friction are likely to shape market volatility. The Fund will continue to deploy active risk management and ensure that its portfolio is sufficiently diversified to navigate through this important phase of transition.



## How did the Fund perform during 2024/25?

- 1.6 Despite a volatile final quarter of the year, the Fund recorded a year-end investment valuation of £4,438m, representing an increase in value of approximately £197m compared to the close of 2023/24. The Fund produced a strong absolute return of 5.16% during the year but underperformed its customised strategic benchmark by 0.63%. For context, a large proportion of active asset managers, particularly those tasked with outperforming global indices, failed to outperform their respective benchmarks because of how concentrated markets became during the year; a very small cohort of companies drove overall market returns which made outperformance challenging. Despite this, the Fund remains ahead of its strategic benchmark over the long term (5 years and greater). Importantly, absolute returns across both short and long-term time horizons remain comfortably ahead of the discount rate of 4.3% set by the Fund's actuary during the 2022 triennial valuation.
- 1.7 By comparison, according to the annual analysis prepared by the Pensions & Investment Research Consultants (PIRC) on behalf of the LGPS universe, the average LGPS return was 3.4% in 2024/25. As was the case regionally, asset class results strongly diverged across the scheme.
- 1.8 Pleasingly, the Fund's overall absolute performance during 2024/25 was considerably ahead of the universe benchmark and was ranked 2nd among the peer group of 61 LGPS funds within the PIRC league table analysis. In addition, not a single LGPS fund within the analysis was able to beat their respective benchmarks, most of which underperformed by a substantially larger margin relative to the Fund. This contextualises the Fund's underperformance relative to its benchmark and reinforces the challenges faced by active managers during the period. Notably, the Fund remains comfortably above the median LGPS performance across all long-term time horizons, including particularly strong performance over the past three and five years, ranking 2<sup>nd</sup> and 3<sup>rd</sup> respectively among its peer group.

## How did each of the Fund's assets perform?

- 1.9 At the individual asset class level, each asset class generated positive absolute returns, albeit in different proportions. On aggregate, equities delivered the strongest absolute returns, with the Fund's large allocation to the asset class proving to once again be a key driver of aggregate performance. The Fund's investment within equities is sufficiently diversified across different sectors, geographies and management styles. Fixed income, multi-asset and real estate performance was also encouraging, despite marginally lagging equity returns. Most of the Fund's various private market investments, comprised of infrastructure and private credit, are still in their infancy and so it is difficult to draw meaningful conclusions about the performance of these assets. However, early indications are that these investments are performing in line with expectations.

## How did our Managers Perform?

- 1.10 In addition to investment performance from the markets themselves, the Fund strives to generate additional investment returns across the majority (over 76%) of its asset allocation via active investment management, where the Fund's investment managers look to out-perform the respective market returns. Whilst this cannot be guaranteed and will vary from year to year, the Fund expects active management to add value over the long-term.
- 1.11 The following table details both market (benchmark) and Fund performance over the reporting period. The Fund's Private Credit and infrastructure investments remain in their infancy and as such meaningful conclusions about performance cannot be drawn at the reporting date. As these investments are built out and fully committed over the next several years, accurate performance data will be provided.

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Asset Class	Manager	Fund allocation 31 March 2025 %	Fund return 12 months <sup>7</sup> %	Benchmark chosen for asset class	Benchmark return 12 months %	Relative return 12 months %
<b>Equities</b>						
World Low Carbon Tracker	BlackRock	23.6	4.48	MSCI World Low Carbon Target Reduced Fossil Fuel Select	4.63	<b>-0.15</b>
UK	WPP/Russell Investments	13.7	6.57	FTSE All-Share Total Return	10.46	<b>-3.89</b>
Europe	BlackRock	5.1	4.09	FTSE All-World Dev Europe ex UK	3.71	<b>0.38</b>
Asia	Invesco	7.0	12.10	MSCI AC Asia Pacific ex Japan	6.79	<b>5.31</b>
Emerging Markets	Fidelity	0.8	-1.89	MSCI Emerging Markets	5.79	<b>-7.68</b>
Emerging Markets	WPP/Russell Investments	1.6	5.24	MSCI Emerging Markets	5.79	<b>-0.55</b>
Global	WPP/Russell Investments	15.4	5.99	MSCI ACWI	4.87	<b>1.12</b>
Global Sustainable	WPP/Russell Investments	3.8	0.19	MSCI ACWI	4.87	<b>-4.68</b>
<b>Fixed Income</b>						
Global Government	WPP/Russell Investments	5.9	2.99	FTSE World Government Bond	3.38	<b>-0.39</b>
Global Credit	WPP/Russell Investments	6.0	4.67	Bloomberg Barclays Global Aggregate	4.84	<b>-0.17</b>
<b>Other</b>						
Multi Asset	Fidelity MAI	2.6	4.30	SONIA	5.09	<b>-0.79</b>
Infrastructure	Various	8.1	n/a	SONIA	n/a	<b>n/a</b>
Private Credit	Various	4.1	n/a	SONIA	n/a	<b>n/a</b>
Pooled Property	Various	1.6	4.66	MSCI All Bal Property Fund	6.43	<b>-1.77</b>
Cash and other investment balances	Various	0.70	n/a	SONIA	n/a	<b>n/a</b>

## Long-term Performance

1.12 The table below shows, at a total fund level, the Fund's investment performance over historical periods, measured to 31 March 2025, versus the Fund's bespoke investment benchmark net of all fees and charges.

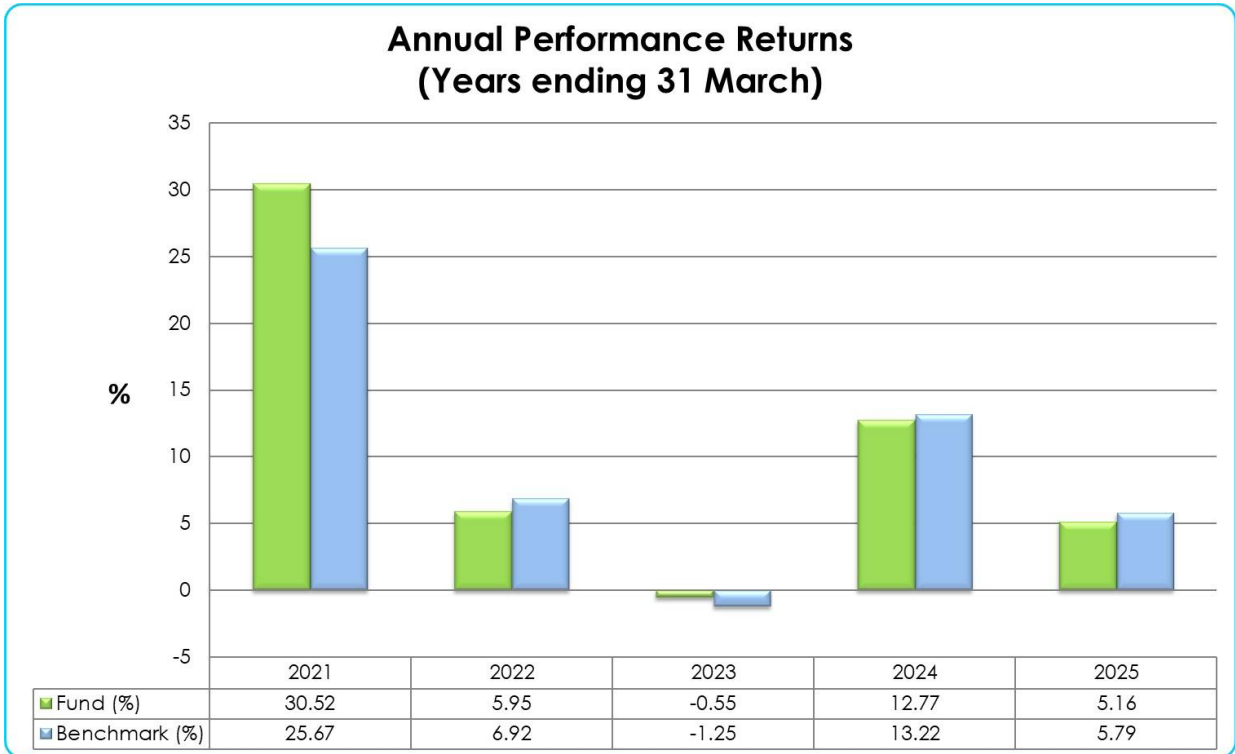
Annualised % Performance	1 Year	3 Years	5 Years	10 Years
Greater Gwent (Torfaen)	5.16	5.65	10.28	7.06
Strategic Benchmark	5.79	5.73	9.69	6.84
<b>Out/(Under) Performance</b>	<b>-0.63</b>	<b>-0.08</b>	<b>0.59</b>	<b>0.22</b>

<sup>7</sup> Where performance is not available this is due to the nature and/or timing of mandate

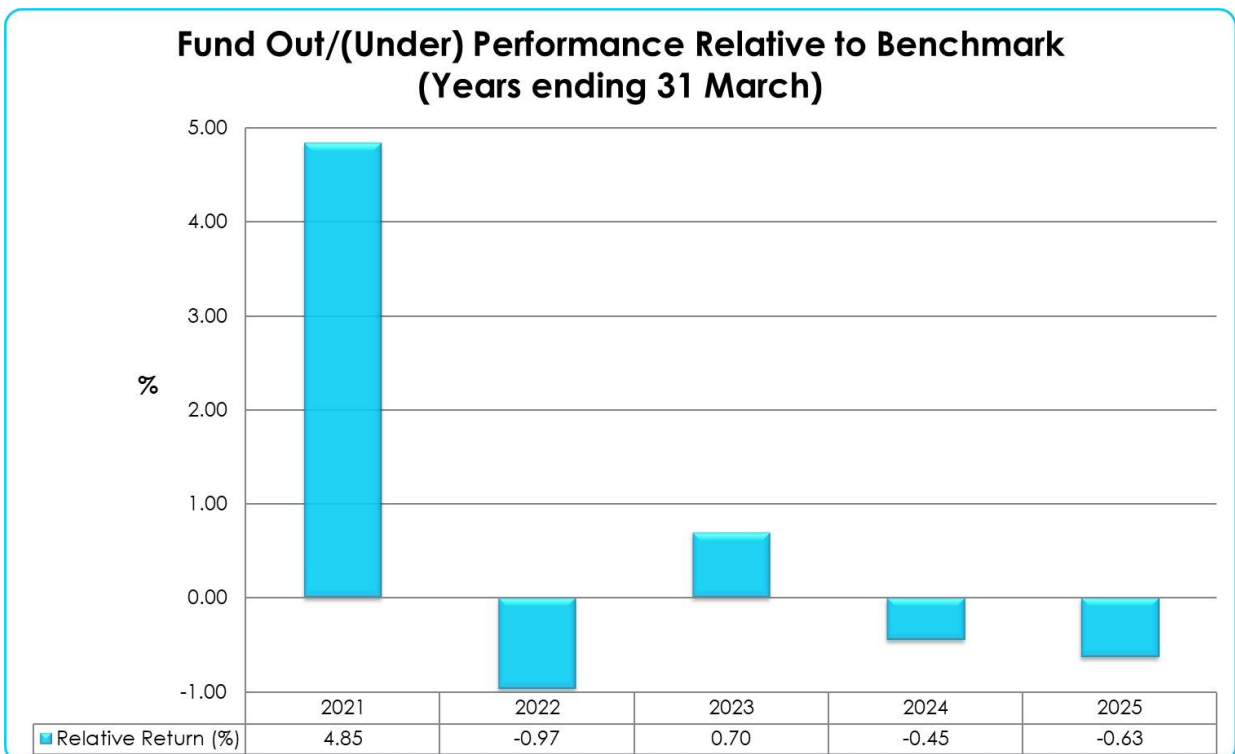
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1.13 The following graphs illustrate the Greater Gwent (Torfaen) Pension Fund annual performance returns as compared to the Northern Trust benchmark returns over the last five financial years. The absolute return is the performance return for an asset or portfolio over a certain period. Relative return is the difference between the absolute return and the performance of the market, which is measured by a benchmark or index. Longer term returns can be seen in the graph on page 5.

a) Absolute performance returns



b) Relative performance returns



## 2. Investment Asset Allocation

2.1 Asset allocation sets out how the Fund invests in a range of listed and unlisted assets, both in the UK and overseas, to achieve its investment objectives. The last significant asset allocation review took place in 2023/24 as part of the broader Investment Strategy Review.

2.2 The following table shows the Fund's actual asset allocation as of 31 March 2025 compared to the strategic asset allocation (SAA) as set out in the Fund's Investment Strategy Statement.

Asset Class / Mandate	Approach	Manager	Strategic allocation (SAA) (%)	Interim range to achieve SAA <sup>8</sup> (%)	Actual Allocation 31 March 2025 (%)
<b>Equities</b>			<b>57</b>	<b>57-64</b>	<b>71.0</b>
UK Equities	Active	WPP			13.7
World Low Carbon Tracker	Passive	BlackRock			23.6
Global Equities	Active	WPP			15.4
Global Sustainable Equities	Active	WPP			3.8
European Equities	Active	BlackRock			5.1
Asian Equities	Active	Invesco			7.0
Emerging Markets	Active	WPP/Fidelity			2.4
<b>Fixed Income &amp; Private Credit</b>			<b>17</b>	<b>15-17</b>	<b>16.0</b>
Government Bonds	Active	WPP			5.9
Corporate Bonds	Active	WPP			6.0
Private Credit Funds	Active	WPP/Various			4.1
<b>Multi Asset</b>			<b>5</b>	<b>3-7</b>	<b>2.6</b>
Multi Asset Fund	Active	Fidelity			2.6
<b>Real Assets</b>			<b>20</b>	<b>14-20</b>	<b>9.7</b>
Pooled Property Funds	Active	Various			1.6
Infrastructure Funds	Active	WPP/Various			8.1
<b>Cash</b>			<b>1</b>	<b>1-5</b>	<b>0.7</b>
Cash/Accruals	Active	TCBC			0.7
<b>Total</b>			<b>100</b>	<b>100</b>	<b>100</b>

- **Equities** - the long-term direction of travel is for the Fund to reduce its equity allocation to a target of 57%. Strong equity market performance over the past four years has resulted in a disproportionate increase in equity allocation versus the broader strategy. The European equity allocation remains a priority divestment area to support increased exposure to real assets and private credit which are projected to take several years to build out to target. The Fund will also aim to gradually reduce its global passive equity exposure in favour of global actively managed equities and other real asset investments over time. The Fund decreased its equity allocation by c.3% during the year, demonstrating notable progress towards achieving the target weight.
- **Listed Fixed Income and Private Credit** - the Fund is c.6% overweight to listed fixed income and c.7% underweight to private credit relative to its strategic allocation. Over the next few years, the Fund will look to rebalance its credit exposure to meet its long-term listed and private credit exposures accordingly. The Fund's listed fixed-income allocation remained constant during the year. Whilst over time the Fund will seek to reduce its listed fixed-income exposure, rebalancing overweight equity exposure remains a short-term priority.
- The Fund increased its private credit exposure during the year by c.1.7%. The private credit allocation is expected to gradually increase over the coming years as existing commitments to the asset class are fully deployed and new commitments are made.

<sup>8</sup> Interim range intended to offer flexibility to achieving the long-term SAA

- **Real Assets (Infrastructure and Real Estate)** - the Fund is c. 4% underweight to infrastructure and c.6.5% underweight to real estate. The long-term objective is to significantly increase exposure to infrastructure and real estate via the Wales Pension Partnership. The WPP now has dedicated allocators to support the build out of investment into infrastructure and will soon launch a real estate platform, which is expected to accelerate exposure to these asset classes over time. During the year, the Fund increased its infrastructure allocation by c.3.7%. The infrastructure allocation is expected to gradually increase over the coming years as existing commitments to the asset class are deployed and new commitments are made. The Fund's real estate allocation remained constant throughout the year but is expected to increase significantly during 2025/26 once the WPP real estate platform is launched.
- **Multi-Asset** – the Fund is c.2.5% underweight to multi-asset as an asset class. This is because two of the Fund's pre-existing multi-asset investments, the Abrdn Global Absolute Return Strategy (GARS) and Invesco Global Targeted Return (GTR) Fund, were liquidated during 2023/24. The Fund's multi-asset exposure remained constant throughout 2024/25. The Fund will explore the possibility of investing in new multi-asset solutions via the WPP during 2025/26.
- **Cash** - during the 2023/24 investment strategy review, the Pension Committee agreed to an interim range of 1-5% for the Fund's cash allocation. This is to allow greater flexibility in the event of extenuating circumstances (such as fund liquidations) and to capitalise on short-term investment returns during periods where interest rates exceed the actuarial discount rate. The Fund's cash allocation was reduced from 3% in April 2024 back down to operational levels throughout the year after using excess cash to satisfy drawdown requests in respect of various private market commitments. The Fund's cash allocation is expected to remain under 1% for 2025/26 and to be used purely for operational purposes.

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2.3 As at 31 March 2025 the net investment assets of the Fund (measured at bid-price market value) were as follows.

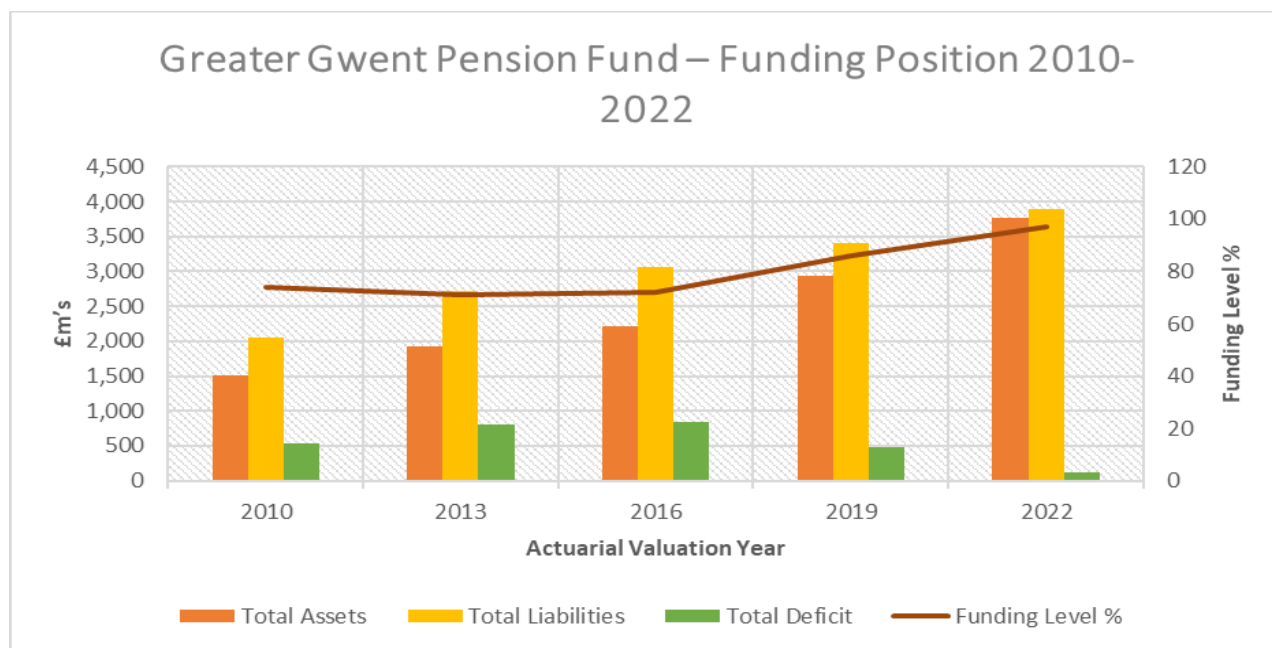
Market value 31 March 2025	%	£000	Portfolios held
<b>Wales Pension Partnership</b>			
	15.4	685,246	WPP Global Opportunities Equity Fund
	13.7	607,320	WPP UK Opportunities Equity Fund
	6.0	266,269	WPP Global Credit Fund
	5.9	262,059	WPP Global Government Bond Fund
	3.8	170,848	WPP Global Sustainable Equity Fund
	1.6	72,719	WPP Emerging Markets Equity Fund
	1.8	77,975	GCM WPP Global Infrastructure, L.P.
	1.6	69,558	Russell Inv. WPP Global Private Credit LP
	1.2	54,052	IFM Global Infrastructure, (UK)
	0.7	30,674	Octopus Renewables Infrastructure SCSp
	0.5	20,448	CBRE Global Infrastructure Fund
	0.1	4,393	Capital Dynamics CEI (WPP), LP
<b>Wales Pension Partnership</b>	<b>52.3</b>	<b>2,321,561</b>	
<b>Investments administered outside of the Wales Pension Partnership</b>			
BlackRock	23.6	1,048,723	Low Carbon Tracker Equity Fund <sup>9</sup>
	5.1	224,506	European Equity Fund
	-	67	Cash
<b>Assets held by BlackRock</b>	<b>28.7</b>	<b>1,273,296</b>	
Invesco Perpetual	7.0	311,945	Asian Equity Fund
<b>Assets held by Invesco</b>	<b>7.0</b>	<b>311,945</b>	
Fidelity Worldwide Investment	0.8	34,321	Emerging Markets Equity Fund
	2.6	115,809	Multi Asset Income Fund
<b>Assets held by Fidelity</b>	<b>3.4</b>	<b>150,130</b>	
<b>Investment Fund Managers</b>			
<b>Investment Fund Managers</b>	<b>39.1</b>	<b>1,735,371</b>	
Managed In-House	1.6	71,688	Pooled Property Funds
	0.5	23,482	Gresham House BSI Infrastructure LP
	1.3	57,919	Gresham House BSI Infrastructure II LP
	0.5	22,524	Gresham House BSI Infrastructure III L.P.
	1.5	66,914	Invesco Credit Partners (Cayman) II, L.P.
	1.0	46,089	Invesco Credit Partners (Cayman) III, L.P.
	1.3	55,391	Quinbrook Renewables Impact Fund L.P.
	0.2	9,229	Quinbrook Renewables Impact Fund II L.P.
	0.6	27,367	Cash
	0.1	886	Other investment balances
<b>Administering Authority</b>	<b>8.6</b>	<b>381,489</b>	
<b>Net Investment Assets</b>			
<b>Net Investment Assets</b>	<b>100.0</b>	<b>4,438,421</b>	

<sup>9</sup> Pre-pooling investment initiative whereby the 8 Welsh LGPS funds issued a joint procurement exercise and appointed Blackrock as the manager to manage the passive equity mandates.

## 3. Investment objectives & progress 2024/25

### Funding Strategy – 2022 Valuation Exercise and Preparation for 2025

- 3.1 At each three-yearly interval, a triennial valuation exercise is carried out by the Fund's appointed Actuary, and an assessment of assets and liabilities is undertaken to determine future contribution rates payable in line with the Funding Strategy Statement. During this review period, the Fund works with its full range of advisors to consider whether any changes are required to be made to the investment strategy in order to adapt to a change in conditions.
  
- 3.2 The most recent triennial valuation exercise took place on 31 March 2022, with most of the work being undertaken during 2022/23. The outcome of the triennial valuation exercise determined further improvements to the Fund's funding position from 86% in 2019 to 97% in 2022. This was largely due to excellent investment returns which significantly outperformed long-term assumptions, despite the innumerable market events that took place over the three-year period, not least the Covid-19 pandemic. The Fund was well positioned to capitalise on this growth recovery following the pandemic which led to a much-improved funding position.
  
- 3.3 Over the past decade, the Fund's funding position has improved considerably, as illustrated by the graph below:



- 3.4 The next triennial valuation exercise will assess the Fund's financial health as of 31 March 2025, preparation for which began during 2024/25. The bulk of the work involved in the 2025 valuation exercise, including the development and implementation of a revised Funding Strategy Statement and the adoption of a new discount rate will be completed during 2025/26. The key outcomes of the 2025 triennial valuation exercise will be presented within next years' annual report, although early indications suggest that the Fund's financial health (funding level) will have most likely improved since the last valuation period.



## Primary Investment Objectives

- 3.5 The objective of investing Pension Fund assets is to maximise returns within acceptable levels of risk. The portfolio's investment performance directly influences the contribution that employers need to make to the Fund to pay for the statutory benefits payable from it. However, two particular factors need to be borne in mind. Firstly, the Pension Fund's liabilities are very long term, and those liabilities will increase with inflation and the rising level of employees' salaries and wages to the time of retirement. Secondly is the need to ensure liquidity to pay benefits as they fall due which is a significant factor in the triennial valuation process which was last carried out in 2022. At present, projected Fund income (employer and employee contributions) continues to exceed expenditure (payment of pension benefits to pensioners) meaning it has not been faced with the prospect of enforced realisation of investments. This requires regular monitoring, however, the surplus of income over expenditure will likely decrease over time as the profile of its membership and liabilities changes.

## Investment Strategy

- 3.6 The Pension Committee attempts to meet its objectives by securing the most advantageous mixture of investment in equity, listed fixed income, private credit, real assets (real estate & infrastructure), multi-asset and cash. The Fund's investment management policy, principles and arrangements are detailed within the Investment Strategy Statement (ISS) (see page 61). The ISS documents and puts into effect the Fund's principal powers to invest in accordance with the investment regulations but now within an updated statutory framework that allows funds more flexibility with increased prudential responsibility in determining the investments the Fund makes.

In addition to setting the Fund's investment strategy, the Pension Committee delegates day to day investment management and oversight to the Fund's officers, in conjunction with its independent investment advisors. Working with the WPP pool, officers and advisors determine the most appropriate mix of investment management arrangements for the Fund aligned to its long-term objectives.

The objectives of the Fund's investment strategy are summarised below:

- To enable employer contribution rates to be kept as stable, affordable and sustainable as possible
- To manage employers' liabilities effectively
- To ensure that sufficient resources are available to meet all liabilities as they fall due
- To maximise the returns from investments within reasonable risk parameters
- To ensure that all statutory payments made from the pension fund are at minimal cost to scheme employers
- To ensure the Fund has a credible funding plan in place over the longer term which strives for a sustainable funding level in excess of 100%
- To aim for consistent above median investment returns over rolling 3-year periods; and
- To ensure that the Fund maintains sufficient levels of liquidity to meet the demands of its pension liabilities and private market investment commitments.

## Investment within the WPP

- 3.7 As of 31 March 2025, the Fund's commitment to WPP actively managed sub-funds sits at 52.3% pooled which, together with the existing passive investments under WPP management of 23.6%, represents a total pooled exposure of 75.9%. This represents a 1.4% year on year increase in overall pooled assets placing it comfortably within the median across the eight Constituent Authorities from a pooling perspective. Progress in terms of transitioning assets into the WPP is expected to continue into 2025/26 as the Fund, alongside each of the Constituent Authorities, begins to make new investment commitments to Real Estate following the appointments of allocators for this asset class, whilst also continuing to fulfil outstanding private credit and infrastructure commitments.

- 3.8 Further details of the progress made in pooling assets with the WPP, together with performance, costs and savings can be found in the section on Asset Pooling on page 27 of the report.

### 4. Responsible investment

- 4.1 The Pension Committee recognises the importance of investing responsibly and continues to embed its importance into the core part of the Fund's investment policy. The Fund invests in the interests of its beneficiaries and employers and has a fiduciary duty to act in a financially prudent manner, taking Environmental, Social and Governance (ESG) factors into consideration in the context of the financial risk that arises from investment decision-making.
- 4.2 The Pension Committee recognises its role in striving for high standards of transparency within the constraints of commercial sensitivities and understands the need for scrutiny of our investments. The Pension Committee also understands the importance of stewardship, defined broadly as the responsible management and allocation of member capital and recognises the need to deploy the principles of active ownership across the Fund's investment portfolio where applicable. More information about the Fund's approach to RI can be found on page 63.
- 4.3 During 2024/25, the Fund continued to demonstrate strong adherence to RI principles through stewardship and active ownership through voting & engagement (V&E) via the WPP's dedicated V&E provider, Robeco.
- 4.4 Additionally, the Fund continued to invest in infrastructure funds with dedicated sustainability-related characteristics focusing on investment in renewable energy generation, grid stability and transition, vertical farming and waste to energy solutions.
- 4.5 In conjunction with the WPP, the Fund also:
- i) Supported the development of a WPP Climate Framework, which is used to support future discussion and consensus building on the collective climate ambition of each Constituent Authority
  - ii) Contributed towards the development of key WPP policy documents, including revised RI and Climate Change policies
  - iii) Contributed to the 2024/25 WPP Annual Stewardship Report, which was used as the basis to grant the WPP its 4<sup>th</sup> consecutive UK Stewardship Code status; and
  - iv) Helped develop the first iteration of the WPP's Taskforce for Climate-related Financial Disclosures (TCFD) report and was involved in an updated analysis of deforestation exposure within the pool's listed-equity Sub-Funds.
- 4.6 Moreover, in November 2024, the WPP was awarded the ESG innovation award at the Local Government Chronicle (LGC) Investment Awards ceremony. This award reflects the critical importance that the WPP and the Fund continues to place on sustainability issues and recognises the success of the WPP Sustainable Active Equity Fund, which has grown to become one of the largest sustainable investment products of its type in the UK.

### 5. Impact investment

- 5.1 In 2024, the Fund established a bespoke Impact Investment policy that sets out how the Fund will approach investment in opportunities that support the UK Government's ambition to spread equality and prosperity across the country. The policy can be considered a statement of intent from the Pension Committee and aims to provide a framework for the Fund to pursue impact investment opportunities and to outline the various parameters that will be factored into this process. Impact investments are widely defined as investments that aim to generate positive, measurable, social, and environmental benefits to society, alongside a financial return.

- 5.2 With each impact investment, the Fund applies the concepts of intentionality and additionality. The Pension Committee defines intentionality as the intent to achieve a social or environmental goal, which is clearly expressed throughout the investment process. Additionality then refers to how the Fund's actions help to achieve a given social or environmental benefit, including the added value created because of an investment and how the impact generated would not have occurred without intentionality.
- 5.3 The Fund is flexible in its approach to impact investment, recognising that some investments may contain a mix of assets, of which only part will represent "impact". In such cases, Fund officers and advisors will adopt a look-through approach to ensure that the underlying assets within an investment fund or portfolio can be genuinely categorised as purporting to deliver impact, rather than characterise the whole allocation as capable of delivering positive impact, and where this isn't the case, making sure that this is reflected in reporting.
- 5.4 During 2024/25, the Fund continued to make new investment in projects that align with its impact investment philosophy and policy objectives. This included a £50m commitment to the third Gresham House British Sustainable Infrastructure Fund (BSIF) III, a further £50m commitment to the second Quinbrook Renewables Impact Fund (QRIF II) and a preliminary £20m commitment to the Gresham House Forestry Fund VI. Including those made during 2024/25, the Fund has committed approximately £240m to date to infrastructure mandates that intentionally and purposefully invest in projects that are socially or environmentally beneficial.
- 5.5 Further information about the Fund's approach to Impact Investing and additional details about the Impact Investment Policy can be found here:

[Impact Investment Policy - January 2024 | Greater Gwent \(Torfaen\) Pension Fund \(gwentpensionfund.co.uk\)](https://www.gwentpensionfund.co.uk)

## ADMINISTRATION REPORT

### 1. Summary of activity of the service in the year

The Administration report has been produced in line with CIPFA's 'Preparing the Annual Report April 2024' guidance and reflects national development, changes in terms of governance guidance issued under the Public Service Pension Act 2013 and CIPFA's working group on pension fund administration.

#### 1.1 Work undertaken by the Administration Section

##### a) Major projects

###### McCloud

The Local Government Pension Scheme (Amendment) (No. 3) Regulations (McCloud) came into force on 1<sup>st</sup> October 2023, and the Fund switched on the McCloud remedy on 4<sup>th</sup> March 2024. The McCloud remedy introduced a new layer of complexity to benefit calculations. Several new processes and procedures must be followed, along with additional checks on members' records including hours and previous public sector pension. As a result of this, benefit calculations have taken taking longer to process.

All business-as-usual cases are being processed, and during 2024/25 work commenced on the rectification process.

###### General Code of Practice

The Pensions Regulator's new Code of Practice came into force on 28<sup>th</sup> March 2024. The General Code of Practice consolidates the previous 10 Pensions Regulator Codes into a single code. The five main areas of the code are: the governing body; funding and investment; administration; communication; and disclosure and reporting to the Pensions Regulator. In addition to this the code also introduces new topics such as Cyber Security and Pensions Scams.

Officers have purchased Hymans General Code of Practice - LGPS Checker as an additional resource to assist with a self-assessment of Fund compliance against revised requirements.

During 2024/25, officers have been assessing their compliance against the code and once complete the Fund will establish a work plan to address areas of priority, and actions will be carried out to address them.

###### Processes

The Fund has continued to review its processes and procedures and has made several changes to improve efficiency. The Fund has amended a number of workflow processes and documents to make use of Altair automation.

###### Legislative changes

Regular legislative changes, both currently planned and into the future, provide challenges to the Fund, particularly where in some instances the legislation is backdated. The Fund will therefore continue to develop its policies to meet these challenges and continue to work with scheme employers and our colleagues in other LGPS Funds on a national basis to comply with these new requirements.

###### Good Governance

The Fund continues to work towards implementing changes aligned to the 'Good Governance' recommendations in the absence of any formal guidance being published.

## Consultations

During 2024/25 several consultations were published, including 'Fit for the Future', 'Inheritance Tax on pensions: liability, reporting and payment', and statutory guidance regarding the implementation of the McCloud Remedy. The Fund submitted responses to all 3 consultations either on a Fund basis or through the Welsh Pension Officers Group.

## Administration Strategy

During 2024/25, Fund officers developed a Pension Administration Strategy, that set out the requirements for liaison and communication between Scheme Employers and the Pension Fund to ensure regulatory compliance is achieved and best value service standards are delivered to scheme members and other parties. A consultation with Employers took place between the months of October and November and responses from Scheme Employers were considered and reflected in the final version of the Administration Strategy. The Administration Strategy was published to the Fund's Website in January 2025, and all Scheme employers were notified.

[Pension Fund Administration Strategy | Greater Gwent \(Torfaen\) Pension Fund](#)

## Valuation

The next actuarial valuation for the Fund will be carried out as at 31 March 2025 and will set employer contribution rates for the next three years commencing 1<sup>st</sup> April 2026. Work is already underway to data cleanse records within the administration system to ensure that timely and accurate data can be provided to the Actuary.

## **b) IT/Pension administration developments**

### Immediate Payments

During 2024/25 the Fund went live with Immediate Payments. Immediate Payments enable the Pension Fund to process one off payments, such as refunds, lump sum payments and transfers out via the pension administration system, rather than via their Financial System Civica.

The Fund is now processing Lump Sums, Refunds and Transfers Out via Immediate Payments. The Fund is also hoping to go live with Death Grants in 2025/26. Immediate Payments has provided greater efficiencies to the team as the payment information is seamlessly transferred from the administration system to the payroll system. This has improved processing time, and the need for dual inputting mitigate the risk of user error.

### i-Connect

48 employers are submitting data to the Fund through i-Connect, including three of the five Local Authorities. The remaining employers continue to submit monthly data to the Fund. Fund officers continue to work with all those not already signed up to i-Connect to encourage them to onboard.

### My Pension Online

The number of members signed up to My Pension Online (MPO) during the year has continued to increase. As at 31 March 2025, 38.56% of the Fund's total membership had registered for MPO. During 2025/26 the Fund will be moving to Engage, a new My Pension Online system, hosted by Heywood Pension Technologies. Along with the existing functionality Engage will have:

- A fresh new look
- Enhanced security - log in with SMS Multi-factor authentication (MFA) for extra security
- Fast registration - electronic Identification Verification which makes registering quick and secure
- Retirement planner - members can set retirement goals which match their desired lifestyle
- Video Annual Benefit Statements - personalised videos using AI, with a digital presenter explaining the Annual Benefit Statement.

## Pension Dashboard

During 2024/25 the Fund purchased Heywood Pension Technologies Integrated Service Provider (ISP) to connect to the Pension Dashboard. Phase 1 of the implementation was completed in January 2025, and phase 2 commenced in March 2025. The Fund must connect to the Pension Dashboard by 31 October 2025. During the year the Fund has also been working with its AVC providers to ensure that data is ready for the connection date.

### **c) Data quality**

Data is an essential part of making sure a scheme is well-run. Having good quality data ensures that members will receive the correct benefit entitlement and enables the Fund actuary to calculate more accurate employer contribution rates.

In accordance with the General Code of Practice and the Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014, the Fund carries out a review of data on an annual basis, and this is reported to the Pensions Regulator as part of their annual survey.

The Fund reports on 'Common' and 'Scheme Specific' data. Common data is specified in the Pensions Regulator's guidance and Scheme Specific data is based on a standard data set of 22 core tests agreed with the Local Government Association.

The Fund last carried out a review of its data in December 2024, and the results are set out within the key performance indicators set out in 'Table E – Data Quality' on page 57. Whilst these results are positive, Fund officers have put in place a data improvement plan in attempt to further improve overall data quality. The data improvement plan provides the Fund with a plan and set of actions to be carried out to improve and then maintain the accuracy of the data that it holds in anticipation of future surveys.

## **1.2 Key services**

### **a) Key information**

The Pension Fund utilises the pension administration system, Altair, which is provided and hosted by Heywood Pension Technologies. Heywood Pension Technologies provide four upgrades a year to the system to ensure that it keeps in line with changes in regulations and other legislative requirements. In addition to the core administration system, the Fund uses the following Altair modules: Pensioner Payroll, Workflow, and Image (Scanning).

The Fund offers scheme members access to online services via My Pension Online (MPO) which is hosted by Heywood Pension Technologies. MPO enables members to see their pension account online, view the value of pension benefits built up to date, check the information that the Fund holds for them is correct, and enables the member to make personal changes such as name, address, email address and nominations. MPO also has the facility to enable active members to run estimates to see how changes might affect their pension, for example retiring early, changing hours, or swapping yearly pension for a one-off lump sum payment. Pensioner members can view their P60s and Payslips on MPO.

i-Connect enables scheme employers to send information regularly and securely to the Pension Fund. It automatically identified new starters, opt outs and leavers, enabling employer to send a single set of data to the Fund.

The Fund has its own website which is hosted by Hymans Robertson. The website contains information for active, deferred, pensioner and dependant members and also has links to the Members self-service.

<https://gwentpensionfund.co.uk>

The Fund's policy and guidance document for granting Admitted Body Status is available on our website:

[Policy for Granting Admitted Body Status](#)

## **b) Undertake duties**

The Pension Fund comprises of five teams containing thirty-one posts. There are 27 posts on the establishment list of the pension administration section, including the Pension Manager and Operations Manager. This equates to 23.25 full time equivalent (fte) members of staff. There are an additional 4 members of staff (4) full time equivalents covering pension investments and the wider governance of the Fund. Contact details for the Fund are available on the website. The Fund offers three helpdesk options for members. One relates to member's benefit queries, one for member's queries regarding MPO and one for Payroll queries:

[Contact us | Greater Gwent \(Torfaen\) Pension Fund \(gwentpensionfund.co.uk\)](#)

- The Payroll Team

The Payroll Team has averaged 3.18 fte staff during the year. They are responsible for calculating and checking pensions into payment, processing the monthly payment of pension and immediate payments, and ensuring the correct pensions are paid to the correct pensioners.

- The Benefits Team

The Benefits Team has averaged 10.81 fte staff during the year. They are responsible for processing and checking a full range of benefit calculations including retirements, early leavers, deferred benefits, deaths, divorces, transfers in and out of the Pension Fund, refunds, estimate calculations, annual allowance, lifetime allowance, additional voluntary contributions, and additional pension contributions. They are also responsible for providing guidance to Scheme employers and members in relation to LGPS regulations and related legislation.

- The Systems Team

The Systems Team has averaged 4.72 fte staff during the year. They are responsible for data quality and data cleansing, as well as processing the monthly and year end files and electronic data exchange between the Employers and the Pension Fund and My Pensions Online.

- The Communications Team

The Communications Team has averaged 2 fte staff during the year. They are responsible for dealing with incoming post and emails received into the central inbox, communicating changes to regulations and guidance to employers and employees, updating pension fund letter templates and forms as well as updating Fund specific information on the Pension Fund website.

## **c) Accuracy/cyber security & confidentiality**

The Pensions Fund has robust systems and processes in place to protect its data. The Fund adheres to the General Data Protection Regulations (GDPR) and a copy of the Fund's Privacy Notice is available on the website:

[Privacy Notice | Greater Gwent \(Torfaen\) Pension Fund](#)

The Fund uses the Government's "Tell Us Once" service and Heywood mortality screening to help identify members who are deceased and participates in the National Insurance Database to comply with LGPS governing regulations. This enables the Fund to check for duplicate death grants, check eligibility for transfer, refund, and trivial commutation payments, establish interfund options for re-joining members and trace lost members. This enables the Fund to check for duplicate death grants, check eligibility for transfer, refund, and trivial commutation payments, establish interfund options for re-joining members and trace lost members.



Each member of the team undertakes annual mandatory Data Protection/GDPR Awareness training. Torfaen County Borough Council provide frequent training and guidance to staff promoting a greater understanding of the importance of good data protection and information security processes. An annual phishing exercise also takes place to understand the susceptibility for falling for phishing exercises and training is provided to staff.

Each user has secure log in credentials for the network and supporting systems. Security profiles are set up for each individual to ensure segregation of duties.

Every two years the Pension Fund participates in the National Fraud Initiative. This is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

During 2024/25 the Fund has continued to work with the Local Pension Board, Pension Committee and the Chief Information Security Officer to understand and put in place measures to protect the Fund against Cyber Risk. The Pension Manager meets with the Chief Information Security Officer monthly and members of the Local Pension Board and Pension Committee are provided with cyber security updates on a quarterly basis. Cyber security risks are also contained within the Fund's Risk Register and are monitored on an ongoing basis.

In December 2024 the Fund carried out its annual tabletop exercise with Heywood Pension Technologies. This exercise seeks to test cyber resilience and to provide reassurance to stakeholders on the measures that Heywood Pension Technologies have in place. The purpose of the tabletop exercise was to safely test business plans in a controlled environment through responding to a test scenario. The Chief Information Security Officer issued a report stating that Heywood Pension Technologies had the necessary policies and plans in place to handle a cyber-attack, and no issues were found.

## 2. Key performance indicators

### 2.1 Table A – Total number of case work

Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases in previous year	Total % of cases completed in previous year
Deaths recorded of active, deferred, pensioner and dependent members	109	747	705	82.4%	815	87.9%
New dependent member benefits	-	255	255	100%	325	100%
Deferred member retirements	249	1,390	1,234	75.3%	1,201	83.0%
Active member retirements	116	868	844	85.8%	839	86.9%
Deferred benefits	161	1,777	1,798	92.8%	1,660	90.3%
Transfers in (including interfunds in, club transfers)	458	610	598	56.0%	540	53.5%
Transfers out (including interfunds out, club transfers)	127	901	928	90.3%	806	85.3%
Refunds	234	1,170	1,132	80.6%	1,309	84.6%
Divorce quotations issued	6	149	152	98.1%	121	94.5%
Actual divorce cases	4	3	4	57.1%	5	55.6%
Member estimates requested either by scheme member or employer	364	3,578	3,450	87.5%	3,151	91.2%
New joiner notifications	716	4,101	4,202	87.2%	4,146	85.2%
Aggregation cases	322	1,511	1,481	80.8%	1,816	83.5%
Optants out received after 3 months membership	3	236	231	96.7%	373	99.2%

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## 2.2 Table B – Time taken to process casework

Casework KPI	Fund target	% Completed within Fund target in year	% Completed in previous year
Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	77.8%	78.8%
Communication issued confirming the amount of dependents pension	10 days	81.4%	82.5%
Communication issued to deferred member with pension and lump sum options (quotation)	15 days	75.0%	85.1%
Communication issued to active member with pension and lump sum options (quotation)	15 days	92.6%	88.3%
Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	94.6%	97.2%
Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	96.9%	99.2%
Payment of lump sum (both actives and deferreds)	15 days	95.9%	98.3%
Communication issued with deferred benefit options	30 days	68.4%	86.7%
Communication issued to scheme member with completion of transfer in	15 days	47.9%	61.8%
Communication issued to scheme member with completion of transfer out	15 days	67.8%	54.8%
Payment of refund	15 days	56.7%	81.9%
Divorce quotation	45 days	100%	100%
Communication issued following actual divorce proceedings i.e. application of a Pension Sharing Order	15 days	50.0%	50.0%
Communication issued to new starters	40 days	99.3%	99.7%
Member estimates requested by scheme member and employer	15 days	85.3%	91.0%

In certain instances, the KPI measures for 2024/25 are lower than those recorded in 2023/24. This can be attributed to several factors, including:

- Long-term staff absences during the period
- The appointment of new team members who have required training and development to perform all necessary calculations independently. This has also diverted time and resources of more experienced team members away from their routine responsibilities
- Delays in the completion of transfers due to the ongoing impact of the McCloud judgment

Administrative performance is monitored on an ongoing basis and reported to the Pension Committee and Local Pension Board quarterly.

# Pension Fund Annual Report 2022/2023

## 2.3 Table C – Communications and engagement

Engagement with online portals	Percentage as at 31 March
% of active members registered	52.46%
% of deferred member registered	35.31%
% of pensioner and survivor members registered	25.58%
% total of all scheme members registered for self-service	38.56%
Number of registered users by age:	
0-20	95
21-25	564
26-30	1,098
31-35	1,740
36-40	2,154
41-45	2,488
46-50	2,667
51-55	3,840
56-60	4,717
61-65	3,694
66-70	1,964
71-75	619
76-80	244
81-85	65
85-90	23
Over 90	5
% of all registered users that have logged onto the service in the last 12 months	54.78%

Communication	Total
Total number of telephone calls received in year	30,096
Total number of emails and online channel queries received	24,773
Number of scheme member events held in year (total of in-person and online)	4
Number of employer engagement events held in year (in-person and online)	2
Number of active members who received a one-to-one (in-person and online)	n/a*
Number of times a communication (i.e. newsletter) issued to:	
a) Active members	1
b) Deferred members	1
c) Pensioners	1

\* We do not currently record this, but it will be included in the 2025/2026 Annual Report

## Table D – Resources

Resources	Total
Total number of all administration staff (FTE)	23.25
Average service length of all administration staff	13 years 100 days
Staff vacancy rate as %	11%
Ratio of all administration staff to total number of scheme members (all staff including management)	1:2897
Ratio of administration staff (excluding management) to total number of scheme members	1:3170

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## 2.4 Table E – Data Quality

Annual Benefit Statements	Total
Percentage of annual benefit statements issued as at 31 August	100%

Data Category	Total
Common data score	98.1%
Scheme specific data score	98.32%
Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	2.42%
Percentage of active, deferred and pensioner members with an email address held on file	71%

Employer performance	Total
Percentage of employers set up to make monthly data submissions	100%
Percentage of employers who submitted monthly data on time during the reporting year	89.21%

## 3. Fund members and employers

### 3.1 Fund members

The total number of scheme members, and the number of members in each category (active, deferred, pensioner (including survivor beneficiaries) is shown in the Fund Membership table in the notes to the accounts on page 76.

### 3.2 Fund employers

A list of the contributing employer names can be found in the Fund Membership table in the notes to the accounts on page 76. Details of contributions paid and benefits payable per employer can be found in the notes to the accounts on page 85.

#### Analysis of employers in the Fund

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	Total
Scheduled Body	34	7	41
Deemed Body	1	1	2
Admitted Body	18	27	45
<b>Total</b>	<b>53</b>	<b>35</b>	<b>88</b>

## 4. Communications

### 4.1 Communication Policy

Communications is at the heart of everything the Fund does and is key to it achieving its administrative objectives.

The Fund's communication aims are to:

- Tailor communications to each of our various audience groups using a variety of different tools.

- Provide timely and accurate information to all our audiences and stakeholders using plain English and avoiding unnecessary jargon.
- Provide our audiences and stakeholders with an ability to give feedback to enable the Fund to evaluate its effectiveness and improve going forward.
- Support members to enable them to make informed decisions about their pensions.
- Become a digital communication-based Fund, utilising new communication technology (web, email, My Pensions Online, i-Connect).

## 4.2 Employer newsletters

The Fund issues quarterly newsletters to all employers in the Fund. During 2024/25, four newsletters were sent to the Fund's employers. These newsletters ensure employers are kept up to date and informed about the latest topics in the Local Government Pension Scheme and include advertising material to promote the pension fund's My Pensions Online service. Topics this year included: LGA annual update bulletin, contribution bandings, year-end updates, member and employer training, pension surgeries, flexible retirement, estimate requests, advertising My Pensions Online, the LGPS Informer Document and the McCloud Remedy.

## 4.3 Active & Deferred newsletter

A newsletter was sent out to all active and deferred members in August 2024 which included instructions on how to register for My Pensions Online to access their annual benefit statements. Further communication has since been shared with scheme members via email and the Fund's website confirming how to access their online account. The purpose of the bilingual newsletter is to update members on the latest news about the Local Government Pension Scheme and other topical matters. The newsletter included articles on the McCloud Remedy, lump sum allowance, co-habiting partners, 50/50 section, cyber security and pension scams.

## 4.4 Pensioner newsletters

Pension members received their bilingual Gwent Grapevine newsletter in December. The topics in their newsletter included: pensions increase, how to register for My Pensions Online, the National Fraud Initiative, public service pension scheme membership forms, payslips and P60s, changes to address and bank details, 'Tell Us Once', tax code queries, and cyber security.

## 4.5 Member and employer training

The pension fund offers training to members and employers on a regular basis through their quarterly newsletter. During 2024/25 the Fund carried out a number of training sessions for members and employers covering the employer role, introduction to the LGPS and pension awareness events.

# 5. Value for money statement

- 5.1 The Greater Gwent (Torfaen) Pension Fund is committed to achieving and enhancing value for money to ensure that the administration functions are as efficient and cost effective as possible. The Fund is committed to investing in staff and technology to reduce costs, improve member experience and streamline administration processes to improve efficiency. The Fund continues to collaborate with the other seven LGPS funds within Wales to ensure efficiency and improve the consistency, effectiveness, communication, and administration of the services provided through the All-Wales Communication Group and Pension Officers Group.

## Pension Fund Annual Report 2022/2023

5.2 The table below illustrates the cost per scheme member and has been calculated as the total management expenses divided by the total number of scheme members.

	31 March 2025 Number of members	2024/25 Total expenses £000	2024/25 Cost per member £
<b>Membership as at 31 March 2025</b>			
Contributors	25,248		
Pensioners	21,983		
Deferred benefits	20,128		
<b>Total scheme members</b>	<b>67,359</b>		
Administrative costs		1,759	26.11
Investment management expenses		13,723	203.73
Oversight and governance costs		1,530	22.71
<b>Total management expenses</b>		<b>17,012</b>	<b>252.55</b>
<b>Total cost per scheme member including investment costs</b>			<b>252.55</b>
<b>Total cost per scheme member excluding investment costs</b>			<b>48.82</b>

5.3 The following table shows the total cost per scheme member for prior years compared to the average cost for Welsh LGPS pension funds using SF3 data:

Process	2019/20	2020/21	2021/22	2022/23	2023/24	Wales 2023/24
<b>Investment management expenses</b>						
Total Cost (£'000)	8,176	8,608	9,495	10,170	15,094	102,933
Total Membership (number)	61,120	61,942	63,452	65,372	66,357	413,455
Sub cost per member (£)	133.77	138.97	149.64	155.57	227.47	248.95
<b>Administration costs</b>						
Total Cost (£'000)	1,280	1,433	1,372	1,513	1,506	14,991
Total Membership (number)	61,120	61,942	63,452	65,372	66,357	413,455
Sub cost per member (£)	20.94	23.13	21.62	23.14	22.69	36.25
<b>Oversight and governance costs</b>						
Total Cost (£'000)	1,047	1,028	1,135	1,256	1,313	7,759
Total Membership (number)	61,120	61,942	63,452	65,372	66,357	413,455
Sub cost per member (£)	17.13	16.60	17.89	19.21	19.79	18.67
<b>Total cost per member £</b>	<b>171.84</b>	<b>178.70</b>	<b>189.15</b>	<b>197.92</b>	<b>269.95</b>	<b>303.87</b>



## 6. Dispute resolution

6.1 The Pensions Section operates a two stage Internal Dispute Resolution Procedure which can be found on the website. The website also contains links to the Pension Advisory Service and the Pensions Ombudsman:

[Internal Dispute Resolution Procedure Guide - \(IDRP\) | Greater Gwent \(Torfaen\) Pension Fund](#)

The tables below set out the number of Stage 1 and Stage 2 appeals the Fund received in 2024/25 and 2023/24.

### IDPR cases reported 2024/25

Stage	Cases submitted	Dismissed	Upheld	Ongoing
<b>1</b>	0	0	0	0
<b>2</b>	2	0	0	2

### IDPR cases reported 2023/24

Stage	Cases submitted	Dismissed	Upheld	Ongoing
<b>1</b>	1	1	0	0
<b>2</b>	1	1	0	0

## FUND POLICIES

### 1. Investment Strategy Statement

#### 1.1 Background

The 2016 LGPS investment regulations require administering authorities to prepare, publish and review from time to time a written Statement recording the investment policy of the Pension Fund (Investment Strategy Statement or ISS). The ISS documents and puts into effect the Fund's principal powers to invest in accordance with the investment regulations, but within an updated statutory framework that allows more flexibility with increased prudential responsibility in determining the investments the Fund makes. The Fund revised and published its ISS for 2024/25 which can be found on our website:

[Investment Strategy Statement | Greater Gwent \(Torfaen\) Pension Fund \[gwentpensionfund.co.uk\]](https://www.gwentpensionfund.co.uk)

The review has not resulted in any fundamental changes to the document or structure but has instead sought to articulate the revised Strategic Asset Allocation formally agreed in December 2023, together with more substantial consideration of the Fund's liquidity profile, RI and Impact Investing. The revised ISS also sets out minor modifications to the Pension Committee's investment beliefs and objectives, including increased focus on the abovementioned areas alongside greater consideration for the risks and opportunities presented by climate change.

#### 1.2 Introduction

The ISS confirms that 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 (see paragraph 3 below).

#### 1.3 The suitability of particular investments and types of investments

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. The Committee monitors the investment strategy on a regular basis, focusing on factors including, but not limited to: -

- Suitability given the Fund's level of funding and liability profile
- Potential impact of market conditions on long term levels of expected risk
- Outlook for asset returns

Within its general consideration of strategic approach, the Fund's Investment Objectives can be summarised as: -

- To enable employer contribution rates to be kept as stable, affordable and sustainable as possible
- To manage employers' liabilities effectively
- To ensure that sufficient resources are available to meet all liabilities as they fall due
- To maximise the returns from investments within reasonable risk parameters
- To ensure that all statutory payments made from the pension fund are at minimal cost to all scheme employers
- To ensure the Fund has a credible funding plan in place with the aim over the longer term of achieving full funding of all liabilities as they fall due (i.e. 100% funding)
- To aim for consistent above median investment returns over rolling 3-year periods
- To ensure that the Fund maintains sufficient levels of liquidity to meet the demands of its pension liabilities and private market investment commitments

## 1.4 Investment of money in a wide variety of investments

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed income securities and index linked bonds, cash, property, and commodities either directly or through pooled funds.

The Fund's target investment strategy is set out within this section of the ISS including the maximum percentage of total Fund value that it will invest in these asset classes, and at which point re-alignment to strategy needs to be considered. At regular intervals, and certainly at each review point of the investment strategy, projections of anticipated return and risk levels are undertaken to ensure these continue to meet the actuarial requirements versus the Fund's assessed liabilities.

## 1.5 Investment management arrangements

The ISS notes that the Committee has appointed a number of appropriately authorised external investment managers to manage the vast majority of the Fund's investments. The residual is allocated internally to manage the Fund's strategic allocations to property and cash. At present there are several investment managers appointed via individual Investment Management Agreements. 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 investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. 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.

## 1.6 The approach to risk, including the ways in which risks are to be measured and managed

The ISS includes a detailed section noting the various types of risk the Fund faces and the measures in place to mitigate those risks. The risks are analysed across multiple different headings including (but not limited to) Investment performance, LGPS pooling, liquidity and compliance with relevant legislation. As well as being included within the ISS, specific asset and provider risks are summarised within Note 17 to the Fund's Accounts on Page 98 of this report.

## 1.7 The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the Wales Pension Partnership (WPP). The Fund's intention is to invest its assets through the WPP as and when suitable Pool investment solutions become available; and provided the solution meets the Fund's investment objectives and criteria. The ISS provides details of the structure and governance arrangements of the WPP together with the collectively agreed objectives of the partnership and confirmation of the transition activity to date. While not explicitly referenced in the ISS, the Annual Report provides an indicative timetable of investable solutions expected to be made available via the WPP in the future.

## 1.8 How social, environmental, or corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention, and realisation of investments

It is recognised that ESG factors influence long term investment performance and the ability to achieve long term sustainable returns. The ISS details the Fund's approach to the consideration of ESG Factors and Sustainable Investment as well as its approach to the Stewardship of its assets. In addition, this section also reflects the views and work of the WPP in establishing its own policies and objectives. Further details of this are included within Section 2 (below) but it should be noted that this is an area under active review by the Fund's RIWG.

## 1.9 Feedback and review

The Pension Committee reviewed the Statement following the 2023/24 investment strategy review and will continue to regularly review the Statement going forward, with appropriate stakeholder consultation, including the advice of the Fund's independent investment advisors, actuary and Section 151 Officer.

## 2. Responsible Investment Policy

### 2.1 Responsible Investment ('RI')

RI is the term used to describe the incorporation of Environmental, Social and Governance (ESG) considerations into investment decision-making which, in turn, allows for better risk management and sustainable long-term returns. The Fund's approach to RI is set out within the Responsible Investment (RI) policy which is available on the Fund's website:

[Responsible Investment Policy](#)

This policy sets out the Fund's approach to RI activity. Our approach is informed by a number of widely recognised industry initiatives, most notably the aims and objectives of the Stewardship Code and Principles of Responsible Investment (PRI).

The Committee recognises that this policy, over time, will continue to evolve to reflect best practice, prospective developments and increasingly sophisticated methods of analysis and research. As such, the Committee is committed to reviewing this policy on at least an annual basis.

The Fund's purpose in developing and implementing this policy is to demonstrate to stakeholders that the Committee recognises the importance of making the Fund resilient to ESG risks and enable the appropriate steps to be taken towards this goal.

The Committee recognises that RI considerations may pose financially material risks and opportunities to investment assets held within various investment mandates. Such considerations are relevant both in the way the Fund invests its assets and in the exercise of its stewardship responsibilities. The Fund will seek to apply this RI policy to all asset classes over time, working through third parties where relevant.

Within the Fund's governance structure, the Pension Committee set up a Responsible Investment Working Group (RIWG), made up of members of the Pension Committee and Pension Board, including the Chairs of each, which has an advisory role and makes recommendations to the Committee and Local Pension Board. The remit of the RIWG focuses on a range of ESG issues, including how the Fund can best meet its fiduciary duties with the risks posed by challenges such as climate change. In order to be best placed to understand and make informed decisions about responsible and sustainable investments, the Fund's Pension Committee and Local Pension Board members continue to receive training on ESG matters from specialist advisers.

The RIWG have assisted the Pension Committee and Local Pension Board in establishing and refining the Fund's RI objectives and beliefs. These are included in full within the RI policy.

You can read the Fund's RI and Climate Change policies on our website:

[Responsible and Sustainable Investment Policy | Greater Gwent \(Torfaen\) Pension Fund](#)

You can read the Wales Pension Partnership's RI Policy on their website:

[Wales Pension Fund | Responsible Investment Policy](#)

## 2.2 Myners Compliance

In accordance with LGPS Regulations, the Fund is required to state the extent to which it complies with the principles of investment practice issued by the Government in response to the recommendations of a review of institutional investment in the UK originally undertaken by Sir Paul Myners. The original review by Myners prompted the Government in 2001 to issue 10 principles of investment practice and earlier versions of the Fund's Statement of Investment Principles showed the extent of the Fund's compliance against these.

However, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require the Fund to state the extent of compliance with a revised set of 6 Myners principles covering pension fund investment; scheme governance; consultation and disclosure. The Fund fully supports and endorses both the original and revised Myners principles that have influenced various sections of the Fund's Statement. In addition, the Fund recognises the Myners Principles on its Risk Register, and this is periodically reviewed to ensure compliance is maintained.

## 3. Governance Policy and Compliance Statement

- 3.1 The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non or partial compliance.

The key issues covered by the best practice principles are:

- Formal committee structure, membership, and representation
- The role of the Local Pension Board and membership
- Voting rights
- The role of Management
- The role of External Advisors
- The role of Audit (both Internal and External)

The Fund's Governance Compliance statement was updated in October 2023 and can be accessed here:

[Governance Policy and Compliance Statement 2023 | Greater Gwent \(Torfaen\) Pension Fund](#)

## 4. Funding Strategy Statement

- 4.1 Local Government Pension Funds are required to produce a Funding Strategy Statement (FSS) under Section 58 of the Local Government Pension Scheme Regulations 2013. Under the regulations, the administering authority must prepare, maintain, and publish a written statement setting out their Funding Strategy. The Statement includes: -

- The purpose of the Funding Strategy Statement in policy terms
- Aims and purpose of the Pension Fund
- Responsibilities of the key parties
- Solvency issues and target funding levels
- Links to the investment policy set out in the Statement of Investment Principles
- Identification of risks and counter measures

The FSS is prepared in collaboration with the Fund's Actuary, Hymans Robertson, and forms an integral part of the framework within which they carry out triennial valuations to set employers contributions and to provide recommendations on funding decisions.

## Pension Fund Annual Report 2022/2023

Following the 2022 triennial valuation, the FSS was extensively updated and revised. A refreshed (the current) iteration was published in April 2023. In summary, the key updates to the policy included:

- A revised set of funding risks following their review during the triennial valuation process
- Updates to the funding target basis, time horizons, assumed inflation rates, discount rate as well as longevity and demographic assumptions
- Recognition and update of regulation changes
- A review of the approach that the Fund will take to funding the different employer types participating in the scheme
- A new section covering detailing consideration of climate risk in the modelling when setting the funding strategy

Within these headings, the Statement sets out to establish a clear and transparent strategy, specific to the Fund, which will identify how employers' pension liabilities are best met going forward. The Strategy is geared to: -

- Ensure that sufficient resources are available to meet all liabilities as they fall due
- Manage employers' liabilities effectively
- Enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost, and
- Maximise the returns from investments within reasonable risk parameters

In accordance with regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) and as advised by the scheme actuary, the Fund also prepared two satellite policies to supplement the FSS as part of its 2022/23 review.

**The Cessation Policy** - sets out the approach to dealing with circumstances where a scheme employer leaves the Fund or becomes an exiting employer. Although each cessation event will be considered on its own merit, the purpose of this policy is to establish several principles that will apply as governed by the regulatory framework. This includes:

- A detailed summary of regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) which contains the relevant provisions regarding scheme employers leaving the Fund
- A statement of principles, setting out the Fund's preferred method of dealing with cessation events including the determination to minimise exit debts or credits, to request full payment to settle an exit debt promptly following their exit from the scheme and confirmation that the Fund will consider reasonable circumstances of the exiting employer and all options permissible within the regulations
- The Fund's approach to cessation calculations, as advised by the Actuary
- The Fund's discretion to be flexible with scheme employers in terms of how they repay any exit debt owing to the Fund. This includes consideration for written requests from exiting scheme employers to spread an exit payment over an agreed period via a debt spreading arrangement or a deferred debt arrangement; and
- The Fund's approach to the repayment of an exit credit to a scheme employer, whereby they exit the scheme with surplus assets relative to the calculated liabilities.

**The Contribution Review Policy** - has been produced to set out the Fund's approach to reviewing contribution rates between formal valuation cycles. The aim and objectives of the policy are:

- To provide scheme employers with clarity around the circumstances where contribution rates may be reviewed between formal valuations; and

- To outline specific circumstances where contribution rates will not be reviewed.

The Contribution Review Policy allows the Fund the discretion to amend scheme employer contribution rates between formal valuations in instances where 'significant change' to their liabilities or covenant have occurred. This approach is intended to allow sufficient flexibility for the Fund to act at an appropriate time whilst continuing to work with the scheme employer to support their needs.

The Contribution Review Policy sets out clearly the circumstances in which a review could occur, and the rights that scheme employers have to request such a review. The Fund will continue to be advised by the Actuary and only proceed in accordance with this advice

Further details are contained in the Fund's full FSS, which reflects the results of the Fund's most recent triennial actuarial valuation and is available on the website:

[Funding Strategy Statement](#)

[Cessation Policy](#)

[Contribution Review Policy](#)

## 5. Communications Policy Statement

- 5.1 The Fund's Communications Policy Statement (CPS) is produced under Section 61 of the LGPS Regulations 2013. It was last extensively reviewed and updated during 2020/21 to reflect several changes in respect of developing communication methods, RI activity and communication, clarity with regards to the role of both the Pension Committee and Local Pension Board and some additional formatting changes intended to enhance readability for users. The full document can be accessed here: -

[Communications Policy](#)

- 5.2 The current CPS continues to address the points below that have been noted within recent annual reports: -

- The increased complexity of the LGPS
- The increased demand from scheme employers for guidance in relation to the application of LGPS Regulations
- The increased demand from scheme employers for guidance in relation to budget restrictions and the impact on pension costs
- The increased demand from scheme members in relation to the application of the LGPS Regulations and wider pension and tax planning issues
- The increase in the level of reporting to DCLG, the Scheme Advisory Board, the Local Pension Board, and the Pensions Regulator
- The desire to make better use of the opportunities available in relation to electronic communication, including conference calls and webinars

- 5.3 The updated policy reflects the significant improvements in the area of electronic communication which have been introduced by the Fund. These include an upgrade to the Pension Fund website as well as the roll out of Employer Self Service and Member Self Service. Employer Self Service enables employers to submit year end and monthly data through a secure portal but also provides a secure means of communication between the Pension Fund and the Employers. Member Self Service enables members to view their pension records and plan more effectively for their retirement and enables the Fund to communicate with the scheme members in a secure, cost-effective manner.



- 5.4 The Policy aims remain focused on ensuring that the Fund delivers proactive communications to our stakeholders which are targeted, clear, and accessible, accurate and timely and easily understood. The Fund recognises that there is a diverse range of scheme employers within the Fund with different levels of resource and understanding of pension issues.
- 5.5 The Employer self-service facility has improved the flow of information to and from, in particular, the larger employers. However, the Fund recognises the need to maintain other forms of communication which are tailored to meet the differing needs of scheme employers including individual face to face meetings, employer forums, training workshops and guides as well as telephone and email engagement
- 5.6 The 'My Pension Online' facility has proved popular with members, particularly those who are approaching retirement as the benefit calculator enables them to plan more effectively for their retirement. The Pension Fund website is the main source of information for scheme members and can now be used effectively on different devices including smart phones and tablet devices. The Fund encourages members to utilise the electronic communication facilities whilst recognising the need to utilise other forms of communication including face to face meetings, presentations and workshops, letters, newsletters, and telephone.

## 6. Pension Fund Administration Strategy

- 6.1 The Local Government Pension Scheme (LGPS) Regulations 2013 allow Pension Fund Administering Authorities to prepare a Pensions Administration Strategy for the sole purpose of improving the administrative processes within their LGPS Fund. In discharging their roles and responsibilities under these regulations, the Fund and Scheme Employers are also required to comply with any related overriding legislation and have regard for any regulatory guidance or Code of Practice issued by the Pensions Regulator (TPR).
- 6.2 The Pension Administration Strategy sets out the requirements for liaison and communication between Scheme Employers and the Pension Fund to ensure regulatory compliance is achieved and best value service standards are delivered to scheme members and other parties.
- 6.3 The full document can be accessed here: -

[Greater Gwent \(Torfaen\) Pension Fund Administration Strategy](#)

## 7. Annual Report

- 7.1 Section 57 of the LGPS Regulations 2013 requires the administering authority to publish a Pension Fund annual report; something we have always done. The regulations also prescribe their content. Recent regulation within Wales also provides external auditors with the means to undertake separate audits of LGPS pension funds. Advice from the Ministry for Housing, Communities and Local Government is that in meeting this policy objective, care has been taken to ensure that as far as possible, the way in which administering authorities already prepare and publish Fund annual reports can continue as before. With this in mind, although regulation 76B (1) requires an administering authority to prepare a document including the items listed in regulation 76(B) (a) to (k), primarily for the use of external auditors, new regulation 76(B) (2) also refers to the reports being published which, in the context of the regulation as a whole, enable an authority to "signpost" the individual items in a simpler document, as an alternative to the hard copy report.
- 7.2 The Fund has therefore included in the annual report a summary of the required key documents which are available in full using this hyperlink to the Pension Fund website: -

[Forms and Publications | Greater Gwent \(Torfaen\) Pension Fund](#)

## Greater Gwent (Torfaen) Pension Fund (the Fund) Actuarial Statement for 2024/25

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the administering authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated April 2023. In summary, the key funding principles are as follows:

- 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 dependents
- Use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- 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

The FSS sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. 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 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 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 as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £3,768 million, were sufficient to meet 97% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £118 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. 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 FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

#### 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.

# Pension Fund Annual Report 2022/2023

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

Financial assumptions	31 March 2022
Discount rate	4.3% pa
Salary increase assumption	3.2% pa
Benefit increase assumption (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% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	20.7 years	23.5 years
Future Pensioners*	21.7 years	25.3 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the administering authority to the Fund and on the Fund's website.

## Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025 and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

Jamie Baxter FFA C.Act

09 May 2025

For and on behalf of Hymans Robertson LLP

## The report of the Auditor General for Wales to the members of Torfaen Council Borough Council as administering authority for Greater Gwent (Torfaen) Pension Fund

### Opinion on financial statements

I have audited the financial statements of Greater Gwent (Torfaen) Pension Fund for the year ended 31 March 2025 under the Public Audit (Wales) Act 2004. Greater Gwent (Torfaen) Pension Fund financial statements comprise the fund account, the net assets statement, and the related notes, including the 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 2024-25.

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 2025, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

### Basis for 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.

## Report on other requirements

### 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 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 set out on page 1, 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 Greater Gwent (Torfaen) 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 Greater Gwent (Torfaen) 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, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Greater Gwent (Torfaen) 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.
  - Obtaining an understanding of Greater Gwent (Torfaen) Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Greater Gwent (Torfaen) 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 Greater Gwent (Torfaen) 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, the audit committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the administering authority;
- 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; and

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 Greater Gwent (Torfaen) 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](http://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 Greater Gwent (Torfaen) Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales's Code of Audit Practice.



Adrian Crompton  
Auditor General for Wales  
Date: 19.11.25

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

### **Electronic publication of financial statements**

*The maintenance and integrity of the Greater Gwent (Torfaen) Pension Fund website is the responsibility of the Accounting Officer; the work carried out by the 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.*

## Pension Fund Accounts

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# Pension Fund Accounts 2024/2025

## Fund Account for the Year Ended 31 March 2025

	Note	2023/2024 £000	2024/2025 £000
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions	7	(168,556)	(179,461)
Transfers in from other pension funds	8	(11,751)	(11,933)
		(180,307)	(191,394)
Benefits	9	158,937	175,015
Payments to and on account of leavers	10	8,887	18,741
Other payments	13b	2,760	19,811
		170,584	213,567
<b>Net (additions)/withdrawals from dealings with members</b>		<b>(9,723)</b>	<b>22,173</b>
Management expenses	11	17,913	17,012
<b>Net (additions)/withdrawals including fund management expenses</b>		<b>8,190</b>	<b>39,185</b>
<b>Returns on investments</b>			
Investment income	12	(60,933)	(70,582)
Profit and losses on disposal of investments and changes in the market value of investments	14a	(432,970)	(168,593)
<b>Net return on investments</b>		<b>(493,903)</b>	<b>(239,175)</b>
<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>(485,713)</b>	<b>(199,990)</b>
<b>Opening net assets of the scheme</b>		<b>(3,762,878)</b>	<b>(4,248,591)</b>
<b>Closing net assets of the scheme</b>		<b>(4,248,591)</b>	<b>(4,448,581)</b>

## Net Assets Statement for the Year Ended 31 March 2025

	Note	2023/24 £000	2024/25 £000
Investment assets	14	4,241,369	4,438,421
Investment liabilities	14	-	-
<b>Total net investments</b>		<b>4,241,369</b>	<b>4,438,421</b>
Current assets	20	15,278	16,447
Current liabilities	21	(8,056)	(6,287)
<b>Net assets of the Scheme available to fund benefits at 31 March</b>		<b>4,248,591</b>	<b>4,448,581</b>

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at Note 19.

## NOTES TO THE ACCOUNTS

### 1. Description of Fund

The Greater Gwent (Torfaen) Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Torfaen County Borough Council.

The following description of the Fund is designed to be a summary only. For more detail, reference should be made to the 'signposting' to the Fund's statutory documentation on pages 61 to 67.

#### 1.1 General

The Fund is governed by the Public Service Pension Act 2013 and 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

The Fund is an occupational, contributory, defined benefit pension scheme for pensionable employees of local authorities in Greater Gwent, except for teachers who have a separate scheme. Employees of a range of other organisations providing public services in Greater Gwent are also allowed to join the Fund as scheduled or admitted bodies. The scheme is financed by contributions paid by the employees, their employers, and earnings from the investment of the Fund's money. The type of investment is decided by legislation and not by the local authorities.

As administering authority, Torfaen County Borough Council is responsible for interpreting all pension laws, keeping accurate records, calculating, and paying benefits, and providing information to employees, employers, and other relevant bodies. Torfaen County Borough Council has established within its Constitution a Pension Committee to discharge its duties as administering authority of the Fund. The Fund's primary stakeholder representative body is its Local Pension Board. The Public Service Pensions Act 2013, and subsequently the LGPS (Amendment) (Governance) Regulations 2015, required all LGPS funds to form such a Board. As with the Pension Committee, the Local Pension Board is formally established within the Council's constitution. The Board has a statutory role to assist the Council in its role as the Scheme Manager of the pension fund.

#### 1.2 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 of the scheme.

Organisations participating in the Greater Gwent (Torfaen) Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer.

There are 53 active employer organisations within the Greater Gwent (Torfaen) Pension Fund, including the administering authority itself. The table below provides some further details in terms of membership.

# Pension Fund Accounts 2024/2025

## Fund Membership

	Active Members 31/03/24	Active Members 31/03/25
<b>Administering Authority</b>		
Torfaen CBC	3,244	3,280
<b>Current Scheduled Bodies</b>		
Blaenau Gwent CBC	2,772	2,796
Caerphilly CBC	7,246	7,099
Monmouthshire CC	3,612	3,531
Newport City Council	4,501	4,649
Valuation Panel	9	11
Coleg Gwent	681	665
Chepstow Town Council	11	10
Brynmawr Town Council	1	1
Chief Constable (Gwent)	1,010	952
Police & Crime Commissioner (Gwent)	18	25
Caldicot Town Council	2	3
Nantyglo & Blaina Town Council	2	1
Monmouth Town Council	3	3
Gwent Cremation Committee	11	9
Cwmbran Community Council	9	9
Pontypool Community Council	9	9
Tredegar Town Council	2	2
Rogerstone Community Council	5	5
Bargoed Town Council	2	2
Portskewett Community Council	1	1
Shirenewton Community Council	1	1
Magor with Undy Community Council	2	3
Llanfoist Fawr Community Council	1	1
BTM CC	2	2
Abertillery & Llanhillith Community Council	2	3
Abergavenny Town Council	3	3
Croesyceiliog & Llanyrafon Community Council	2	2
Shared Resource Service	230	233
Llanbradach & Pwll-y-pant Community Council	1	1
Vann Community Council	1	1
Rogiet Community Council	1	1
Blaenavon Town Council	2	2
Deavuden Community Council	0	1
<b>Deemed Bodies</b>		
Newport Transport	5	3
<b>Admitted Bodies</b>		
Careers Wales Gwent	107	101
Citizen Advice Bureau Caerphilly	5	3
Hafod Care <sup>10</sup>	4	0
Archives	16	19
Monmouthshire Housing	208	205
Bron Afon <sup>11</sup>	254	0
Newport City Homes	386	431
Tai Calon	158	141

<sup>10</sup> Ceased participation in the scheme on 31 March 2024

<sup>11</sup> Ceased participation in the scheme on 31 July 2024

# Pension Fund Accounts 2024/2025

	Active Members 31/03/24	Active Members 31/03/25
<b>Admitted Bodies continued</b>		
Drive	2	2
Vinci	1	1
Compass Catering	13	11
National Trust	2	0
EAS	65	66
Just Perfect Catering	7	5
Churchill	3	3
Torfaen Leisure Trust	219	192
NCS Norse	133	137
Life Leisure	294	307
Newport Live	294	280
Alliance in Partnership	1	0
Radis	31	21
Arwen Cultural Trust	3	3
<b>Total Active Membership</b>	<b>25,610</b>	<b>25,248</b>
<b>Total Deferred Members</b>	<b>19,700</b>	<b>20,128</b>
<b>Total Pensioners and Dependants</b>	<b>21,047</b>	<b>21,983</b>
<b>Total Membership</b>	<b>66,357</b>	<b>67,359</b>

## 1.3 Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uplifted annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the Fund website: [Home | Greater Gwent \(Torfaen\) Pension Fund](#)

## 1.4 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 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 which set employer contribution rates from 1 April 2023. Currently, employer contribution rates range from 0% to 49.4% of pensionable pay.

## 2. Basis of preparation

- 2.1 The statement of accounts summarises the Fund's transactions for the 2024/25 financial year and its financial position at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) 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.
- 2.2 The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they consider the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 19.

## 3. Summary of significant accounting policies

### 3.1 Fund Account – Revenue Recognition

The Fund Account is prepared on an accruals basis unless otherwise stated below.

#### i) Contribution Income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll 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 scheme actuary or on receipt if earlier than the due date.

Early retirement strain costs due from employers are accounted for in the period in which the liability arises, with any amount due in year but unpaid classed as a current financial asset.

#### ii) Transfers To and From Other Schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfer values are accounted for on a cash basis due to the liabilities not transferring until payments are made or received.

Group (bulk) transfers are accounted for on an accrual's basis in accordance with the terms of the agreement.

Annual allowance tax charges that are paid to HMRC by the Fund on behalf of employees are accounted for as transfers out as their benefits are reduced accordingly.

#### iii) Investment Income

- Interest income from cash deposits is recognised in the fund account on an accrual's basis.
- 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.
- Income earned within the pooled investments is retained by the fund manager as part of the capital assets of the fund and reflected in a higher unit price, with the following exceptions:
  - a) The Fidelity Multi Asset Income Fund generates income distributions; this income is currently reinvested by the fund manager each month as a purchase of additional units.
  - b) The Wales Pension Partnership distributes income earned within the funds on its ACS platform when there is sufficient income to do so; this income is reinvested as a purchase of additional units in the fund, which thereby increases the market value of assets.
  - c) Dividends are paid out by most of the property pooled funds held by the Fund either monthly or quarterly.
- Any accrued dividend entitlements and tax reclaims receivable as at 31 March are included in 'other investment balances' and disclosed in the investment assets.
- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

## 3.2 Fund Account – Expense Items

### i) Benefits Payable

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the financial year. Pensions and lump-sum benefits payable include all amounts due as at 31<sup>st</sup> of March in any year. The Fund does not normally account for, or disclose the effects on, benefits payable of any former employee decisions that occur post 24<sup>th</sup> of April in any year, unless the total value is material.

The Fund's financial statements do not include CAY (Compensatory Added Years), and the related pension increases as the pension fund acts as an agent for the employing authority when making these payments.

### ii) Management Expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016)'. All items of expenditure are charged to the Fund on an accruals basis as follows.

#### ▪ Administrative Expenses

All staff costs of the pension administration section are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as administrative expenses of the Fund in accordance with council policy.

#### ▪ Oversight and Governance Costs

All costs associated with governance and oversight are separately identified, apportioned to this activity, and charged as expenses to the Fund. This figure also includes the cost of our involvement in the LGPS pooling collaboration in Wales via the Wales Pension Partnership. Further details on the Wales Pension Partnership can be found on page 27 and in Note 13(a) on page 89.

#### ▪ Investment Management Expenses

Investment management expenses 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. Fees charged 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. In addition, the Fund has negotiated with Fidelity International that an element of their fees be performance related. Where an investment manager's fee invoice has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2024/25 £3.37m of management expenses are based on such estimates (£0.04m in 2023/24) primarily due to increased investment in private markets where current fee information is not available as at the Fund's year end date.

#### ▪ Transaction Costs

Transaction costs are associated with the acquisition or disposal of fund assets. Explicit costs typically include the commission that a broker charges, clearing costs, exchange fees, or any taxes or levies payable. Implicit transaction costs arise from the bid-offer spread, which is the difference between the highest price that a buyer is willing to pay for an asset and the lowest price that a seller is willing to accept. The Fund is working with the Scheme Advisory Board on a cost transparency initiative to identify and report these costs in a future disclosure note to reflect the true cost of ownership. Transaction costs incurred by a pooled fund are reflected in the value of purchases and sales in the reconciliation of movements in investments table (see Note 14a).

## ▪ **LGPS Code of Transparency**

The Scheme Advisory Board (SAB) launched the LGPS Code of Transparency in 2017. The objectives of the Code are consistent with CIPFA's accounting standards for administering authorities' statutory annual reporting and the government's criteria for LGPS investment pooling. Under the Code, investment managers are required, in a timely manner, to provide portfolio information in prescribed format to ensure clarity, transparency, consistency and comparability across the LGPS in accordance with the Cost Transparency Initiative (CTI).

All the Fund's investment managers are signatories to the Code and have provided CTI templates that demonstrate a comprehensive list of direct and indirect management costs charged throughout the year.

In accordance with year-end processes, a review of CTI template data is undertaken, and any queries are raised with the respective investment managers to ensure that all costs (direct and indirect) associated with the management of Fund capital have been recorded and reported accurately.

## iii) **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.

The Fund operates in the VAT registration for Torfaen County Borough Council and the accounts are shown exclusive of VAT. We can recover VAT input tax on all Fund activities.

## 3.3 **Net assets statement**

### i) **Financial Assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades not settled as at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments in Note 14(a). 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 requirements of the Code and IFRS 13 (see Note 16). 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).

### ii) **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. The administering authority has the option of investing fixed term in specified investments or alternatively in instant access money market fund accounts, in accordance with the Fund's Cash Management Strategy which is reviewed and approved annually by the Pension Committee. (The lending party is the pension fund rather than Torfaen County Borough Council as administering authority).



## iii) **Financial Liabilities**

A financial liability is recognised in the net assets 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 or 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.

## 3.4 **Wales Pension Partnership**

The Wales Pension Partnership (WPP) is an established LGPS pool. A Joint Governance Committee formed from Elected Member representatives of the eight participating Constituent Authorities governs the WPP and a regulated third-party operator, Waystone, has been appointed to administer the pooling arrangements. There is no direct investment in the third party and therefore no investment balance. Each Fund retains responsibility for its own funding requirements and investment strategy but then uses the WPP to implement its investment requirements thereby aiming to achieve economies of scale in fees. The costs of running the WPP are shared by the eight partners (see Note 13(a) page 89).

## 3.5 **Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19, page 107).

## 3.6 **Additional Voluntary Contributions**

The Greater Gwent (Torfaen) 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. The Fund has appointed Standard Life and Clerical Medical as its AVC providers. Some AVC contributions from prior years are also held with Equitable Life who were taken over by Utmost Life and Pensions in January 2020. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the 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 in Note 22, page 109.

## 3.7 **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 date 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.

## 4. Critical judgement in applying accounting policies

### 4.1 Pension Fund Liability

The triennial valuation of the Fund carried out under Regulation 62 of the LGPS Regulations 2013 differs from the IAS19 annual valuations of the promised retirement benefits at the balance sheet date. The pension fund valuation is calculated every three years by the appointed actuary. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 18, page 106. This estimate is subject to significant variances based on changes to the underlying assumptions. The Code requires disclosure of the actuarial value of promised retirement benefits for the whole Fund at balance sheet date. See paragraph 3.5 above and Note 19, page 107. Since this depends upon several complex judgements, an actuary advises on the assumptions employed and carries out the calculation.

The assumptions employed for IAS19 accounting purposes can differ from those employed for the triennial valuation of the Fund and could affect the value calculated.

## 5. Assumptions made about the future and other major sources of estimation uncertainty

5.1 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 the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	<p>Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets.</p> <p>The Fund's Actuary, Hymans Robertson, is engaged to provide the Fund with expert advice about the assumptions to be applied. They also provide a sensitivity analysis.</p>	<p>The sensitivity to the financial assumptions used to measure the pension fund liabilities can be measured. For the year ended 31 March 2025; a 0.1% decrease in the discount rate assumption would increase the value of liabilities by approximately £65m; a 0.1% increase in assumed salary inflation would increase the value of liabilities by approximately £4m; and a 0.1% increase in the pension increase rate would increase the liabilities by approximately £61m.</p> <p>The principal demographic assumption is the longevity assumption, and for sensitivity purposes a 1-year increase in life expectancy would approximately increase the liabilities by c. 4% or £143m.</p>

## Pension Fund Accounts 2024/2025

Item	Uncertainties	Effect if actual results differ from assumptions
Level 3 investments (Note 15)	<p>Level 3 investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>Obtaining a timely valuation is an issue with private funds where the valuation of investment vehicles is often 'stale' due to the unavailability of current pricing information as at the Fund's year end date. Valuations as of 31 March are by necessity estimated and may not fully reflect the performance of the vehicles underlying portfolio of investments.</p>	<p>The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments is £538.648m as of 31 March 2025. The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 15.</p>

### 6. Events after the reporting date

- 6.1 The accounting statements are required to reflect the conditions applying at the end of the financial year; however, the Fund investment assets will move in line with the value of securities quoted on world stock exchanges which could increase or decrease. As the pension fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2025 and the date that the accounting statements are authorised for issue. This is known as a non-adjusting event after the reporting period.

## 7. Contributions receivable

7.1 The primary employer contribution rates for the Fund for 2024/25 ranged from 0% to 49.4% of pensionable pay for individual employers. Also payable is the secondary rate which is made up of additional lump sums or contribution rates applicable, again to individual employers. During the year some employers have paid additional contributions over and above the rate set for them by the Actuary. The deficit recovery contribution (i.e., the secondary rate) contains lump sum payments and contributions paid over the primary rates.

### By category

2023/24		2024/25
£000		£000
(35,913)	Employees normal contributions	(37,107)
(209)	Employees 50:50 contributions	(214)
(17)	Employees additional contributions	(25)
<b>(36,139)</b>	<b>Total Employees contributions</b>	<b>(37,346)</b>
(111,071)	Employers normal contributions	(115,583)
(19,470)	Employers deficit recovery contributions	(24,203)
(1,876)	Employers augmentation contributions	(2,329)
<b>(132,417)</b>	<b>Total Employers contributions</b>	<b>(142,115)</b>
<b>(168,556)</b>	<b>Total contributions receivable</b>	<b>(179,461)</b>

### By type of employer

2023/24		2024/25
£000		£000
(23,638)	Administering Authority	(25,102)
(130,086)	Scheduled bodies	(140,991)
(42)	Deemed bodies	(40)
(14,790)	Admitted bodies	(13,328)
<b>(168,556)</b>		<b>(179,461)</b>

# Pension Fund Accounts 2024/2025

## Contributions received in 2024/25 split by employers and employees

Authorities	Employees Contributions £000	Employers Contributions £000	Total Contributions £000	Benefits Payable £000
<b>Administering Authority</b>	4,980	20,122	25,102	24,141
Torfaen CBC				
<b>Scheduled Bodies</b>				
Blaenau Gwent CBC	3,921	17,248	21,169	21,475
Caerphilly CBC	9,867	39,625	49,492	42,147
Monmouthshire CC	4,756	19,246	24,002	20,144
Newport City Council	6,237	23,731	29,968	27,002
Valuation Panel	27	92	119	43
Coleg Gwent	1,016	3,447	4,463	4,338
Coleg Gwent Training	0	0	0	19
Chepstow Town Council	13	48	61	22
Brynmawr Town Council	1	0	1	10
Gwent Police Authority	0	0	0	2,254
Chief Constable (Gwent)	2,223	6,416	8,639	3,428
Police & Crime Comm (Gwent)	88	223	311	154
Gwent Magistrates	0	0	0	516
Caldicot Town Council	6	13	19	19
Nantyglo & Blaina Town Council	3	10	13	10
Monmouth Town Council	6	20	26	11
Gwent Cremation Committee	16	26	42	160
Cwmbran Community Council	15	55	70	57
Pontypool Community Council	15	55	70	89
Tredegar Town Council	3	8	11	6
Rogerstone Community Council	9	34	43	49
Bargoed Town Council	2	8	10	11
Portskewett Community Council	1	2	3	2
Shirenewton Community Council	1	3	4	2
Henllys Community Council	0	0	0	1
Magor with Undy Com Council	3	17	20	41
Caerwent Community Council	0	0	0	5
Llanfoist Fawr Community Council	1	2	3	0
Croesyceiliog & LLanyrafon CC	1	7	8	3
Abergavenny TC	5	15	20	0
BTM Community Council	3	10	13	0
Abertillery & LLanhilleth CC	5	19	24	0
Shared Resource Service	566	1,774	2,340	586
Llanbradach & Pwl-y-pant CC	1	3	4	0
Vann Community Council	1	2	3	0
Rogiet Community Council	1	4	5	0
Blaenavon Town Council	3	11	14	0
Devauden Community Council	0	1	1	0
<b>Former Scheduled Bodies</b>				
Gwent County Council	0	0	0	9,143
Commission for New Towns	0	0	0	508
<b>Deemed Bodies</b>				
Islwyn Transport	0	0	0	173
Newport Transport	9	31	40	1,127

# Pension Fund Accounts 2024/2025

## Contributions received in 2024/25 split by employers and employees

Authorities	Employees Contributions £000	Employers Contributions £000	Total Contributions £000	Benefits Payable £000
<b>Admitted Bodies</b>				
Big Pit	0	0	0	16
Melin Homes (formerly EVHA)	0	0	0	353
Careers Wales Gwent	205	740	945	1,215
Citizen Advice Bureau Caerphilly	13	173	186	111
Mitie (formerly Ballast)	0	0	0	15
CWVYS	0	3	3	25
Canllaw	0	0	0	69
Capita Gwent Consultancy	0	0	0	2,091
Hafod Care	0	0	0	562
Archives	31	64	95	203
Monitor	0	0	0	28
OCS Ex Monmouth CC	0	0	0	17
OCS Ex UWN	0	0	0	4
United Response	0	0	0	37
Monmouthshire HA	458	1,119	1,577	1,016
Bron Afon <sup>12</sup>	200	733	933	4,231
Newport City Homes	981	2,127	3,108	2,018
Tai Calon	360	1,330	1,690	2,241
Manpower UK Ltd	0	0	0	4
DRIVE	4	0	4	17
Regent Ex Mon CC	0	0	0	4
Regent Ex Monmouth Cluster	0	0	0	1
Regent Ex Abergavenny Cluster	0	0	0	5
Regent Ex Chepstow Cluster	0	0	0	10
Vinci	2	14	16	1
Compass Catering Newport	9	0	9	259
Compass Catering St Albans	0	0	0	6
National Trust	1	53	54	68
Barnardo's	0	0	0	33
Education Achievement Service	271	843	1,114	427
Just Perfect Catering	5	13	18	0
Caterlink NCC Caerleon	0	0	0	17
Caterlink NCC Newport High	0	0	0	5
Churchill	3	0	3	10
Monwell Ltd	0	0	0	74
Torfaen Leisure Trust	104	328	432	210
Borough Theatre	0	0	0	18
NCS – Norse	280	818	1,098	861
NPS – Newport	0	0	0	33
Life Leisure	284	646	930	459
Newport Live	288	686	974	261
Alliance in Partnership	0	0	0	3
Glyncoed Catering	0	0	0	6
Radis	36	86	122	256
Arwen Cultural Trust	6	11	17	19
<b>Totals</b>	<b>37,346</b>	<b>142,115</b>	<b>179,461</b>	<b>175,015</b>

<sup>12</sup> Contribution totals to 31 July 2024

## Pension Fund Accounts 2024/2025

### 8. Transfers in from other pension funds

2023/24		2024/25
£000		£000
(11,751)	Individual transfers	(11,933)
<b>(11,751)</b>		<b>(11,933)</b>

### 9. Benefits payable

#### By category

2023/24		2024/25
£000		£000
121,660	Pensions	133,973
30,300	Commutation of pensions and lump sum retirement benefits	34,736
4,593	Lump sum death benefits	3,352
2,384	Additional allowances	2,954
<b>158,937</b>		<b>175,015</b>

#### By type of employer

2023/24		2024/25
£000		£000
22,922	Administering Authority	24,141
121,524	Scheduled Bodies	132,255
1,117	Deemed Bodies	1,300
13,374	Admitted Bodies	17,319
<b>158,937</b>		<b>175,015</b>

### 10. Payments to and on account of leavers

2023/24		2024/25
£000		£000
461	Refunds to members leaving service	417
(1)	Payments for members joining state scheme	(1)
8,427	Individual transfers	18,325
<b>8,887</b>		<b>18,741</b>



## 11. Management expenses

2023/24		2024/25
£000		£000
1,506	Administrative costs	1,759
15,094	Investment management expenses	13,723
1,313	Oversight and governance costs	1,530
<b>17,913</b>		<b>17,012</b>

### a) Investment management expenses

2024/25	Total	Management fees	Performance related fees	Transaction costs
	£000	£000	£000	£000
Pooled investments	13,075	13,075	-	-
Pooled property investments	306	306	-	-
	13,381	13,381	-	-
Custody fees	342			
<b>Total</b>	<b>13,723</b>			

2023/24	Total	Management fees	Performance related fees	Transaction costs
	£000	£000	£000	£000
Pooled investments	14,502	14,502	-	-
Pooled property investments	278	278	-	-
	14,780	14,780	-	-
Custody fees	314			
<b>Total</b>	<b>15,094</b>			

Transaction costs incurred within underlying holdings of pooled vehicles reduce the market value of our holding and are not a direct cost to the Fund.

Management expenses for pooled investments include the costs of joining additional private market investments during the period. These costs include partnership expenses associated with set up and operation as well as equalisation payments, which were payable in 2023/24 but not applicable in 2024/25. In the context of alternative investment funds, the equalisation process is an accounting methodology which enables each individual investor, or group of investors, who invest in a fund over the course of its lifetime to be individually assessed for their own incentive fee liability and charged accordingly. Equalisation receipts and payments ensure that all Limited Partners are treated as if they had been admitted to the Partnership at the first closing date and are expected to be offset by the investment performance of these investments over time.

## 12. Investment income

2023/24		2024/25
£000		£000
(55,690)	Pooled investments	(66,650)
(2,012)	Pooled property investments	(2,285)
(3,231)	Interest on cash deposits	(1,647)
<b>(60,933)</b>		<b>(70,582)</b>

Interest received on cash deposits decreased during 2024/25 as liquidation proceeds received in 2023/24 were reinvested in line with the Fund's strategic asset allocation.

## 13. Other fund account disclosures

### a) Wales Pension Partnership

2023/24	2024/25
£000	£000
<b>WPP oversight and governance costs</b>	
343 Operator fees	415
204 Set up and oversight costs	217
22 Host Authority costs	23
<b>WPP investment management expenses</b>	
4,438 Fund management fees	4,919
289 Depositary and custody fees	316
<b>5,296</b>	<b>5,890</b>

For further information on costs for the Wales Pension Partnership please refer to the Asset Pooling section on page 27.

### b) Other payments

2023/24	2024/25
£000	£000
2,760 Cessation Payment	19,811
<b>2,760</b>	<b>19,811</b>

On the 31 March 2024 and 31 July 2024 two of our admitted bodies, Hafod and Bron Afon left the Fund. The Fund's Actuary carried out cessation calculations in accordance with the Funding Strategy Statement and determined that a surplus was due to be repaid to each of these employers which were paid in December 2024.

## 14. Investments

Value at 31.03.24 bid price £000		Value at 31.03.25 bid price £000
<b>Investment assets</b>		
<b>Pooled funds</b>		
508,844	Fixed Income	528,328
1,123,224	Acs World Low Carbon Equity Tracker	1,048,723
250,610	European Equity	224,506
817,025	Global Equity	856,094
569,887	UK Equity	607,320
278,279	Asian Equity	311,945
104,080	Global Emerging Markets Equity	107,040
111,046	Multi Asset Funds	115,809
95,553	Private Credit	182,561
181,407	Infrastructure	356,087
4,039,955		4,338,413
<b>Other investments</b>		
70,239	Pooled Property Investments	71,688
70,239		71,688
129,346	Cash deposits	27,434
1,829	Investment income due	886
131,175		28,320
<b>4,241,369</b>	<b>Total investment assets</b>	<b>4,438,421</b>
<b>Investment liabilities</b>		
-	Amounts payable for purchases	-
<b>-</b>	<b>Total investment liabilities</b>	<b>-</b>
<b>4,241,369</b>	<b>Total investment assets</b>	<b>4,438,421</b>

## Pension Fund Accounts 2024/2025

### a) Reconciliation of movements in investments

Period 2024/25	Market Value 31 March 2024	Purchases during the year	Sales during the year	Investment management expenses deducted at source	Change in value during the year	Market Value 31 March 2025
	£000	£000	£000	£000	£000	£000
Pooled investments	4,039,955	334,265	(189,741)	(13,223)	167,157	4,338,413
Pooled property investments	70,239			13	1,436	71,688
	<b>4,110,194</b>	334,265	(189,741)	(13,210)	168,593	<b>4,410,101</b>
Other investment balances:						
• Cash deposits	129,346					27,434
• Investment income due	1,829					886
<b>Net investment assets</b>	<b>4,241,369</b>				<b>168,593</b>	<b>4,438,421</b>

Period 2023/24	Market Value 31 March 2023	Purchases during the year	Sales during the year	Investment management expenses deducted at source	Change in value during the year	Market Value 31 March 2024
	£000	£000	£000	£000	£000	£000
Pooled investments	3,663,359	382,649	(431,839)	(9,143)	434,929	4,039,955
Pooled property investments	72,198				(1,959)	70,239
	<b>3,735,557</b>	382,649	(431,839)	(9,143)	432,970	<b>4,110,194</b>
Other investment balances:						
• Cash deposits	20,014					129,346
• Investment income due	703					1,829
<b>Net investment assets</b>	<b>3,756,274</b>				<b>432,970</b>	<b>4,241,369</b>

## Pension Fund Accounts 2024/2025

### b) Investments analysed by Fund Manager

Market value 31 March 2024		Fund Manager	Market value 31 March 2025	
£000	%		£000	%
<b>Investments managed by the Wales Pension Partnership</b>				
1,978,810	46.6	Russell Investments	2,134,019	48.0
36,209	0.9	GCM Grosvenor	77,975	1.8
17,523	0.4	Octopus Renewables	30,674	0.7
-	-	CBRE	20,448	0.5
-	-	IFM Investors	54,052	1.2
2,950	0.1	Capital Dynamics	4,393	0.1
<b>2,035,492</b>	<b>48.0</b>		<b>2,321,561</b>	<b>52.3</b>
<b>Investments managed outside of the Wales Pension Partnership</b>				
1,373,852	32.4	BlackRock <sup>13</sup>	1,273,296	28.7
278,279	6.6	Invesco Perpetual	311,945	7.0
146,029	3.4	Fidelity International	150,130	3.4
70,239	1.7	Pooled Property Funds (various)	71,688	1.6
74,010	1.7	Gresham House	103,925	2.3
81,596	2.0	Invesco Credit Partners	113,003	2.5
50,715	1.2	Quinbrook	64,620	1.5
129,328	3.0	Cash at Administering Authority	27,367	0.6
1,829	0.0	Other investment balances	886	0.1
<b>2,205,877</b>	<b>52.0</b>		<b>2,116,860</b>	<b>47.7</b>
<b>4,241,369</b>	<b>100</b>	<b>Total</b>	<b>4,438,421</b>	<b>100</b>

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

	Market value 31 March 2024 £000	% of total fund	Market value 31 March 2025 £000	% of total fund
BlackRock ACS World Low Carbon Equity Tracker	1,123,224	26.5	1,048,723	23.6
WPP Global Opportunities Fund	646,496	15.2	685,246	15.4
WPP UK Opportunities Fund	569,887	13.5	607,320	13.7
Invesco Perpetual Asian Equity Fund	278,279	6.6	311,945	7.0
WPP Global Credit Fund	254,390	6.0	266,269	6.0
WPP Global Government Bond Fund	254,454	6.0	262,059	5.9
Blackrock Ascent Life European Equity Fund	250,610	5.9	224,506	5.1
<b>Total value of investments</b>	<b>4,241,369</b>		<b>4,438,421</b>	

<sup>13</sup> Includes the Low Carbon Tracker Equity Fund which was a pre-pooling investment initiative whereby the 8 Welsh LGPS funds issued a joint procurement exercise and appointed Blackrock as the manager to manage the passive equity mandates

### 15. Fair value – basis of valuation

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

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

**Level 1** – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund does not hold any level 1 assets as all equities are held within pooled fund arrangements.

**Level 2** – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data. Level 2 is deemed the most appropriate classification where an investment vehicle is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. The pooled funds, including the WPP ACS held by the Fund at the reporting date, fall into this category as they are not exchange traded and the valuations are based on the quoted prices of the underlying holdings.

**Level 3** – this classification incorporates the [financial assets](#) and [liabilities](#) which are considered to be the most [illiquid](#) and hardest to value, and where fair value for these assets cannot be determined by using readily observable inputs or measures, such as market prices or models. . Instead, they are calculated using valuation techniques which are open to interpretation and detailed within the table below.

# Pension Fund Accounts 2024/2025

## Basis of valuations and estimation techniques

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Pooled Investments - Equity Funds UK and Overseas</b>	Level 2	The NAV is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
<b>Pooled Investments - Fixed Income Funds UK and Overseas</b>	Level 2	The NAV is calculated based on the market value of the underlying fixed income securities.	Evaluated price feeds	Not required
<b>Pooled Investments - Multi Asset Funds</b>	Level 2	The NAV is calculated based on the market value of the underlying investments and financial instruments.	Evaluated price feeds	Not required
<b>Pooled Investments - Property Funds</b>	Level 2	Closing bid price where bid and offer prices are published, closing single price where single price published.	A combination of the comparable method of valuation and the residual method of valuation.	Not required
<b>Pooled Investments - Private Credit Funds</b>  Methods used to estimate fair value may vary between funds, but estimation techniques are broadly consistent.	Level 3	Valuation techniques are used in accordance with U.S. GAAP to measure fair value that is consistent with market approach and/or income approach, depending on the type of security and the circumstance.	Private investments are fair valued initially based upon transaction price excluding expenses. The market approach uses prices generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.	The preparation of financial statements requires managers to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
<b>Pooled Investments - Infrastructure Funds</b>  Methods used to estimate fair value may vary between funds, but estimation techniques are broadly consistent.	Level 3	Methods used to estimate fair value typically include an income approach such as the discounted projected cash flow method using expected future cash flows to calculate present values. The Investment Manager will use its judgement in arriving at appropriate discount rates based on their knowledge of the market.	A range of sources will be reviewed including macroeconomic forecasts, discount rates applicable to comparable asset classes, observable market and technical data. Managers consider factors like interest rates, market conditions, and property-specific risks. Assets that are currently not operational are valued at cost.	The preparation of financial statements requires managers to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



## Pension Fund Accounts 2024/2025

### Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024 and 31 March 2025.

	Potential variation in fair value (+/-)	Value at 31 March 2025 £000	Potential value on increase £000	Potential value on decrease £000
Pooled Investments – Private Credit	7.62%	182,561	196,472	168,650
Pooled Investments – Infrastructure	14.53%	356,087	407,826	304,348
<b>Total</b>		<b>538,648</b>	<b>604,298</b>	<b>472,998</b>

	Potential variation in fair value (+/-)	Value at 31 March 2024 £000	Potential value on increase £000	Potential value on decrease £000
Pooled Investments – Private Credit	8.79%	95,553	103,952	87,154
Pooled Investments – Infrastructure	13.56%	181,407	206,006	156,808
<b>Total</b>		<b>276,960</b>	<b>309,958</b>	<b>243,962</b>

### a) Fair value hierarchy

The following tables provide an analysis of the assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable. This excludes cash deposits and other investment balances and liabilities.

	Quoted market price <b>Level 1</b> £000	Using observable inputs <b>Level 2</b> £000	With significant unobservable inputs <b>Level 3</b> £000	<b>Total</b> £000
<b>Values at 31 March 2025</b>				
Financial assets at fair value through profit and loss	-	3,871,453	538,648	4,410,101
<b>Net investment assets</b>	<b>-</b>	<b>3,871,453</b>	<b>538,648</b>	<b>4,410,101</b>

	Quoted market price <b>Level 1</b> £000	Using observable inputs <b>Level 2</b> £000	With significant unobservable inputs <b>Level 3</b> £000	<b>Total</b> £000
<b>Values at 31 March 2024</b>				
Financial assets at fair value through profit and loss	-	3,833,234	276,960	4,110,194
<b>Net investment assets</b>	<b>-</b>	<b>3,833,234</b>	<b>276,960</b>	<b>4,110,194</b>

### b) Transfers between levels 1 and 2

No transfers took place in the financial year ending 31 March 2025.

## Pension Fund Accounts 2024/2025

### c) Reconciliation of fair value measurements within level 3

Movements 2024/25	Alternatives Infrastructure Funds £000	Alternatives Private Credit Funds £000	Total £000
Starting Value at 31 March 2024	181,407	95,553	276,960
Transfers into level 3			
Transfers out of level 3			
Capital calls (purchases)	177,890	91,527	269,417
Return of investment (sales)	(15,604)	(9,137)	(24,741)
Unrealised gains and losses	12,394	4,618	17,012
Realised gains and losses			
<b>Ending Value at 31 March 2025</b>	<b>356,087</b>	<b>182,561</b>	<b>538,648</b>

Movements 2023/24	Alternatives Infrastructure Funds £000	Alternatives Private Credit Funds £000	Total £000
Starting Value at 31 March 2023	48,176	52,108	100,284
Transfers into level 3			
Transfers out of level 3			
Capital calls (purchases)	132,819	45,674	178,493
Return of investment (sales)	(13,686)	(4,543)	(18,229)
Unrealised gains and losses	14,098	2,314	16,412
Realised gains and losses			
<b>Ending Value at 31 March 2024</b>	<b>181,407</b>	<b>95,553</b>	<b>276,960</b>

## Pension Fund Accounts 2024/2025

### 16. Financial instruments

#### a) Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

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
31 March 2024			31 March 2025		
£000	£000	£000	£000	£000	£000
<b>Financial Assets</b>					
4,039,955			4,338,413		
70,239			71,688		
	129,346			27,434	
1,829			886		
	15,278			16,447	
<b>4,112,023</b>	<b>144,624</b>	-	<b>4,410,987</b>	<b>43,881</b>	-
<b>Financial liabilities</b>					
		(8,056)			(6,287)
-	-	<b>(8,056)</b>	-	-	<b>(6,287)</b>
<b>4,112,023</b>	<b>144,624</b>	<b>(8,056)</b>	<b>4,410,987</b>	<b>43,881</b>	<b>(6,287)</b>
<b>4,248,591</b>			<b>4,448,581</b>		

#### b) Net gains and losses on financial instruments

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

31 March 2024		31 March 2025
£000		£000
	<b>Financial assets</b>	
(432,970)	Fair value through profit and loss	(168,593)
	- Amortised cost – realised gains on derecognition of assets	-
	- Amortised cost – unrealised gains	-
	<b>Financial liabilities</b>	
	- Fair value through profit and loss	-
	- Amortised cost – realised losses on derecognition of assets	-
	- Amortised cost – unrealised losses	-
<b>(432,970)</b>	<b>Total</b>	<b>(168,593)</b>

## 17. Nature and extent of risks arising from financial instruments

The Fund's primary long-term risk is that its 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 Pension Committee. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations, then reviewed regularly to reflect changes in activity and market conditions.

### Overall procedures for managing risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which require an administering authority to invest, in accordance with its investment strategy, any pension fund money that is not needed immediately to make payments from the pension fund. The unpredictability of financial markets means that all forms of investment carry a degree of risk. The Fund therefore needs to be risk aware within its investment strategy, implementation and monitoring to ensure it meets one of its primary objectives - to maximise the returns from its investments within reasonable risk parameters.

The Fund prepares statutory documents detailing its investment strategy and how it implements and monitors this. The Fund's Investment Strategy Statement (ISS) specifically sets out the Fund's policy on the type of investments to be held; investment restrictions and limits; the balance and diversification between these and the detail of the Fund's investment management arrangements in implementing its strategy. The ISS also includes a specific section on how the Fund measures and manages the different types of risks it faces. This is analysed as required by investment regulations across the headings of Funding Risk, Asset Risk and Other Provider Risk. The following summary from the relevant section of the current ISS summarises how the Fund seeks to reduce these risks to a minimum where it is possible to do so without compromising returns:

### Funding risks

- Financial mismatch - The risk that pension 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 Fund manages these funding risks by: -

- Setting a strategic asset allocation benchmark that considers asset liability modelling focused on probability of success and level of downside risk.
- Assessing risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to this.
- Seeking to understand the assumptions used in any analysis and modelling (including that relating to the demographics of its liabilities) so they can be compared to the Fund's own views and the level of risks associated with these assumptions.
- Seeking to mitigate systemic risk through a diversified portfolio.

## 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 pension 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).
- Environmental, social and governance ('ESG') - The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Fund measures and manages these Asset risks by: -

- Setting a strategic asset allocation benchmark that ensures investment in a diversified range of asset classes. Regular monitoring and review of this allocation ensures that the Fund's 'actual allocation' does not deviate substantially from its target.
- Investing 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.
- Investing across a range of assets, including liquid quoted equities and bonds, as well as property, and recognising the need for access to liquidity in the short term.
- Investing in a range of overseas markets which provides a diversified approach to currency markets.
- Documenting within the ISS its approach to managing ESG risks.
- Considering the risk of underperformance by any single investment manager and attempting to reduce this risk by appointing more than one manager and, where market conditions are deemed supportive, having a proportion of the Scheme's assets managed on a passive basis.
- Formally assessing the Fund's managers' performance on a quarterly basis, and taking steps, including potentially replacing managers, if underperformance persists.

## 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 pension fund 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 Fund measures and manages these Other Provider risks by: -

- Monitoring and managing these risks through a process of regular scrutiny of its providers.
- Audit of the operations the provider conducts for the Fund, or the delegation of such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds).
- Retaining the power to replace a provider should serious concerns exist.

The full version of the Investment Strategy Statement is available on the Pension Fund's website:

[Investment Strategy Statement](#)

## 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, while optimising investment return.

The pension fund's funding position is sensitive to market price changes on two levels. Changes in the market price of investments such as equities, affect the net assets available to fund promised member benefits. Changes in the yields (and thus price) of bonds, as well as affecting asset values, also affect the value placed on the pension fund's liabilities within its overall funding calculations.

The Fund's investment strategy requires it to maximise the returns from its investments within reasonable risk parameters and, to achieve the level of investment return required, the strategy requires a significant level of equity investment. Though it is recognised that the risk levels (price volatility) will be greater for equities than bonds, the strategy recognises the longer-term belief that equities will out-perform bond holdings. The Fund does however take steps to manage this market risk as noted below: -

- LGPS investment regulations set restrictions on the type of investments funds can hold. The statutory Investment Strategy Statement (ISS) requires each fund to implement its own prudential framework, requiring a diversified prudent approach to managing market risk.
- The Fund has a diversified strategic asset allocation which is monitored to ensure the diversification levels are within acceptable tolerances of the strategy and the reasons for any deviation understood.
- The asset allocation is designed to diversify risk and minimise the impact of poor market performance in a particular asset class.
- The Fund's investment portfolio is further diversified by geographical region; investment manager; manager style etc. to further optimise the diversification of both return and risk.
- The Fund's ISS also defines the limits/parameters that the Fund can hold in any one security and the Fund's investment managers monitor their portfolio daily to ensure that these limits, designed to further minimise market risk, are not breached.

The above provides a general overview of the potential impact of market risk and how the Fund looks to manage these risks. The following sections provide some further detail of this across the 3 principal areas of market risk – asset price, interest rates and currency.

### **Other price risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate because 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 by factors affecting all such instruments in the market.

The Fund is exposed to indirect UK/Overseas share and bond price risk within its pooled fund holdings. The risks arise from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The selection of investments is controlled and monitored by the council relative to limits specified by the Fund's investment strategy and the Fund's investment managers further mitigate this risk through diversification and by investing in line with the confines of the Fund's Investment Strategy Statement.

## Pension Fund Accounts 2024/2025

### Other price risk – sensitivity analysis

In consultation with its actuary, the Fund has determined that the following movements in market price risk are reasonably possible as at 31 March 2025.

Asset type	1 year expected volatility
Total Fund	13.26%
UK Equities	16.26%
Overseas Equities	18.64%
Emerging Market Equities	24.30%
Government Bonds <sup>14</sup>	5.47%
Corporate Bonds <sup>15</sup>	6.54%
Pooled Property Investments	15.20%
Multi Asset Funds	8.57%
Alternatives (Private Credit)	7.62%
Alternatives (Infrastructure)	14.53%
Cash	0.30%

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.

To provide some context to this, the Fund actuary's recent view on long term positive performance assumptions of the various asset classes in which the Fund invests are noted within the table below:

Asset type	Long term performance Assumptions (20 years annualised)
UK Equities	8.4%
Overseas Equities (inc. EM)	8.6%
Government Bonds (Medium Term)	5.8%
Corporate Bonds (Medium Term)	6.5%
Property	7.3%
Multi Asset Funds	7.1%
Alternatives (Private Credit)	8.8%
Alternatives (Infrastructure)	7.4%
Cash	4.5%

<sup>14</sup> Includes exposure to Overseas Government Bonds. The total exposure to Overseas Government Bonds is £255.7m.

<sup>15</sup> Includes exposure to Overseas Corporate Bonds. The total exposure to Overseas Corporate Bonds is £230.1m.



## Pension Fund Accounts 2024/2025

Ignoring the potential for long term positive performance, however, and considering potential market price changes only, should the market price of the Fund investments increase/decrease in line with the potential market movements noted above, the change in the net assets available to pay benefits would be as shown in the table below. The Fund has used the services of its actuary to calculate the potential sensitivity levels within this section of the accounts.

Asset type	Value as at 31 March 2025 £000	Potential market movements %	Potential value on increase £000	Potential value on decrease £000
Cash and accruals	28,320	0.30	28,405	28,235
<b>Investment portfolio assets:</b>				
UK Equities	607,320	16.26	706,070	508,570
Overseas Equities	2,441,268	18.64	2,896,320	1,986,216
Emerging Market Equities	107,040	24.30	133,051	81,029
Government Bonds	262,059	5.47	276,394	247,724
Corporate Bonds	266,269	6.54	283,683	248,855
Pooled Property Investments	71,688	15.20	82,585	60,791
Multi Asset Funds	115,809	8.57	125,734	105,884
Alternatives (Private Credit)	182,561	7.62	196,472	168,650
Alternatives (Infrastructure)	356,087	14.53	407,826	304,348
<b>Total Fund</b>	<b>4,438,421</b>		<b>5,136,540</b>	<b>3,740,302</b>

Asset type	Value as at 31 March 2024 £000	Potential market movements %	Potential value on increase £000	Potential value on decrease £000
Cash and accruals	131,175	0.30	131,569	130,781
<b>Investment portfolio assets:</b>				
UK Equities	569,887	16.01	661,126	478,648
Overseas Equities	2,469,138	16.66	2,880,496	2,057,780
Emerging Market Equities	104,080	23.05	128,070	80,090
Government Bonds	254,454	5.77	269,136	239,772
Corporate Bonds	254,390	6.97	272,121	236,659
Pooled Property Investments	70,239	15.59	81,189	59,289
Multi Asset Funds	111,046	7.91	119,830	102,262
Alternatives (Private Credit)	95,553	8.79	103,952	87,154
Alternatives (Infrastructure)	181,407	13.56	206,006	156,808
<b>Total Fund</b>	<b>4,241,369</b>		<b>4,853,495</b>	<b>3,629,243</b>

### Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. The Fund's actuary has suggested that a +/- 100bps (1%) change in interest rates is sensible for the interest rate risk sensitivity analysis. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

### Interest rate risk - sensitivity analysis

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. The analysis demonstrates that an increase in the interest rate does not affect the interest received on fixed interest assets, but it does result in a decrease in the fair value of the bond portfolio and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

## Pension Fund Accounts 2024/2025

Assets exposed to interest rate risk<sup>16</sup>:

Exposure to interest rate risk	Asset Values as at 31 March 2025 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash	28,320	28,320	28,320
LF Wales PP Global Government Bond Fund	262,059	245,549	278,569
LF Wales PP Global Credit Fund	266,269	250,026	282,511
<b>Total</b>	<b>556,648</b>	<b>523,895</b>	<b>589,400</b>

Exposure to interest rate risk	Asset Values as at 31 March 2024 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash	131,175	131,175	131,175
LF Wales PP Global Government Bond Fund	254,454	238,169	270,739
LF Wales PP Global Credit Fund	254,390	239,127	269,653
<b>Total</b>	<b>640,019</b>	<b>608,471</b>	<b>671,567</b>

Exposure to interest rate risk	Interest receivable 2024/25 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash	1,647	1,664	1,631
LF Wales PP Global Government Bond Fund	-	-	-
LF Wales PP Global Credit Fund	-	-	-
<b>Total</b>	<b>1,647</b>	<b>1,664</b>	<b>1,631</b>

Exposure to interest rate risk	Interest receivable 2023/24 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash	3,231	3,264	3,199
LF Wales PP Global Government Bond Fund	-	-	-
LF Wales PP Global Credit Fund	-	-	-
<b>Total</b>	<b>3,231</b>	<b>3,264</b>	<b>3,199</b>

### Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. In terms of currency risk however it is important to note that the Fund's investments are diversified across all the world's major markets and currencies and, as one currency may fall in value, another will increase. This fact is seen as a major element of intrinsic risk control within the Fund's overseas investments. In terms of indirect, sterling denominated pooled funds therefore, the following table summarises the value of the Fund's potential underlying currency exposure for the last two financial years.

Following analysis of historical data by the Fund's Actuary, the 1 year expected standard deviation for an individual currency as at 31 March 2025 is 9.1% (9.3% as at 31 March 2024). This assumes no diversification with other assets and that interest rates remain constant.

<sup>16</sup> Interest rate sensitivity information for fixed income is calculated by the Fund's actuary based on the duration of bonds within the Fund's portfolio.

## Pension Fund Accounts 2024/2025

A 9.1% strengthening/weakening of the pound against the various currencies in which the Fund holds overseas investments would increase/decrease the net assets available to pay benefits as follows:

### Currency risk - sensitivity analysis<sup>17</sup>

Assets exposed to currency risk	Asset value as at 31 March 2025 £000	Potential market movement %	Value on increase £000	Value on decrease £000
Overseas Equities	2,441,268	9.1	2,663,423	2,219,113
Emerging Market Equities	255,691	9.1	278,959	232,423
Overseas Government Bonds	230,056	9.1	250,991	209,121
Overseas Corporate Bonds	107,040	9.1	116,781	97,299
Multi Asset Income Fund	115,809	9.1	126,348	105,270
Global Private Credit Funds	182,561	9.1	199,174	165,948
Global Infrastructure Funds	183,148	9.1	199,814	166,482
<b>Total change in assets available to pay benefits</b>	<b>3,515,573</b>		<b>3,835,490</b>	<b>3,195,656</b>

Assets exposed to currency risk	Asset value as at 31 March 2024 £000	Potential market movement %	Value on increase £000	Value on decrease £000
Overseas Equities	2,469,138	9.3	2,698,768	2,239,508
Emerging Market Equities	104,080	9.3	113,759	94,401
Overseas Government Bonds	236,642	9.3	258,650	214,634
Overseas Corporate Bonds	204,275	9.3	223,273	185,277
Multi Asset Income Fund	111,046	9.3	121,373	100,719
Global Private Credit Funds	95,553	9.3	104,439	86,667
Global Infrastructure Funds	53,732	9.3	58,729	48,735
<b>Total change in assets available to pay benefits</b>	<b>3,274,466</b>		<b>3,578,991</b>	<b>2,969,941</b>

## b) Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this risk are investment assets and cash deposits. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk. The pension fund reviews its exposure to its investment manager, credit, and counterparty risk by the review of the managers' annual internal control reports. These documents are themselves subject to independent review by the investment managers' own appointed auditors to help provide assurance that managers exercise reasonable care and due diligence in its activities for the pension fund, such as in the selection and use of brokers. The most tangible element of credit risk faced by the Fund is however in the form of its cash investments placed with banks and other financial institutions. These investments are managed in-house and, to minimise the credit risk in respect of these investments, a specific Cash Management Strategy is annually put before the Pension Committee for their consideration and approval followed by regular review. The Pension Fund's Cash Management Strategy is prepared and presented to the Pension Committee annually and sets out the criteria for investments; the institutions with which they can be placed; the maximum value that can be placed with each institution and the maximum period for which money can be invested. The strategy references and details the Fund's processes and procedures in terms of its cash management and how specialist external advice is used within the process.

<sup>17</sup> Overseas exposure in bond funds based on valuations as at 31 March 2025 and regional asset allocation as at 31 December 2024

## Pension Fund Accounts 2024/2025

The Pension Fund utilises the services of MUFG Pension & Market Services for formulating and monitoring the Fund's list of approved counterparties. MUFG Pension & Market Services use a comprehensive method of assessing counterparty's credit ratings which includes overlaying the three credit rating agencies' scores with additional data, relative to each institution, such as rating watches and CDS spreads where available to advise of a maximum suggested investment period with that counterparty.

The Fund believes that it has, through a continuing difficult period for financial markets and institutions, adequately managed its exposure to credit risk. The Fund has experienced no defaults from fund managers, brokers, or bank accounts. The Fund's cash holding under its treasury management arrangements at 31 March 2025 was £27.367m (31 March 2024 was £129.328m which has largely been redeployed during 2024/25) and this was held with institutions and the global custodian as follows:

Cash on deposit with financial institutions <sup>18</sup>	Rating (Fitch Long Term) (at 31 March 2025)	Balances as at 31 March 2024 £000	Balances as at 31 March 2025 £000
<b>Money Market Funds</b>			
Aberdeen Liquidity	AAA	3,000	15,000
Blackrock	AAA	3,000	10,000
<b>Bank Current Accounts</b>			
TCBC Pension Fund		50,305	2,367
<b>Custodian</b>			
Northern Trust Global Cash		73,023	
<b>Total</b>		<b>129,328</b>	<b>27,367</b>

### c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The main risk for the pension fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this risk, the Fund monitors its cash flow to ensure that cash is available when needed. The Fund further manages its liquidity risk by maintaining its cash investments within money market funds allowing same day access to cash deposited without penalty. Indeed, at 31 March 2025, all pension fund cash balances were spread across such immediate access accounts. The Fund still retains the option to invest within fixed term deposits but, in accordance with the cash management strategy, these must currently be of maximum 6 months duration and placed with UK banks. At any point in time the whole of the Fund's cash investments can therefore be deemed to be reasonably liquid in that they could be 100% redeemed within a six-month period if required. In practice, however, most cash deposits will be available to a much shorter timescale, as demonstrated at the year-end when all cash deposits were immediately available should this have been required.

The Fund monitors and manages the timing of its cash flows on both an operational and a longer-term strategic basis. The strategic profile of the Fund continues to show that the Fund's cash flow is broadly positive with contributions (including dividend income) being received exceeding the value of benefits paid out. This excess continues to be appropriately monitored in a strategic sense. With the Fund remaining broadly cash generative the Fund has again been comfortable (documented via its cash management strategy) to allow cash levels to float around or below a 1% level during the majority of the 2024/25 financial year.

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. Both the Fund and its managers are however aware of the very low interest rates available on cash deposits and therefore the desire is to be as fully invested as possible in higher yielding assets whilst ensuring adequate liquidity to meet cash commitments when they fall due.

<sup>18</sup> Excludes £67,240 cash held and managed by BlackRock on 31 March 2025

## Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

## 18. Funding arrangements

In line with the Local Government Pension Scheme 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 key elements of the Funding Strategy Statement (FSS) are:

- a) To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.
- b) To ensure that employer contribution rates are as stable as possible.
- c) To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- d) To reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so and
- e) To use reasonable measures to reduce the risk to other employers and ultimately to the council-tax payer from an employer defaulting on its pension obligations.

18.2 The Fund, through its governance arrangements and discussion with the appointed Actuary, produce a FSS which focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities.

18.3 The Actuarial valuation that affected these accounts was carried out as at 31 March 2022. That valuation showed that the employers would need to pay different contributions to the Fund from 1 April 2023 until 31 March 2026. The primary contribution rate is 20.6% of pensionable pay. Individual employer rates vary from the common rate depending on demographic and actuarial factors particular to each employer. Members' contribution rates range from 5.5% to 12.5% depending on their salary.

18.4 Full details of the contribution rates payable can be found in the 2022 Actuarial Valuation report and the Funding Strategy Statement in the 'Funding' section on the Fund's website:

### [Funding Strategy Statement](#)

These rates of contribution are the rates which, in addition to the contributions paid by the members, are sufficient to meet:

- 100% of the pension liabilities, plus
- An adjustment over a long period to reflect the shortfall in our share of the Fund's assets and future pay increases

18.5 The 2022 Actuarial Valuation was carried out as at 31 March 2022 and the resulting changes to contribution rates applied from 1 April 2023. The market value of the Fund's assets as at the 2022 valuation was £3,768million. At the valuation date, the Fund's liabilities exceeded the assets by £118million giving a revised funding level of 97% (the funding level at the 2019 valuation was 86%) and the funding deficit declined in monetary terms. The main reason for the increase in the funding position once again was the positive investment returns during the period.

18.6 The Actuary (Hymans Robertson) has used a Risk Based Method for this valuation. For most employers, the contribution rates which apply are based upon recovery of the deficit over a maximum period of 20 years. Another revaluation of the Fund will take place as at 31 March 2025.

## Pension Fund Accounts 2024/2025

18.7 The financial assumptions adopted by the Actuary were as follows: -

	<b>Funding Target</b>
	<b>2022</b>
Discount Rate	4.3%
Pensionable pay increases	3.2%
Pension increases	2.7%

18.8 The demographic assumptions employed by the Actuary were complicated and dealt with rates of withdrawal from the scheme, mortality for both active and retired members and commutations. Further details are provided in the full Actuarial Valuation report that can be found on the pension fund's website: -

[Actuarial valuation at 31 March 2022](#)

## 19. Actuarial present value of promised retirement benefits

19.1 The Code requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS19 rather than the assumptions and methodology used for funding purposes. To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2025 (the 31 March 2024 assumptions are included for comparison).

	<b>31 March 2024</b>	<b>31 March 2025</b>
Discount rate (return on investments)	4.85% per annum	5.80% per annum
Rate of salary increases	3.25% per annum	3.25% per annum
Rate of increase in pensions	2.75% per annum	2.75% per annum

19.2 The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2023:

[Actuarial valuation at 31 March 2022](#)

19.3 During the year, investment returns have increased compared to last year's assumption and this has led to a positive return for IAS26 purposes (5.80% p.a. versus 4.85% p.a.). The expected long-term rate of CPI inflation (RPI-CPI gap) has remained the same during the year, resulting in the assumption for pension increases remaining the same at the year-end then at the beginning of the year (2.75% p.a.). The other experience items show a gain in applying the Pensions Increase Order for 2024 of 1.7% as it was lower than the assumption used in the obligations at the start of the period.

19.4 The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2024 was estimated as £4,111million. The impact of the changes in financial assumptions between 31 March 2024 and 31 March 2025 as described above is to decrease the Fund liabilities by £677million.

19.5 There are also changes to demographic assumptions, which have further decreased the liabilities by £9million. The remaining increase in obligation of £150million includes the accrual of benefits for active members over 2024/25 and an increase with interest over the year of the obligations value at 2024.

19.6 The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2025 is therefore £3,575million.

## Pension Fund Accounts 2024/2025

### 20. Current assets

31 March 2024		31 March 2025
£000		£000
	<b>Short term debtors</b>	
2,962	Contributions due - employees	3,049
10,827	Contributions due - employers	11,404
13,789		14,453
987	Early retirement costs	1,527
300	Fund manager fee rebates	299
202	Sundry debtors	168
<b>15,278</b>		<b>16,447</b>

#### a) Funding of early retirement costs

During 2024/25 the cost to the pension fund of early retirements arising in the year was £2,261,413 which is paid by the employers in instalments over periods of up to five years. The cost includes the extra years of pension payments because of employees retiring early. The cost of early retirements is worked out by specialist computer software and is recovered from the respective employers. The Actuary has reflected this approach in the contribution levels.

The amounts included within the accounts are the instalments that are due in 2024/25 and in future financial years for early retirements known as at 31 March 2025. These are summarised in the following table: -

	£000	£000
Instalments falling due in 2024/25 in respect of:		
Prior Years	351	
Current Year	1,754	2,105
Balances b/f 1 April 2024	987	
Payments Received in 2024/25	(1,789)	
Reversal of previous instalments due	(946)	(1,748)
Instalments due for 2025/26	382	
Instalments due for 2026/27 & later years	788	1,170
<b>2024/25 Debtor</b>		<b>1,527</b>

The instalments due for 2025/26 and future years have been included in accordance with the guidance notes issued with the Code of Practice on Local Authority Accounting 2024/25.

### 21. Current liabilities

31 March 2024		31 March 2025
£000		£000
(6,982)	Benefits payable	(5,016)
(900)	Management expenses	(1,006)
(174)	Sundry creditors	(265)
<b>(8,056)</b>		<b>(6,287)</b>



## 22. Additional voluntary contributions

22.1 Members of the pension fund may pay additional voluntary contributions (AVCs) to obtain improved benefits on retirement. Torfaen County Borough Council is prevented by regulations from consolidating the amounts of AVC investments into the published Fund accounts. However, as the administering authority we oversee the following AVC arrangements.

Market value 31 March 2024	AVC provider	Market value 31 March 2025
£000		£000
4,817	Standard Life	4,973
1,825	Clerical Medical	1,900
565	Utmost Life and Pensions (previously Equitable Life)	478
<b>7,207</b>		<b>7,351</b>

Contribution Received 31 March 2024	AVC provider	Contribution Received 31 March 2025
£000		£000
830	Standard Life	1,020
263	Clerical Medical	309
1	Utmost Life and Pensions (previously Equitable Life)	1
<b>1,094</b>		<b>1,330</b>

The above AVC investments are excluded from the financial statements of the Greater Gwent (Torfaen) Pension Fund in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

## 23. Agency services

23.1 The Pensions Section make the following payments in respect of unfunded pensions benefits and unfunded teachers benefits. These payments relate to additional benefits granted to employees on retirement by their employer and are recovered from the employer.

31 March 2024		31 March 2025
£000		£000
11	Central Government	11
8,755	Other Local Authorities	8,935
22	Other entities and individuals	19
<b>8,788</b>		<b>8,965</b>

## 24. Related party transactions

24.1 While fulfilling its role as administering authority, Torfaen CBC provide services to the Fund. Costs are normally in respect of those staff employed in ensuring the pension service is delivered and are included in the accounts within management expenses (Note 11, page 88). Related parties to the pension fund include all employers within the Fund and members of the Pension Committee. There have been no financial transactions between any of these parties and the Fund apart from the routine contributions and benefits payable that are defined by statutory regulation and are therefore not within the direct control of any party.

### 24.2 Governance

Four members of the Pension Committee are active members of the Fund, with one of those members also being in receipt of a pension. Every member of the Pension Committee is required to declare their interest at each meeting.

## Pension Fund Accounts 2024/2025

### 24.3 Key management personnel

There are two employees of Torfaen CBC who hold key positions in the financial management of the Fund. They are the Section 151 Officer and the Head of Pensions. The proportion of their time allocated to the management of the Fund is 10% and 100% respectively. Total remuneration payable for 2023/24 and 2024/25 is set out below for their time apportioned to the Fund.

<b>31 March 2024</b>		<b>31 March 2025</b>
<b>£000</b>		<b>£000</b>
93	Short-term benefits	96
14	Post-employment benefits	(7)
<b>107</b>		<b>89</b>

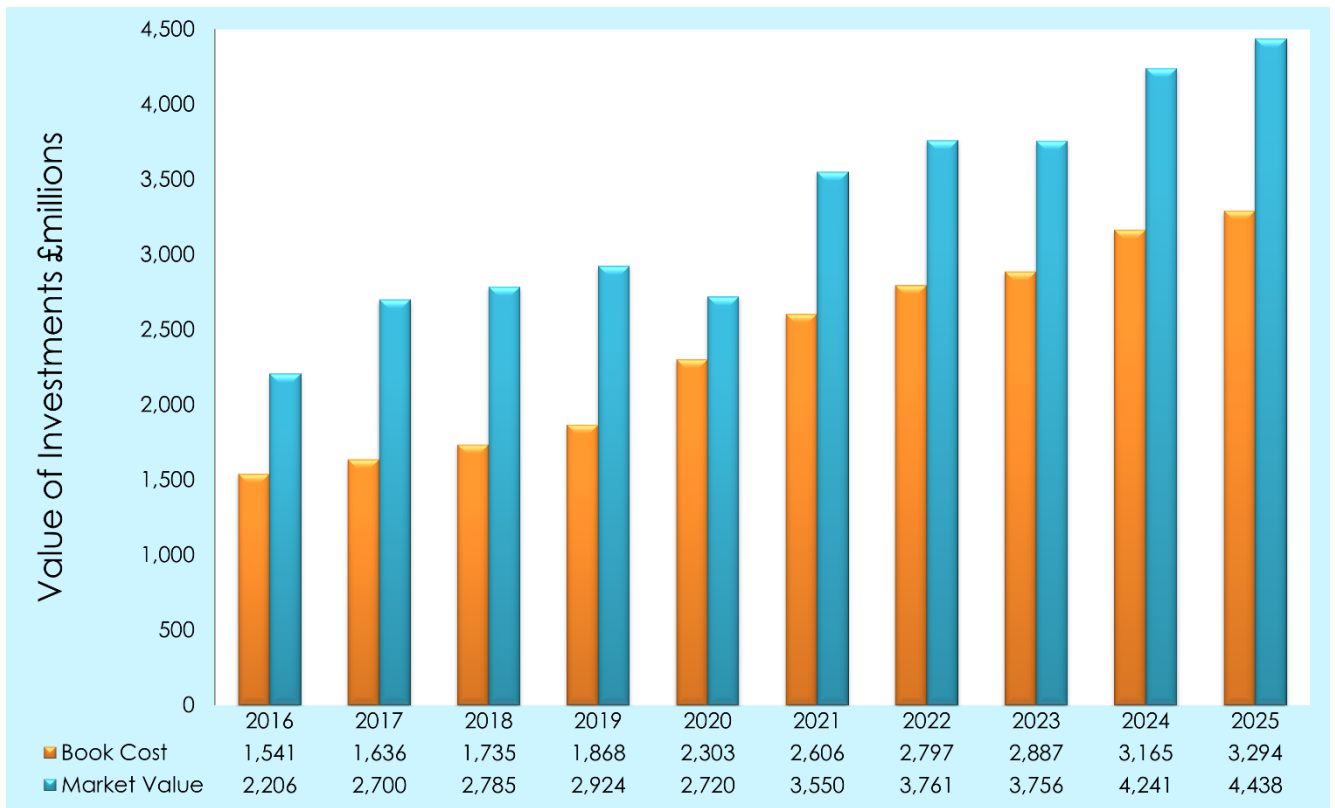
Please note that within the post-employment benefits earned in the table above, the values present the movements between financial periods relating to key management personnel as required by the code.

## Appendices

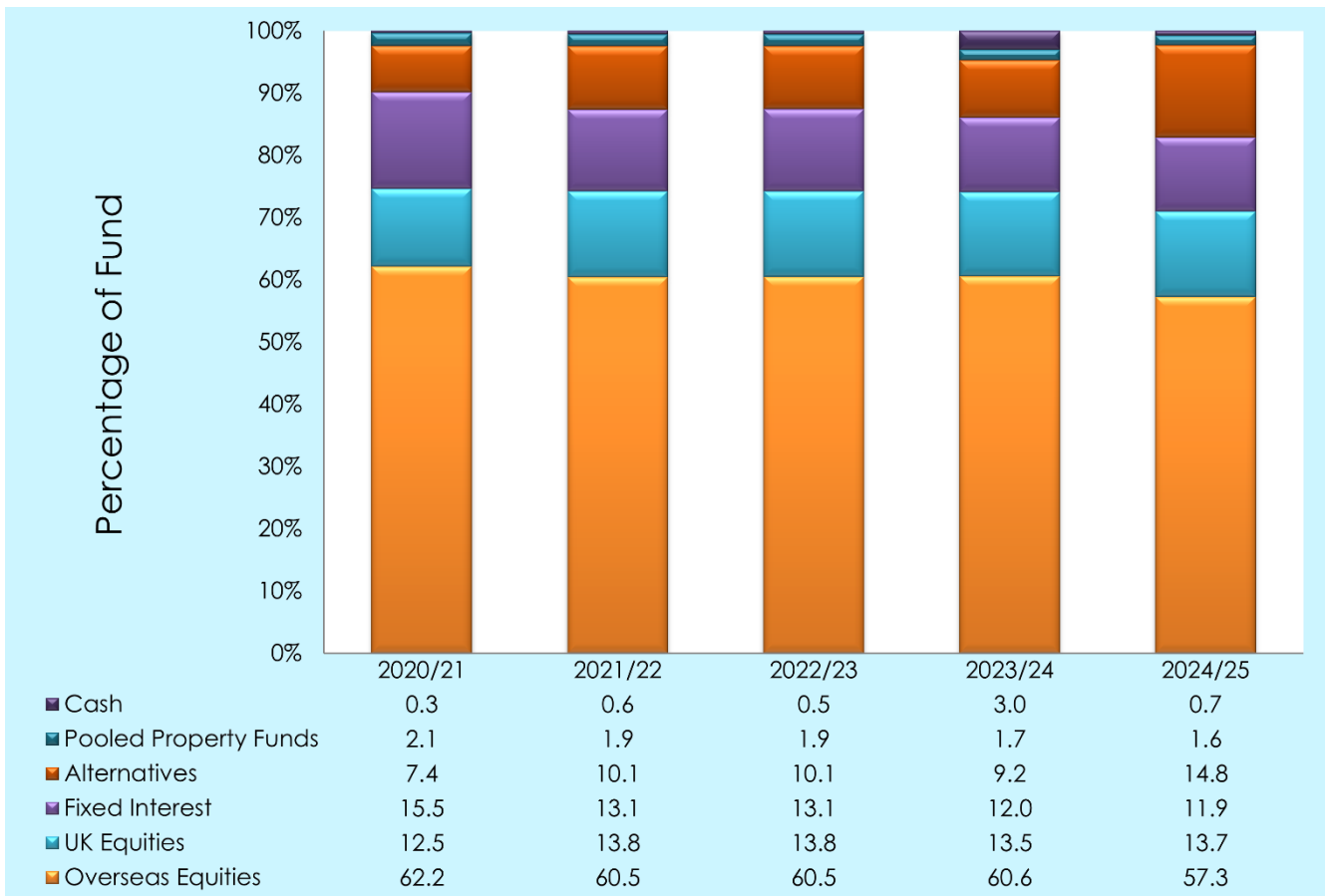
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# Appendix 1

## Ten Year Valuation of Investments



## Tactical Asset Allocation



## Ten Year Summary of Statistics

Revenue Account	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Contributions	103,450	107,205	114,118	118,047	129,790	130,301	136,924	154,503	168,556	179,461
Transfer Values Received	9,277	5,573	5,704	6,280	7,939	3,932	8,631	9,122	11,751	11,933
Investment Income and Other	17,772	19,283	21,318	27,215	18,893	31,446	34,209	47,894	60,933	70,582
<b>Total Income</b>	<b>130,499</b>	<b>132,061</b>	<b>141,140</b>	<b>151,542</b>	<b>156,622</b>	<b>165,679</b>	<b>179,764</b>	<b>211,519</b>	<b>241,240</b>	<b>261,976</b>
Pensions and Other Benefits	109,229	108,881	111,419	118,602	123,185	123,182	132,359	137,782	158,937	175,015
Transfer Values Paid	9,377	7,138	7,553	7,576	6,512	5,619	8,059	6,357	8,427	18,325
Refunds of Contributions	239	248	250	266	272	178	258	417	460	416
Fees and Other	9,205	8,933	9,366	9,550	10,503	11,069	12,580	13,004	20,673	36,823
<b>Total Expenditure</b>	<b>128,050</b>	<b>125,200</b>	<b>128,588</b>	<b>135,994</b>	<b>140,472</b>	<b>140,048</b>	<b>153,256</b>	<b>157,560</b>	<b>188,497</b>	<b>230,579</b>
Net Surplus for Year	2,449	6,861	12,552	15,548	16,150	25,631	26,508	53,959	52,743	31,397
Net Profit/(Loss) on Sale of Investments	30,736	99,726	80,416	117,298	421,489	277,203	164,416	35,393	227,621	99,086
Unrealised Change in Market Value	(99,529)	387,623	(1,776)	5,310	(639,014)	526,805	19,903	(94,541)	205,349	69,507
<b>Increase/(Decrease) in the Fund</b>	<b>(66,344)</b>	<b>494,210</b>	<b>91,192</b>	<b>138,156</b>	<b>(201,375)</b>	<b>829,639</b>	<b>210,827</b>	<b>(5,189)</b>	<b>485,713</b>	<b>199,990</b>
<b>Investment Assets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Book Cost at 31 March	1,540,889	1,635,895	1,734,570	1,867,699	2,302,779	2,605,923	2,797,056	2,886,554	3,165,152	3,293,626
Market Value at 31 March	2,205,596	2,700,194	2,785,140	2,923,582	2,719,630	3,550,036	3,761,255	3,756,274	4,241,369	4,438,421
<b>Membership</b>										
Contributors	23,607	22,788	23,991	23,932	24,200	24,539	25,015	25,760	25,610	25,248
Pensioners	15,816	16,388	16,848	17,533	18,299	18,718	19,474	20,190	21,047	21,983
Number of Preserved Benefits	16,058	18,068	18,455	18,749	18,621	18,685	18,963	19,422	19,700	20,128
<b>Total</b>	<b>55,481</b>	<b>57,244</b>	<b>59,294</b>	<b>60,214</b>	<b>61,120</b>	<b>61,942</b>	<b>63,452</b>	<b>65,372</b>	<b>66,357</b>	<b>67,359</b>