



**TORFAEN
COUNTY
BOROUGH**



**BWRDEISTREF
SIROL
TORFAEN**

Greater Gwent (Torfaen) Pension Fund Annual Report & Accounts

Cronfa Bensiwn Gwent Fwyaf (Torfaen) Adroddiad Blynyddol a Chyfrifon

2023/2024

Nigel Aurelius, CPFA
Deputy Chief Executive



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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 secure that one of its officers has the responsibility for the administration of those affairs; in this Council, the Section 151 Officer is the Deputy Chief Executive
- 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 2024.

Signed by:



Nigel Aurelius, CPFA
Deputy Chief Executive (S151 Officer)
Date: 18 November 2024



CHAIR'S INTRODUCTION

Chair, The Greater Gwent (Torfaen) Pension Fund
Councillor Nathan Yeowell

It's my pleasure to present to you the 2023/24 annual report of the Greater Gwent (Torfaen) Pension Fund. I hope that whoever you are – scheme member or employer; auditor or fund manager; pension expert or casual reader – you find something of interest in the pages that follow. It's been a busy twelve months for the Fund and the team running it.

There are three areas of activity that I would like to highlight in this introduction:

- **Local impact and responsible investment.** We've made great progress over the course of the year, acting upon the aspirations set out in last year's report. We've renewed our overall investment strategy and published a new impact policy – the first in Wales – providing us with a structured framework for future 'local' economic and environmental investments. As part of this strategy refresh, we've already invested in the regeneration of the old Uskmouth power station site in Newport, for example. We've also begun the process of reviewing our wider responsible investment policies and will report back on these in next year's report. We're keen to engage more widely with scheme members, employers and other stakeholders as part of this process.
- **Future business planning.** During the course of the period covered by this report, significant effort went into the creation of the Fund's first business plan, which was agreed by the Torfaen Pension Committee in June 2024. The plan focuses on our long-term commitments beyond the (essential!) day-to-day services we provide to our scheme members and how we hope to achieve them. This document will be crucial as we seek to further align our long-term approaches to investment, funding and other strategies.
- **Regional and national engagement.** At both member and officer level, we've continued to work productively with our partners in the Wales Pension Partnership (WPP) and beyond. Personally, I became the chair of the 'national' Local Government Pension Committee (LGPC) in September 2023 and will be confirmed as a member of the Scheme Advisory Board (SAB) sometime in autumn 2024. As you may have picked up, the Local Government Pension Scheme (LGPS) – or rather, the economic and investment potential of the LGPS – attracted the attention of both main political parties over the course of 2023/24, and the imminent pension review is likely to push us even further up the political hotlist. As we engage with UK government on the future of the scheme, you can be sure that we will continue to champion the rights and privileges of scheme members while investigating and proposing new opportunities for us to maximise our impact on both the national and global stages.

I would like to thank my fellow members of the Torfaen Pension Committee, plus those of the Local Pension Board, our advisers, investment managers and the officers of the WPP for all their work this year. Above all, I would like to thank the officers of the Fund for their continued commitment and resourcefulness: it has been a challenging but immensely rewarding year, and I remain grateful for their inspiration and support.

In particular, I would like to single out the role played by Nigel Aurelius, Torfaen's Deputy Chief Executive and Section 151 Officer. Nigel is leaving Torfaen at the end of December 2024 after almost twenty years in charge of the borough's finances (including ultimate official responsibility for the management of the Fund) and more than forty as an employee of Torfaen District and then Torfaen County Borough Council. He has been a massive help to me, and to other colleagues, over the decades, and the continuing resilience, if not robust health, of the Fund is, in no small measure, a testament to his canny stewardship. On behalf of the Fund, I'd like to wish him a long and prosperous retirement!



CHIEF OFFICER'S INTRODUCTION

Deputy Chief Executive / Section 151 Officer

Nigel Aurelius

I am pleased to present the Annual Report for the Greater Gwent (Torfaen) Pension Fund for the financial year 2023/24. The report reflects the ongoing commitment of the Fund to deliver secure and sustainable pension benefits for our members, while also ensuring that our investment strategy and operations align with our long-term objectives and values. The past year has been one of significant change and adaptation. The global economic landscape has continued to present challenges, with inflationary pressures, volatile markets and geopolitical uncertainties impacting financial outcomes across the board. Despite these challenges, the Pension Fund has remained resilient, underpinned by prudent management, diversified investment strategies and a commitment to continuous improvement.

One of the key achievements of this year has been the successful review and publication of our revised investment strategy following a positive 2022 triennial valuation process. Although subtle in terms of outcomes, the review reaffirmed key objectives and beliefs of the Pension Committee over the long-term with focus on portfolio diversification, management of market volatility and achieving more consistent returns. The review also emphasised the importance of increasing focus on responsible investment integration into our processes and across all asset classes, aligning investments with sustainability goals and reducing carbon exposure wherever possible. As at 31st March 2024, the Fund held over 74% of its assets within Wales Pension Partnership investment products, with this figure expected to increase as commitments to private markets are drawn and further products are developed and aligned to our investment strategy requirements.

We've continued to evolve our administrative approach, which includes investing in technological advancements and process improvements that make it easier for our scheme members to access their pension information and to make informed decisions about their retirement. During 2023/24 we have managed the implementation of the McCloud remedy and taken necessary steps to prepare for Pension Dashboards following updated guidance from the Department of Work and Pensions. The Pensions Regulator (TPR) finally published its long-awaited general code of practice in January 2024 and work has been ongoing internally to assess compliance against the code and to put in place an action plan for addressing new requirements. Enhancing the service that we offer to our scheme employers remains a priority and we have achieved this through the delivery of pensions awareness training events and seminars.

Looking ahead, we recognise that the financial environment will continue to pose challenges. However, we are confident that the Fund is well-positioned to navigate these uncertainties. Our strategic priorities will guide our efforts in the coming years and have been established as part of our business planning process which confirms our commitment to promoting the sustainability of the scheme, ensuring scheme member benefits are accessible and informative and crucially that we continue to demonstrate compliance and good governance in an increasingly complex regulatory environment.

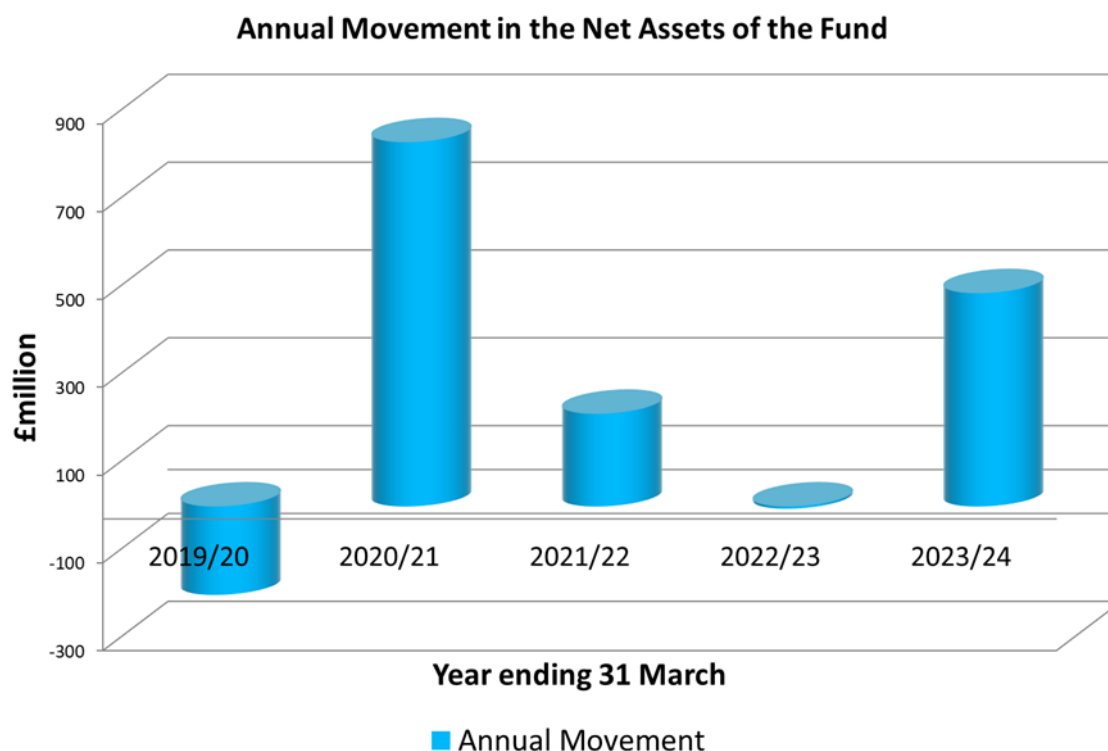
As always, the success of the Fund is built on the dedication and expertise of the team behind it. I would like to extend my thanks to the Pension Committee, Local Pension Board, our advisors, and the entire administrative team who continue to offer a dedicated and professional service to our scheme members and employers.

As I prepare to retire at the end of this calendar year, I do so with a deep sense of pride and gratitude. I am pleased to have contributed to the financial stewardship of the Fund over many years and I look forward to observing its continued growth and success in the years to come.

OVERVIEW

1. 2023/2024 in summary

Total Scheme Members	Net Assets of the Fund	Payments to Pensioners	Total Contributions
66,357	£4.2bn	£158.937m	£168.556m

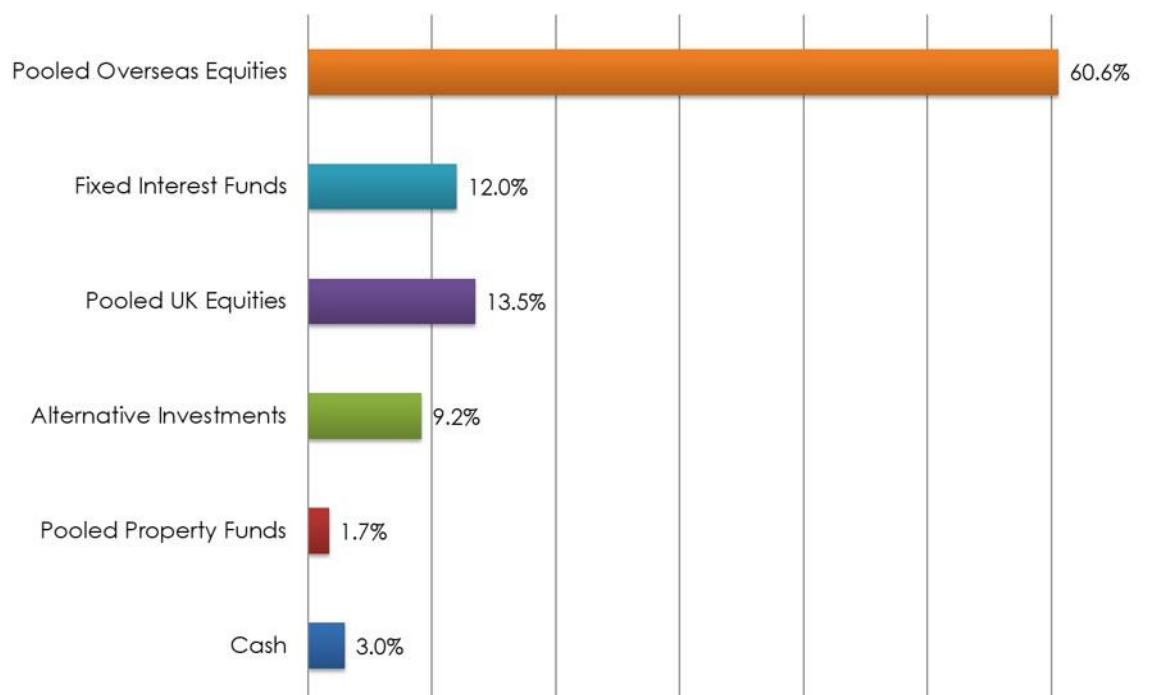


2. Investments



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Portfolio distribution as at 31 March 2024



3. Membership

Contributing Members

25,610

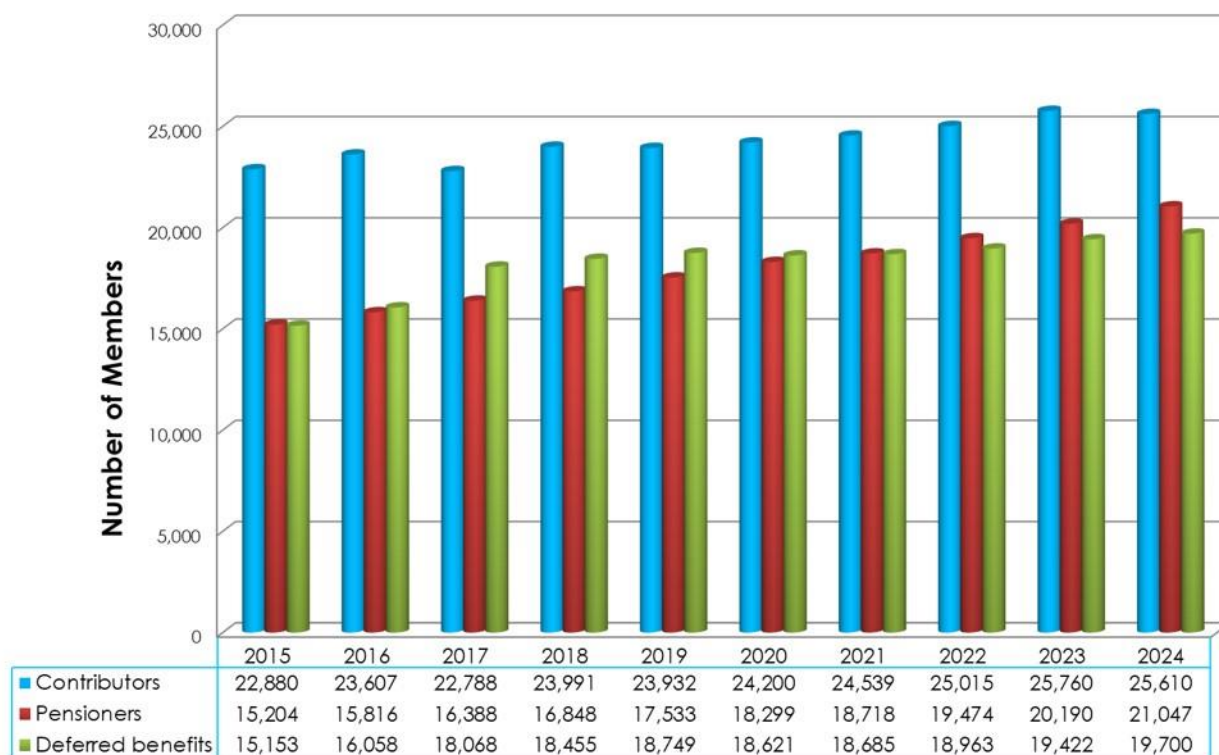
Members in Receipt of Pension

21,047

Members with Deferred Benefits

19,700

Split of Fund Membership as at 31 March



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 72.
- 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 secure 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 2024 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 Karl Gauden
Councillor Jon Horlor
Councillor Chris Tew
Councillor David Williams

Administrator

Nigel Aurelius, Deputy Chief Executive



Head of Pensions

Alexander Bull
Tel: 01495 742626
E-mail: alexander.bull@torfaen.gov.uk



Pension Manager

Joanne Griffiths
Tel: 01495 766280
E-mail: joanne.griffiths@torfaen.gov.uk

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External Investment Advisors

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

Consulting Actuary

Hymans Robertson

Solicitor and Legal Advisor to the Fund

Tim James, Chief Legal Officer
Delyth Harries, Monitoring Officer and Assistant Chief Legal Officer

Investment Fund Managers

BlackRock
Fidelity Worldwide Investment
Invesco Perpetual
Russell Investments
Capital Dynamics
GCM Grosvenor
Gresham House Asset Management
Quinbrook Infrastructure Partners

Fund Custodian

Northern Trust

Wales Pension Partnership FCA Authorised Operator

Waystone Management (UK) Ltd

Wales Pension Partnership Investment Management and Advisory Services

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

Fund Auditor as at 31 March 2024

Audit Wales

Bankers to the Fund as at 31 March 2024

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

AVC Providers to the Fund as at 31 March 2024

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

If you need more information you can write to: -

Pensions Section
Torfaen County Borough Council
Civic Centre
Pontypool
Torfaen NP4 6YB

Or visit the website: -

www.gwentpensionfund.co.uk

ANNUAL GOVERNANCE STATEMENT 2023/24

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 51 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 as elected members of the Council are 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 appropriately detailed within the Council's Annual Governance Statement which can be accessed here:

<https://www.torfaen.gov.uk/en/Related-Documents/Council-Governance/Annual-Governance-Statement.pdf>

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 \(gwentpensionfund.co.uk\)](https://www.gwentpensionfund.co.uk/Forms-and-Publications)

- 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.

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- 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 identify 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 in 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. During 2023/24, the Fund was subject to an internal audit of its governance function.

Based on the audit work undertaken during the period, 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.

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 respective roles of oversight of governance, and steps have been taken to implement recommendations accordingly.

Update on significant governance issues previously reported

There were no significant governance issues reported in 2023/24 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).

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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 their approval. The Pension Committee Chair and Council's 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 1st 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 by the Deputy Chief Executive 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 2023/24.

Nigel Aurelius

Deputy Chief Executive / Section 151 Officer

Alexander Bull

Head of Pension Fund Management & Investment

GOVERNANCE AND TRAINING

1. Local Pension Board Annual Report

This section constitutes the Annual Report of the Local Pension Board 2023/24 and was agreed by the Pension Board on 24 April 2024.

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 the 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, their 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).

- During 2023/24, the terms of a number of members of the Local Pension Board expired and under the ToR, which sets out how the Local Pension Board operates, a reappointment process was undertaken. Alongside this, the ToR itself underwent a review to ensure that it remained fit for purpose.

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 them by both the Pensions Regulator (TPR) and the Scheme Advisory Board (SAB).

During 2023/24, the work of the Board included:

- **Policy development** - overseeing the development and implementation of new and existing policy documents. This included a new Risk Management policy which was published in July 2023 and novel Impact Investment policy agreed by the Pension Committee in December 2023. In addition, the Governance Policy and Compliance Statement and Investment Strategy Statement were both extensively reviewed and published in September and December 2023 respectively. The Board played an active role in supporting the creation and ongoing review of policies in accordance with its role.
- **Risk Management (including Risk Register)** – providing suggestions for improvements to the Fund's existing risk management approach. This included support for the establishment of a Risk Management policy and input into a new way to monitor the existing Risk Register, which extended to adopting a two-tiered approach focusing on strategic and operational risks.
- **Internal Audit Input** - consideration of the report of the Head of Internal Audit following the conclusion of a detailed audit on the governance arrangements of the Pension Fund. The report concluded full assurance could be provided and the Board maintained an oversight role to ensure the minor observations and single recommendation to management were implemented.
- **Good Governance Review** - continued consideration for the impending guidance, to be issued by MHCLG, regarding recommended improvements to the governance arrangements in the LGPS.
- **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. As a result of this work, cyber security has become a standing item on the agenda with a dedicated cyber risk considered on the Risk Register.
- **McCloud Remedy** – regular updates on the implementation of the McCloud remedy. These included software developments, processes and procedures, testing, training, and disclosure requirements. The Board were also kept informed of developments taking place at national level in terms of the McCloud project.
- **Pension Dashboard** – asking to remain informed of the pension dashboard connection timetable and its future implications, with additional updates expected throughout 2024/25.
- **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 the operator procurement process which concluded in March 2024.
- **Responsible Investor Working Group (RIWG)** - receiving updates on the continued work of the RIWG, a non-decision-making body that exists to provide recommendations to management and the Pension Committee in relation to responsible investment matters. During the year the Board specifically considered and commented on the draft version of the Fund's Impact Investment policy prior to its formal consideration by the Pension Committee in December 2023.

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Details of the long-awaited General Code of Practice were announced in January 2024 and officially came into effect in March 2024. During 2024/25, the Local Pension Board will play a key role in supporting the Fund's efforts to be compliant with the various requirements and will oversee progress against objectives accordingly.

ii) Scheme Documents

The Local Pension Board has examined all of the scheme documents which are required to be in place and is satisfied with the content, and arrangements for review, of all documents. However, in accordance with best practice and recommendations made by the Head of Internal Audit, the Board has requested that work be undertaken to produce a Pensions Administration Strategy and annual Business Plan during 2024/25.

iii) Risk Management and the Risk Register

Following a recommendation by the Local Pension Board in 2016, it was recognised that management should maintain a clear risk management approach on behalf of the Fund. This risk management approach should specifically relate to the Fund and not form part of the Council's policies and procedures. In July 2016, a Risk Register was produced with support of the Local Pension Board and approved by the Pension Committee.

Following a detailed review of the process in February 2020, the Local Pension Board agreed that 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 set out 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.

In accordance with the newly agreed Risk Management policy and to allow for closer review of the risks deemed most significant to the Fund's operation, the Local Pension Board agreed to reviewing the strategic register each quarter, with at least an annual review of the operational risks to be undertaken.

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 asked questions of management which did not require the need to report breaches to TPR.

v) WPP

Operation of the WPP and, in particular, the development of the governance and reporting arrangements, continues to be a key interest for the Local Pension Board.

Developments at the WPP during 2023/24 which were kept under review by the Board included:

- Review the minutes of the WPP's Joint Governance Committee (JGC) on a quarterly basis
- Oversight of the WPP's annual policy review process
- Oversight of the WPP's annual Business Plan objectives

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- Oversight of the launch and transitional activity of the Active Sustainable Equity sub-fund and various private market ventures
- Quarterly oversight of Waystone Group Ltd (formerly Link Fund Solutions) as operator, including regular corporate updates
- Oversight of the operator procurement process, including oversight of the evaluation criteria adopted as part of this exercise

vi) Pension Committee Agenda and Attendance

At each meeting, the Local Pension Board considers the minutes of the previous Pension Committee agenda to identify items for inclusion on their own work plan.

During 2023/24, reciprocal arrangements remained in place between the Local Pension Board and the Pension Committee, enabling members to attend and oversee 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 2023/24, a budget of £30,000 was made available to cover the costs of an Independent Chair, ensure accessibility to training events and seminars, as well as the newly implemented Local Pension Board remuneration policy to compensate qualifying members for their time devoted to the Board.
- As at 31st March 2024, the Local Pension Board contained its expenditure within the approved budget having spent £18,355 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.

Local Pension Board Expenditure 2023/24	Cumulative Hours Serving the Board 2023/24 ¹	Hourly Rate (per member) ²
£18,355	232 Hours	£79.12

1.5 Training

- TPR's revised General Code of Practice, as well as recommendations of the Good Governance review and CIPFA knowledge and skills framework actively encourage Local Pension Board members to undertake frequent and appropriate training, including induction training, on taking up their role.
- During 2023/24, 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 The cumulative hours spent serving the Local Pension Board throughout 2023/24. This includes preparation time and attendance at standard quarterly meetings, various training and LGPS conferences and has been calculated using best estimates

² Calculated by dividing the total Local Pension Board expenditure by the cumulative hours serving the Board during 2023/24

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1.6 Workplan

A Local Pension Board work plan was agreed at the start of 2023/24 and has been kept under review during the year. The work plan covered the following principal areas and evolved during the year in light of prospective developments:

- Pension Fund annual report and accounts
- Administration, including key performance indicators (KPI) and data improvement
- Audit and risk management, including the Risk Register and cyber risk
- Governance, including conflicts of interest, recording and reporting breaches as applicable, compliance with TPR's code of practice and the impending 'Good Governance' recommendations
- Investments, including developments with the WPP, the Fund's responsible investment agenda and implications for the Administering Authority
- Training
- Member communications
- Policy updates and development in accordance with best practice, including the novel Impact Investment policy and ISS

1.7 Thanks

I wish to thank all of my colleagues who have given up their time and energy to serve on the Board during the year. I would also like to express my thanks to Fund management who have supported the Local Pension Board.

2. Member meeting attendance 2023/24

	Pension Committee meetings attended	Pension Board meetings attended
Number of meetings during the year 2023/24	5	4
Pension Committee		
Councillor Nathan Yeowell (Chair)	5	
Councillor Alfie Best	5	
Councillor Karl Gauden	4	
Councillor Jon Horlor	5	
Councillor Chris Tew	0	
Councillor David Williams	3	
Local Pension Board		
Ian Coleman (Chair)		4
Employee Representatives		
Bob Campbell		4
Ian Reese		3
Anthea Wellington		4
John Wright		4
Employer Representatives		
Steve Harford		3
Rhian Hayden		3
Clive Rogers		4
Meirion Rushworth		3
Jane Waters		1

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 or 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 around the significance of effective risk management.
 - 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 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 and appetite for risk
- 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:

<https://www.gwentpensionfund.co.uk/forms-and-publications/risk-management-policy-2023/>

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 that the severity of risks and the potential consequences of each are vast. The full Risk Register is publicly available via Committee agenda papers.

- 3.3 A summary of the Fund's most significant risks which have been considered during the 2023/24 financial year, many of 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
Finance & Investment Risk		
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"> 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. Quarterly monitoring of investment performance (as a minimum) across all mandates. Enhanced and collaborative oversight of investment performance related to WPP sub-funds. Regular monitoring of external market conditions including the presentation of a macro-outlook report prepared by the Fund's Independent Advisor.
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"> Only anticipate long-term returns on a relatively prudent basis to reduce the risk of under-performance. Assets are invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers etc. Progress is analysed at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
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"> Substantial governance arrangements have been established and implemented. The WPP and Constituent Authorities take appropriate professional advice on all investment considerations. Performance monitoring arrangements in place to monitor all portfolios.

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Risk Area / Type	Risk Detail	Risk Mitigation Measures
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 responsible investment 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"> 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: <ul style="list-style-type: none"> i) The Responsible Investment Working Group (RIWG) meets on a quarterly basis to consider a range of issues as they relate to the RI objectives of the Fund ii) Fund officer representation on the WPP RI sub-group which meets monthly iii) Ongoing monitoring and maintenance of Fund policies concerning Responsible Investment, Climate Risk, and Impact Investment to be undertaken by officers and advisors, with formal review in accordance with the Fund's policy timetable iv) Undertake, through the support of Hymans Robertson, carbon and ESG analysis of existing investments to aid future decision making v) Consult existing and prospective investment managers on new sustainable investment opportunities both via the Fund's listed and unlisted (real assets) asset allocations
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"> The Council and Pension Fund contract with Link who provide treasury advice on current and prospective investment opportunities. Link provide real time updates on counterparties and advise of any changes to their creditworthiness in a timely manner. 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. The Fund's allocation to cash is closely monitored monthly to ensure that all obligations can be met as they fall due.

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Risk Area / Type	Risk Detail	Risk Mitigation Measures
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"> Compliance is regularly considered and subject to annual review in the Investment Strategy Statement (ISS) and Governance and Compliance Statement
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"> 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 Fund's portfolio. 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. 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.
Administration Risk		
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"> Business continuity measures in place and frequently reviewed by the Fund's ICT team. 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. A full disaster recovery plan and a Business Continuity plan for the Fund's administration software is in place and tested/updated annually. Annual testing/assessment of systems, hardware and software providers resilience to cyber threats and controls in place. 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.

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Risk Area / Type	Risk Detail	<ul style="list-style-type: none"> Risk Mitigation Measures
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"> A robust and thorough workflow procedure is in place and carried out within Altair pensions administration system. Independent checking at senior officer level to mitigate the risk of error. The Fund participates in a National Fraud Initiative. The Fund uses Western Union to carry out annual checks on overseas pensioners. External/Internal Audit of the process at least annually.
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"> 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: https://www.gwentpensionfund.co.uk/fo-rms-and-publications/privacy-notice/ In addition, the Fund uses the County 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.
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"> Robust procedure in place to ensure deadline can be met on an annual basis. Frequent cleansing of membership data to ensure accuracy in the production and distribution of Annual Benefit Statements (ABS) per the regulations and timescales.
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.	<p>The Fund has several control measures in place to mitigate this risk, summarised by the following:</p> <ul style="list-style-type: none"> Processes and procedures in place to calculate and check benefits Security profiles to ensure segregation of duties Good working relationship with all Fund employers, pension information submitted to the Fund on a monthly basis and reconciled by Accountancy External Audit of Pension Administration carried out every 3 years Communication Strategy in place which sets out the Fund's communication methods Bilingual Website and My Pensions Online

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Risk Area / Type	Risk Detail	Risk Mitigation Measures
Fund Governance Risk		
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"> 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. 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"> i) skills and knowledge are appropriately distributed across the full range of service delivery ii) succession planning and resource resilience is actively considered and maintained iii) internal development and progression opportunities are available to maximise staff retention and ensure staff satisfaction is preserved iv) resource levels continue to meet the short, medium, and long-term needs of the service
Loss of funds through fraud or misappropriation	Financial loss to the Fund	<ul style="list-style-type: none"> 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. Procedures are documented and staff are trained and managed in carrying these out; the Fund's internal auditors carry out regular reviews.
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"> External training received by the LGA and other providers. In-house training provided for all staff. Fund officers remain abreast of emerging sector developments through attendance at conferences, networking, circulars, and bulletins.

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Risk Area / Type	Risk Detail	Risk Mitigation Measures
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"> 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. A robust governance framework has been established and is fully operational. Representation of the Pension Fund at WPP level is shared amongst the Head of Pensions, the Deputy Chief Executive of Resources, and the Chair of Pension Committee as a JGC member. 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.
<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"> a) Poor external investment management experience b) Security of Assets c) Inappropriate advice 	<ul style="list-style-type: none"> 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"> i) A process of regular scrutiny and engagement 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) iii) Retaining the power to replace a provider should serious concerns exist

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.

3.5 Internal Audit commentary

The role, operation and standards placed on the function of internal audit is clearly articulated within the Council's Annual Governance Statement (AGS). This also extends to the role of the Governance and Audit Committee who oversee the annual audit work plan of the Council, and the Local Pension Board on behalf of the Fund.

The Fund utilises the Council's internal audit services and is subject to audit in accordance with the agreed annual plan. During 2023/24, the Fund was subject to an audit of the Governance function. Based on the audit work undertaken during the period, 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.

FINANCIAL PERFORMANCE

1. Fund Account

- 1.1 The Fund account (page 70) indicates an increase in the net assets of the scheme available to fund benefits during the year of £485.7million for 2023/24, this follows a £5.2million decrease in the Fund assets in 2022/23. The summarised figures are shown in the table below.

Fund account 31 March 2024	£000
Employees/employers contributions	(168,556)
Benefit payments	158,937
Net transfer values and refunds	(2,864)
Net return on investments	(493,903)
Other income/expenses	20,673
Net (increase)/decrease in the Fund	(485,713)

- 1.2 Contributions to the Fund from members and employers increased by £14.053million, from £154.503million in 2022/23 to £168.556million in 2023/24. Payments to beneficiaries in respect of pension benefits increased by £21.155million, from £137.782million in 2022/23 to £158.937million in 2023/24.
- 1.3 Transfer values received into the Fund increased by £2.629million, from £9.122million in 2022/23 to £11.751million in 2023/24. Transfer values paid out by the Fund increased by £2.07million, from £6.357million in 2022/23 to £8.427million in 2023/24.
- 1.4 The total assets of the Fund include the £7.222million 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 pages 104 and 105 of the accounts.

Asset values as at 31 March 2024	Pooled £000	Under pool management ³ £000	Not pooled £000	Total £000
Equities	1,456,009	1,123,224	563,872	3,143,105
Bonds	508,844			508,844
Property			70,239	70,239
Multi-asset funds			111,046	111,046
Private Debt	13,957		81,596	95,553
Infrastructure	56,682		124,725	181,407
Cash and net current assets			138,397	138,397
Total net assets	2,035,492	1,123,224	1,089,875	4,248,591

Of these assets, the allocation to investment in the UK was as follows:

Asset values as at 31 March 2024	Pooled £000	Under pool management £000	Not pooled £000	Total £000
UK Listed Equities	579,087	44,942	2,754	626,783
UK Government Bonds	6,021			6,021
UK Corporate Bonds	15,926			15,926
UK Property			70,239	70,239
UK Private Debt			4,444	4,444
UK Infrastructure	19,548		124,725	144,273
UK Private Equity				-
Total UK assets	620,582	44,942	202,162	867,686

³ 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 2023/24. 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.

	2023/2024
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 2025. 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.

[REPORT \(torfaen.gov.uk\)](https://www.torfaen.gov.uk)

Fund account	2022/2023 Forecast £000	2022/2023 Actual £000	2023/2024 Forecast £000	2023/2024 Actual £000	2024/2025 Forecast £000
Income					
Contributions receivable	(143,443)	(154,503)	(162,215)	(168,556)	(176,388)
Transfers in	(7,692)	(9,122)	(8,818)	(11,751)	(10,935)
Investment income	(34,601)	(47,894)	(47,191)	(60,933)	(66,982)
Total income to the Fund	(185,736)	(211,519)	(218,224)	(241,240)	(254,305)
Spending					
Benefits payable	130,982	137,782	142,875	158,937	167,145
Transfers out/refunds/other	8,813	6,839	6,367	11,647	6,878
Management expenses	13,326	12,939	13,162	17,913	14,936
Total spending for the Fund	153,121	157,560	162,404	188,497	188,959
Profit and losses on disposal of investments and changes in the market value of investments	(201,780)	59,148	(265,866)	(432,970)	(314,394)
Net (increase)/decrease in the Fund	(234,395)	5,189	(321,686)	(485,713)	(379,740)

Investment assets	2022/2023 Forecast £000	2022/2023 Actual £000	2023/2024 Forecast £000	2023/2024 Actual £000	2024/2025 Forecast £000
Equities	2,958,221	2,789,544	3,003,304	3,143,105	3,393,984
Government bonds	268,027	250,627	260,903	254,454	266,668
Corporate bonds	271,009	243,009	254,430	254,390	267,618
Property	90,547	72,198	76,819	70,239	74,945
Cash and alternatives	375,231	400,896	426,684	519,181	552,548
Total	3,963,035	3,756,274	4,022,140	4,241,369	4,555,763

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The 2024/2025 forecasts for total investment assets are based on the actual assets under management for 31 March 2024, 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) as at 31 March 2024
UK Equities	7.9%
Overseas Equities (inc. EM)	8.0%
Government Bonds (Medium Term)	4.8%
Corporate Bonds (Medium Term)	5.2%
Property	6.7%
Alternatives (Absolute Return)	6.6%
Alternatives (Private Credit)	7.9%
Infrastructure	7.3%
Cash	4.0%

1.7 Operational expenses

	2022/2023 Forecast £000	2022/2023 Actual £000	2023/2024 Forecast £000	2023/2024 Actual £000	2024/2025 Forecast £000
Administrative costs	1,552	1,512	1,749	1,506	1,896
Investment management expenses	10,372	10,170	10,016	15,094	11,497
Oversight and governance costs	1,402	1,257	1,397	1,313	1,543
Total	13,326	12,939	13,162	17,913	14,936

Administrative costs relate to the administering of the pension scheme on behalf of its members, pensioners, and scheme employers. In 2023/24 there were savings arising from vacant posts and reduced hours posts which meant that the actual cost was lower than forecast. In relation to 2024/25 it is assumed that these vacancies will be filled, with additional expected costs for pay inflation and increments for staff, together with additional software expenditure due to contract inflation and implementation of the Pensions Dashboard.

External fund management fees paid to investment managers are broadly based on the value of investments under their management and are therefore forecast to increase in line with the assumed growth of assets. The increased investment expenses for 2023/24 include the costs of joining additional private market investments during the period. These costs include partnership expenses associated with setting up and operating the fund, as well as management expenses. In October, the Fund paid an equalisation or 'catch-up' payment of £3.1m to join an established infrastructure fund at its final fundraising close. To ensure that all Limited Partners are treated as if they had been admitted to the Partnership at the first closing date, an equalisation payment falls due on admission into the fund but where equalisation fees are expected to be offset by the immediate valuation uplift together with investment performance of these investments over time.

Included in oversight and governance is an indicative budget for the cost of our involvement in the Wales Pension Partnership, the LGPS asset pool for Wales. A key aim of pooling is to generate economies of scale and make savings on external fund management fees paid because of collective investment. Oversight and governance costs will inevitably increase due to the additional layer of governance required but investment management savings are expected to outweigh them over time. The total cost for oversight and governance also includes external services such as the Fund Actuary, independent investment advisors, consultants, audit fees, legal services, benchmarking, and performance measurement 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, Accountancy, and Senior Management costs are also included here.

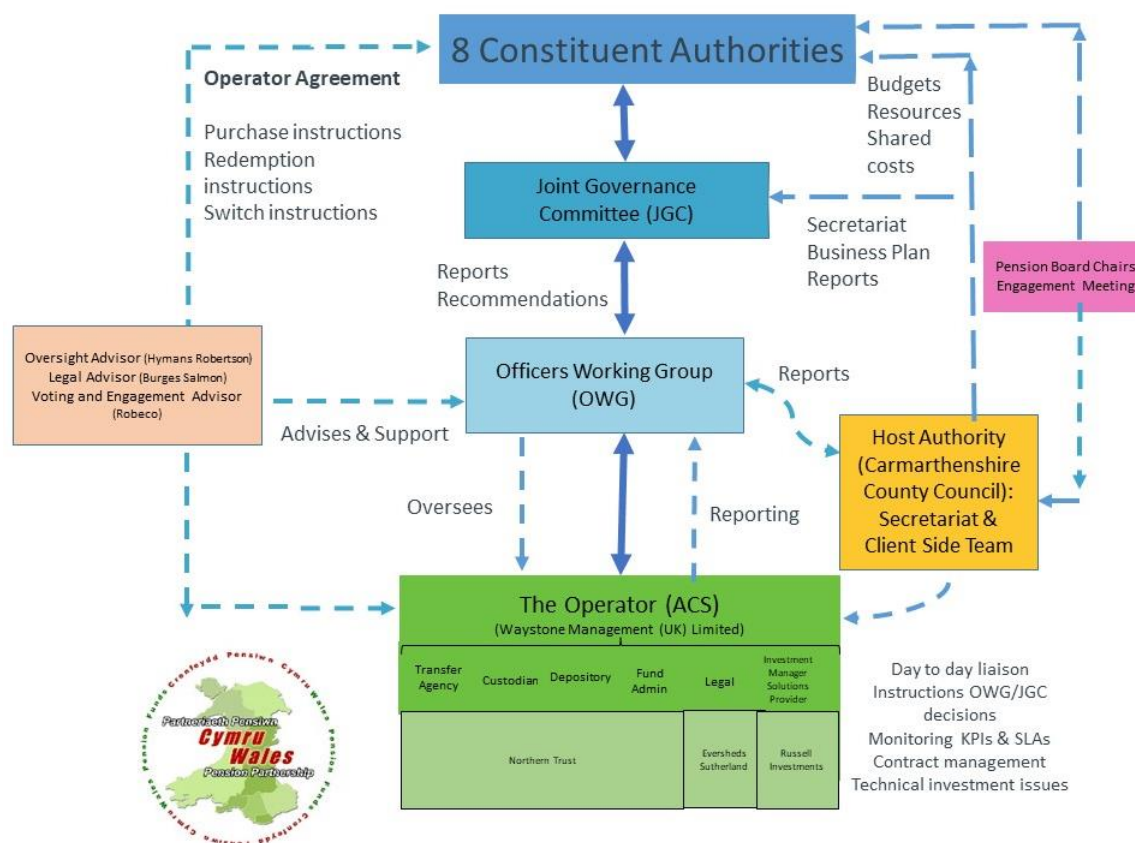
ASSET POOLING

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:
- Material cost savings for participating funds whilst improving or maintaining investment performance after fees
 - Robust governance arrangements to oversee WPP activities
 - A framework by which Constituent Authorities explore the benefits of wider pooling solutions and potential direct investments
 - An investment framework that achieves the best outcomes for key stakeholders, the Constituent Authorities
- 1.2 The WPP pool consists of all eight Constituent Authorities in Wales including Dyfed (Host Authority), City & County of Swansea, Cardiff & Vale, Greater Gwent (Torfaen), Rhondda Cynon Taff, Powys, Clwyd, and Gwynedd. The eight Constituent Authorities have a long, successful history of working closely together including a collaborative tender for a single passive equity provider for all Welsh funds which pre-dated the Government's pooling initiative.
- 1.3 Collective investment management offers the potential for savings in investment fees, opportunities to broaden investment portfolios through the increased variety of investment offerings, 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.

2. Governance Arrangements of the WPP

- 2.1 The WPP operates via a Joint Governance Committee (JGC) represented by all eight Constituent Authorities who have collectively appointed Waystone Management (UK) Ltd ('Waystone') (formerly Link Fund Solutions) as the FCA authorised operator. Waystone operate a collective investment vehicle for the sole use of the partnership. In addition, Waystone have appointed Russell Investments to provide the necessary investment management and advisory services, Northern Trust act as custodian and depositary, Hymans Robertson as oversight and governance advisor, Burges Salmon as legal advisor and Robeco Asset Management provide voting and engagement services. The WPP has also appointed specialist asset managers (allocators) to manage the private market investment allocations, with Russell Investments, GCM Grosvenor and Schroders providing private credit, infrastructure, and private equity opportunities respectively.
- 2.2 The arrangements in place between Constituent Authorities and the WPP are as follows:
- The Joint Governance Committee (JGC) is made up of one representative from each of the eight Constituent Authorities, typically the Pension Committee chair or deputy
 - The Officer Working Group (OWG) is made up of senior officer representation from each of the eight Constituent Authorities
- 2.3 Further details of the role and involvement of administering authorities in the governance arrangements of the pool, as well as a suite of WPP policies, can be found on the WPP website: <https://www.walespensionpartnership.org/>



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 made significant progress towards delivering this objective. The launching of WPP's first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21, the Emerging Markets equity sub-fund in 2021/22, a Sustainable Active equity sub-fund and various private market solutions in 2023/24, alongside the Constituent Authorities existing passive investments, has meant that the WPP has investment management responsibility for 74% of the Welsh LGPS assets.
- 3.2 In 2023/24, the WPP continued its pooling progress via the launch of a new equity sub-fund (tranche 6) and the continued build out of private market funds in the form of Private Credit, Private Equity, and Infrastructure. The Fund invested £150m into the Active Sustainable Equity sub-fund which is managed by Russell Investments and was fully invested in June 2023.
- 3.3 Private market funds concerning Private Credit, Private Equity and Infrastructure were launched under separate contractual arrangements and through differing management structures managed by Russell Investments, Schrodors and GCM Grosvenor respectively. The Fund committed a total of £400m of capital to Private Credit and Infrastructure, separated into three different lots; Global Closed-ended Infrastructure, (£150m) Global Open-ended Infrastructure (£100m), and Private Credit (£150m). The Fund does not have a strategic allocation to Private Equity hence no commitment has been made to this asset class. The £400m commitment to Private Credit and Infrastructure 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 total level of pooled assets to increase steadily year on year.

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- 3.4 Moreover, after committing capital in late 2022, the Fund began allocating to 'Project Zero' managed by Capital Dynamics. This project involves financing the development and subsequent construction of 16 onshore wind farms that will be situated exclusively in Wales. The investment period for this project is expected to conclude by 2027.
- 3.5 Progress in terms of transitioning assets into the WPP is expected to continue into 2024/25 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.
- 3.6 As at 31 March 2024, the Constituent Authorities have combined assets worth £25billion, £18.5billion of which sits within the WPP. A breakdown of this can be seen below:

Asset Class	Managed By	Launch Date	31 March 2024 £000	2023/24 %
Global Growth Equity Fund	Waystone Management (UK) Ltd	February 2019	3,585,735	14.4
Global Opportunities Equity Fund	Russell Investments	February 2019	3,286,471	13.1
UK Opportunities Equity Fund	Russell Investments	September 2019	743,530	3.0
Emerging Markets Equity Fund	Russell Investments	October 2021	259,410	1.0
Sustainable Active Equity Fund	Russell Investments	June 2023	1,570,357	6.3
Global Credit Fund	Russell Investments	July 2020	1,033,734	4.1
Global Government Bond Fund	Russell Investments	July 2020	488,815	2.0
UK Credit Fund	Waystone Management (UK) Ltd	July 2020	707,817	2.8
Multi-Asset Credit Fund	Russell Investments	July 2020	732,391	2.9
Absolute Return Bond Fund	Russell Investments	September 2020	572,982	2.3
Private Markets ⁴ <ul style="list-style-type: none"> • Infrastructure closed ended – GCM Grosvenor • Infrastructure open ended – IFM, CBRE and Octopus • Infrastructure direct – Capital Dynamics • Private Credit – Russell Investments • Private Equity – Schroders Capital 			314,241	1.3
Global Passive Equity	BlackRock	March 2016	5,200,324	20.8
Total Pooled Investments			18,495,807	74.0
Total Non-Pooled Investments			6,508,700	26.0
Total Investments across Constituent Authorities			25,004,507	100

- 3.7 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.
- 3.8 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.

⁴ This is the drawn down value as at 31 March 2024 and does not include commitments

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

Asset Class	Managed By	31 March 2024 £000	31 March 2024 £000	31 March 2024 %
Pooled assets				
Global Opportunities Equity Fund	Russell Investments	646,496		15.2
UK Opportunities Equity Fund	Russell Investments	569,887		13.5
Emerging Markets Equity Fund	Russell Investments	69,097		1.6
Global Credit Fund	Russell Investments	254,390		6.0
Global Government Bond Fund	Russell Investments	254,454		6.0
Global Sustainable Equity Fund	Russell Investments	170,529		4.0
Global Infrastructure (Vintage 1)	GCM Grosvenor	36,209		0.9
Open Ended Infrastructure	Octopus Renewables	17,523		0.4
Infrastructure	Capital Dynamics	2,950		0.1
Private Credit (Vintage 1)	Russell Investments	13,957	2,035,492	0.3
Under pool management⁵				
Global Passive (Low Carbon)	BlackRock	1,123,224	1,123,224	26.5
Investments within the WPP		3,158,716	3,158,716	74.5
Investments not pooled		1,082,653	1,082,653	25.5
Total investments across Greater Gwent (Torfaen) Fund		4,241,369	4,241,369	100

The above table gives a further analysis of note 14b to the accounts on page 88 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.

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.

2022/23 £000	WPP Oversight and Governance Costs	2023/24 £000
327	Operator Fees	343
137	Set Up and Oversight Costs	204
21	Host Authority Costs	22
485		569

4.2 The table reflects the costs incurred in financial year 2022/23 and 2023/24. 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:

⁵ 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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- a) **Operator Fees** - these are the fees charged by Waystone as the FCA authorised Operator to establish and run a collective investment vehicle. Operator fees increased in 2023/24, largely resulting from a significant increase in the value of the Constituent Authorities' Assets under Management (AuM).
- b) **Set up and Oversight Costs** - the Pension Fund bears the cost of its share of the professional fees incurred in the set up and 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.
- 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.
- d) **Transition Costs (direct)** - transition management is the process of managing changes to a portfolio of assets and the Pension Fund incurs costs when a transition manager is appointed to transfer assets into the WPP.

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 2024 £000	Fee Saving 2023/24 £000	Fee Saving Cumulative (2018/19 – 2023/24) £000
Equities	1,456,009	1,673	4,299
Bonds	508,844	318	2,131
Total	1,964,853	1,991	6,430

5. Transition Costs

- 5.1 In addition to the WPP's Oversight and Governance costs shown above, the Pension Fund also incurred 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). 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.

	2023/24		Cumulative (2018/19 – 2023/24) £000
	Direct £000	Indirect £000	
Transition Fee			262
Tax			767
Other Transition Costs		125	8,194
Total Transition Costs	0	125	9,223

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 included net and gross of fees 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 31st March 2024.

Investment Assets	Opening Value		Closing Value		1 Year Performance ⁶	
	£000	%	£000	%	Net	Benchmark
					%	%
Pooled assets						
WS Wales PP Global Opportunities Equity Fund	539,138	14.4	646,496	15.2	19.91	20.60
WS Wales PP UK Opportunities Equity Fund	517,674	13.8	569,887	13.5	10.09	8.43
WS Wales PP Emerging Markets Equity Fund	66,480	1.8	69,097	1.6	3.94	5.86
WS Wales PP Global Credit Fund	243,009	6.5	254,390	6.0	4.68	4.87
WS Wales PP Global Government Bond Fund	250,627	6.7	254,454	6.0	1.53	2.05
WS Wales PP Sustainable Active Equity Fund	-	-	170,529	4.0	n/a	n/a
GCM WPP Global Infrastructure, L.P.	-	-	36,209	0.9	n/a	n/a
Octopus Renewables Infrastructure SCSp	-	-	17,523	0.4	n/a	n/a
Capital Dynamics CEI (WPP), LP	-	-	2,950	0.1	n/a	n/a
Russell Investments WPP Global Private Credit LP	-	-	13,957	0.3	n/a	n/a
Total pooled assets	1,616,928	43.2	2,035,492	48.0		
Under pool management						
BlackRock ACS World Low Carbon Tracker Equity Fund (pre-WPP initiative)	902,748	24.0	1,123,224	26.5	24.42	24.08
Total assets under WPP arrangements	2,519,676	67.2	3,158,716	74.5		
Assets not pooled						
BlackRock Ascent Life European Equity Fund ⁷	454,373	12.1	250,610	5.9	16.83	13.67
Invesco Asian Fund	276,800	7.4	278,279	6.6	0.53	3.04
Fidelity Emerging Markets Fund	32,331	0.9	34,983	0.8	8.20	5.86
Standard Life Global Absolute Return Strategies Fund	106,895	2.8	closed	-	-	-
Fidelity Multi Asset Income Fund	105,272	2.8	111,046	2.6	5.51	5.17
Invesco Global Targeted Returns Fund	67,728	1.8	closed	-	-	-
Invesco Credit Partners (Cayman) II, L.P.	52,108	1.4	67,042	1.6	n/a	n/a
Invesco Credit Partners (Cayman) III, L.P.	-	-	14,554	0.4	n/a	n/a
Gresham House BSI Infrastructure L.P.	23,882	0.6	25,698	0.6	n/a	n/a
Gresham House BSI Infrastructure II L.P.	24,294	0.6	48,312	1.1	n/a	n/a
Quinbrook Renewables Impact Fund L.P.	-	-	50,715	1.2	n/a	n/a
Cash and other investment balances	20,717	0.5	131,175	3.0	n/a	n/a
Pooled Property Funds	72,198	1.9	70,239	1.7	0.17	-0.69
Total assets not pooled	1,236,598	32.8	1,082,653	25.5		

⁶ Where no performance return is available this is due to the nature and timing of mandate

⁷ This mandate is a long-term strategic divestment priority in accordance with the Fund's SAA, is being conducted in a timely manner, and where opportunities arise to rebalance accordingly

7. Objectives 2024/25

- 7.1 In establishing the WPP pool, the primary focus has been on pooling the listed assets, namely equities and fixed income. Progress continues to be made with the rationalisation of the existing range of mandates. In July 2021, the Joint Governance Committee appointed Bfinance as WPP's advisor on the construction, development and appointment of private market allocators. WPP's Infrastructure, Private Credit and Private Equity investment programmes were launched in 2023.
- 7.2 Work has been progressing in formulating WPP's Real Estate requirements and the optimal means of implementation. With the assistance of Bfinance, the procurement process for appointing the long-term solution for WPP is well underway, with an announcement expected in August 2024 and the investment programmes due to launch in 2024/25.
- 7.3 Following the publication of the All-Wales Climate Report during 2023/24, the focus of the WPP and its Constituent Authorities is expected to turn to addressing the recommendations that followed the conclusion of the report, including the establishment of a climate framework which is intended to enable consistent disclosure of information to beneficiaries and stakeholders.
- 7.4 WPP's existing Oversight Advisor and Voting & Engagement provider contracts come to an end on 31st December 2024 and 31st March 2025 respectively. Work is already underway to develop tender specification documents for launch, and subsequent appointment, by the end of the calendar year.
- 7.5 There will be focus on reviewing existing WPP policies, in particular the Responsible Investment focused policies, evolving the Stewardship Policy and incorporating an escalation strategy. Training also continues to be a key area of focus and the WPP will continue to provide timely and relevant training for the benefit of its stakeholders.

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
SR8	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"> A reconciliation of assets transferred to the pool is undertaken by the investments team following each transition. 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. 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.
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>	High	<ul style="list-style-type: none"> Substantial governance arrangements are in place at both officer (Officer Working Group) and shareholder (Joint Governance Committee) level which ensures that: <ul style="list-style-type: none"> i) Both the WPP and the constituent authorities take appropriate professional advice on any investment decisions put before Pension Committee. ii) Quarterly investment performance monitoring is undertaken as a minimum by both the WPP and local advisors to the Fund. iii) A review of contractual arrangements undertaken on a regular basis to ensure WPP operational activity remains fit for purpose and aligned to objectives. iv) Investment Managers are invited to attend OWG and JGC meetings to provide performance update and to respond to questions as required. v) The Fund's independent investment advisors oversee Fund performance and raise questions as required.

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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>	High	<ul style="list-style-type: none"> Controls relating to the WPP's Operator: <ul style="list-style-type: none"> i) Designated Operator Oversight Advisor in place ii) Intensive engagement protocols with Operator iii) The FCA maintains a list of replacement ACS Operators which could step in if the WPP's Operator were to exit the market Measures for other WPP service providers: <ul style="list-style-type: none"> i) Regular engagement with the pool's equity and fixed income asset manager Russell Investments via quarterly investment return meetings. ii) Frequent engagement with the WPP's Oversight Advisor, Hymans Robertson, to ensure that contract obligations are being fulfilled sufficiently.

8.3 Whilst the risk score range attributable to the above is categorised as high/medium, the Pension Committee is comfortable with the level of mitigation in place in which to manage them. The Pension Committee recognises that the process of transitioning assets will continue for a number of years and so this risk will continue to be monitored as appropriate until such time that it feels it can be reduced to an acceptably low level or removed altogether. 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. 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 (the third-party providing securities lending services to the WPP) with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. WPP agreed that stock lending will be permitted within WPP's actively managed pooled funds, subject to consultation with Constituent Authorities in respect of each underlying sub-fund at the point of set up. WPP will lend a maximum of 95% of the holding in any single stock, ensuring WPP can express its views and make a policy stance on any topic it deems worthy through its right to vote. In addition, no more than 25% of total assets under management at any one time will be considered lendable.

Total revenue generated during 2023/24 was £915,594 net of fees, with £473,209,901 out on loan as at 31 March 2024. More detailed information on the WPP's stock lending policy can be found within the WPP RI policy here:

[Wales Pension Fund | Responsible Investment Policy \(walespensionpartnership.org\)](https://walespensionpartnership.org/Responsible-Investment-Policy)

INVESTMENT POLICY AND PERFORMANCE REPORT

1. Fund and Market Performance

General market overview and outlook 2023/24

- 1.1 For the 12 months to 31st March 2024, the FTSE All Share returned +8.4%, whilst the MSCI All Countries World Index (MSCI ACWI) returned +20.6%. The year marked a strong recovery for most financial markets, particularly equities, following one of the most challenging years in recent history amid concerns about increased inflation and the fear of recession. The risk-on sentiment and subsequent recovery was bolstered by the combination of decreased inflation figures relative to expectations, better-than-expected corporate earnings, and an apparent end to central bank rate hikes. Technology stocks (and growth stocks more broadly) witnessed large value increases due to expectations of multiple interest rate cuts in 2024, along with the emerging boom in Artificial Intelligence (AI) technologies globally.
- 1.2 In contrast to the year prior, fixed-income markets were bolstered by the consensus belief that interest rates had peaked after a period of decreasing inflation, despite still hovering above global central bank targets of 2-3%. The short-term outlook for credit and bond markets is predominantly dependent on the future course of inflation and the subsequent actions taken by the Federal Reserve, European Central Bank and Bank of England in respect of interest rate fluctuations.
- 1.3 Property valuations have somewhat stabilised after the significant re-pricing event that occurred post the 2022 mini budget debacle. Whilst there are several factors that could affect property valuations in the short-term, the long-term outlook for real estate remains attractive.
- 1.4 Despite the tailwinds mentioned above and the optimism present at the beginning of 2024, the short-term outlook for markets remains heavily dependent on an array of variables. The course of inflation and the subsequent actions taken by central banks in response is the primary macroeconomic determinant of market forecasts; inflation decreasing and remaining at target levels could be a recipe for further rally, but market scepticism could ensue if inflation remains persistently higher than target. The pace and magnitude of AI evolution and adoption will also likely have a significant impact across all markets and the broader economy, the effects of which are unknown. Moreover, ongoing global conflicts, growing geopolitical tensions and the aftermath of significant leadership elections worldwide are all key determinants of market direction in the short to medium-term.

How did the Fund perform during 2023/24?

- 1.5 The Fund ended the year encouragingly, recording an all-time high valuation of £4,248m, approximately £490m more than the close of 2022/23. The Fund produced an excellent absolute return of 12.7% during the year, but marginally underperformed its customised strategic benchmark by -0.45%. Despite this, the Fund remains ahead of its strategic benchmark across most long-term time horizons with the exception of the last three years, where relative performance was -0.28%. Importantly, absolute returns also remain comfortably ahead of the long-term discount rate of 4.3% set by the Fund's actuary during the 2022 triennial valuation.

- 1.6 By comparison, according to the annual analysis prepared by the Pensions & Investment Research Consultants (PIRC) on behalf of the LGPS universe, the average fund returned 9.2% in 2023/24. As was the case locally, asset class results strongly diverged across the scheme. Generally speaking, the long-term results are still well ahead of inflation and the Fund's actuarial assumptions. At whole of Fund level, overall performance during 2023/24 was comfortably ahead of the universe benchmark and ranked within the 15th percentile relative to its peer group of 63 LGPS funds.

Notably, the Fund remains comfortably above the median LGPS performance across all long-term time horizons, including particularly strong relative performance over the past five years, ranking as the 8th percentile.

How did each of the Fund's assets perform?

- 1.7 At the individual asset class level, each asset class generated positive absolute returns, albeit in different proportions. On aggregate, equities delivered particularly strong absolute returns, with the Fund's large allocation to the asset class proving to once again be a key driver of performance during a year in which a risk-on sentiment seemed to be ever-present. The Fund's investment within equities is sufficiently diversified across different sectors, geographies and management styles. Fixed income and multi-asset performance was also encouraging, while real estate performance, despite delivering marginally positive returns, lagged relative to other asset classes.

The Fund continues to identify ways in which to evolve its investment strategy and align the long-term position with the strategic asset allocation agreed during 2023/24.

How did our Managers Perform?

- 1.8 In addition to investment performance from the markets themselves, the Fund strives to generate additional investment returns across the majority (over 73%) 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.
- 1.9 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	Allocation % of Fund 31 March 2024	Fund return 12 months ⁸ %	Benchmark chosen for asset class	Benchmark return 12 months %	Relative return 12 months %
Equities						
World Low Carbon Tracker	BlackRock	26.5	24.42	MSCI World Low Carbon Target Reduced Fossil Fuel Select	24.08	0.34
UK	WPP	13.5	10.09	FTSE All-Share Total Return	8.43	1.66
Europe	BlackRock	5.9	16.83	FTSE All-World Dev Europe ex UK	13.67	3.16
Asia	Invesco	6.6	0.53	MSCI AC Asia Pacific ex Japan	3.04	-2.51
Emerging Markets	Fidelity	0.8	8.20	MSCI Emerging Markets	5.86	2.34
Emerging Markets	WPP	1.6	3.94	MSCI Emerging Markets	5.86	-1.92
Global	WPP	15.2	19.91	MSCI ACWI	20.60	-0.69
Global Sustainable	WPP	4.0	n/a	MSCI ACWI	n/a	n/a
Fixed Income						
Global Government	WPP	6.0	1.53	FTSE World Government Bond	2.05	-0.52
Global Credit	WPP	6.0	4.68	Bloomberg Barclays Global Aggregate	4.87	-0.19
Other						
Multi Asset	Fidelity MAI	2.6	5.51	SONIA	5.17	0.34
Infrastructure	Various	4.3	n/a	SONIA	n/a	n/a
Private Credit	Various	2.3	n/a	SONIA	n/a	n/a
Pooled Property	Various	1.7	0.17	MSCI All Bal Property Fund	-0.69	0.86
Cash and other investment balances	Various	3.0	n/a	SONIA	n/a	n/a

Long-term Performance

1.10 The table below shows, at a total fund level, the Fund's investment performance over historical periods, measured to 31 March 2024, versus the Fund's bespoke investment benchmark.

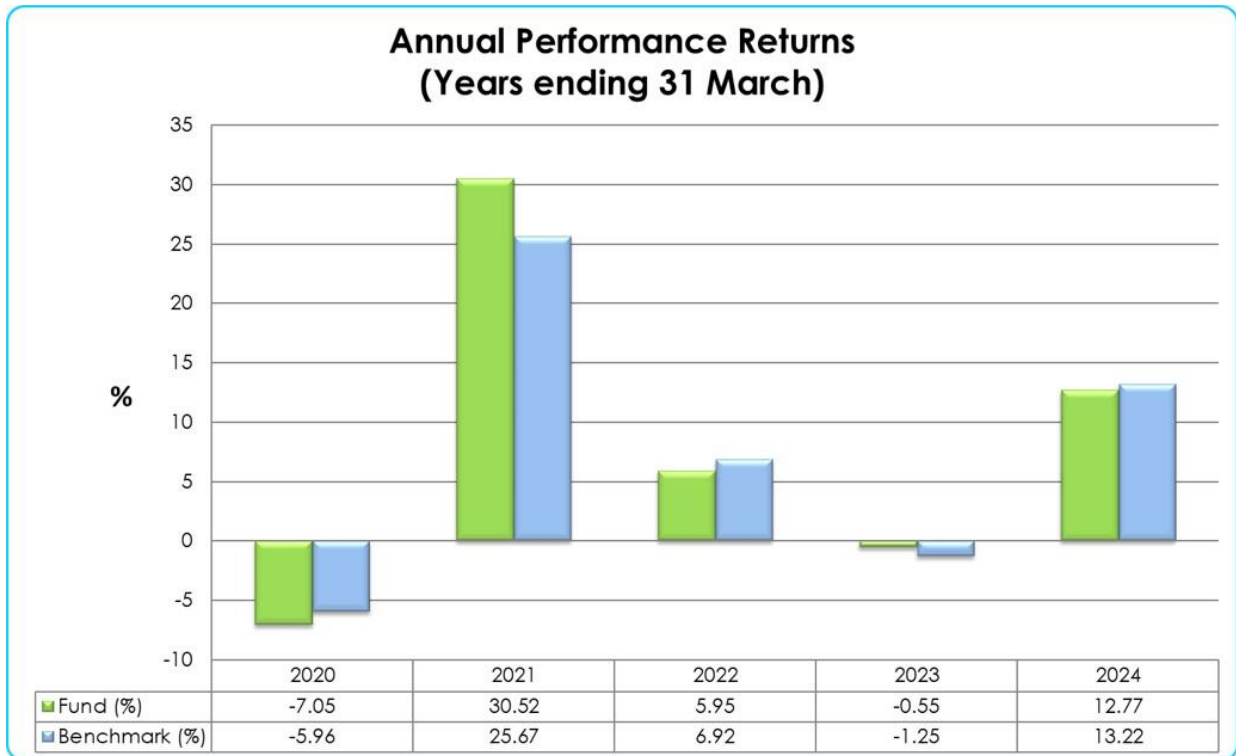
Annualised % Performance	1 Year	3 Years	5 Years	10 Years
Greater Gwent (Torfaen)	12.77	5.92	7.59	7.72
Strategic Benchmark	13.22	6.19	7.12	7.42
Out/(Under) Performance	(0.45)	(0.27)	0.47	0.3

⁸ Where performance is not available this is due to the nature and/or timing of mandate

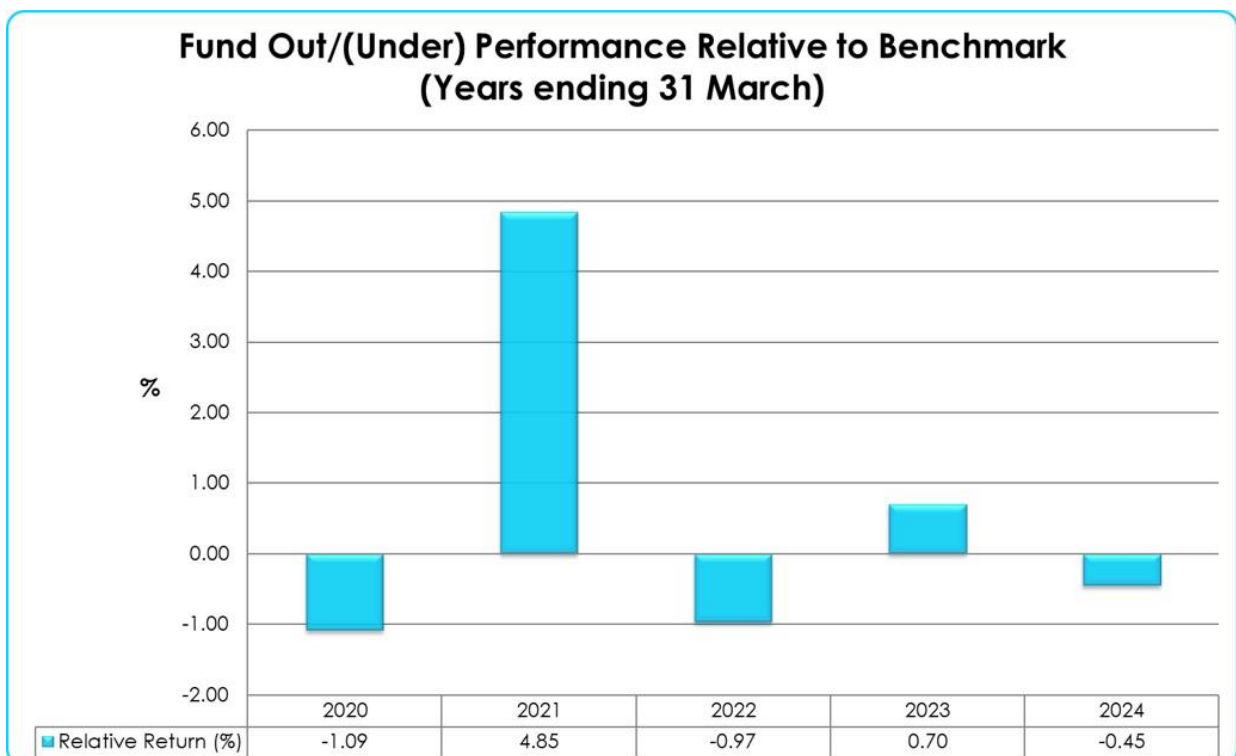
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- 1.11 The following graphs illustrate the Greater Gwent (Torfaen) Pension Fund annual performance returns as compared to the Northern Trust benchmark returns over the last five financial years. The absolute return is the performance return for an 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 4.

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. More details regarding the outcomes of the Fund's 2023/24 Investment Strategy Review can be found on page 42.
- 2.2 The following table shows the Fund's actual asset allocation as of 31 March 2024 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 ⁹ (%)	Actual Allocation 31 March 2024 (%)
Equities			57	57-64	74.1
UK Equities	Active	WPP			13.5
World Low Carbon Tracker	Passive	BlackRock			26.5
Global Equities	Active	WPP			15.2
Global Sustainable Equities	Active	WPP			4.0
European Equities	Active	BlackRock			5.9
Asian Equities	Active	Invesco			6.6
Emerging Markets	Active	WPP/Fidelity			2.4
Fixed Income & Private Credit			17	15-17	14.3
Government Bonds	Active	WPP			6.0
Corporate Bonds	Active	WPP			6.0
Private Credit Funds	Active	WPP/Various			2.3
Multi Asset			5	3-7	2.6
Multi Asset Fund	Active	Fidelity			2.6
Real Assets			20	14-20	6.0
Pooled Property Funds	Active	Various			1.7
Infrastructure Funds	Active	WPP/Various			4.3
Cash			1	1-5	3.0
Cash/Accruals	Active	TCBC			3.0
Total			100	100	100

- **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.
- **Listed Fixed Income and Private Credit** - the Fund is overweight to listed fixed income and 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. Typically, fixed income is considered a lower risk asset class that provides income (where required), lower volatility and defensive characteristics to the portfolio. Private credit also offers many of these characteristics but where wider spreads offer an illiquidity premium that is better suited to building high compound returns over a time horizon commensurate with the LGPS.

⁹ Interim range intended to offer flexibility to achieving the long-term SAA

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- **Real Assets (Infrastructure and Real Estate)** - the long-term strategic allocation of 20% has been agreed by the Pension Committee following the 2023/24 investment strategy review. The Fund has historically had very minor exposure to real assets which had been achieved primarily via pooled property funds.
- The long-term objective is to significantly increase exposure to infrastructure and real estate via the Wales Pension Partnership pool and, where necessary, through selective Fund investments. The WPP now has dedicated allocators to support the build out of investment into real assets and this is expected to accelerate progress in these areas over time.
- **Multi-Asset** - these strategies have exposure to a range of asset classes within a single aggregated portfolio. The strategies typically tend to be very dynamic in nature, allowing for tactical reallocation on a short-term basis to reflect changes in market conditions. The Fund is marginally under-weight 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 will explore the possibility of investing in new and suitable multi-asset strategies in 2024/25 in accordance with its long-term strategic allocation.
- **Cash** - primarily used by the Fund to fulfil its core functions, including pension payments to its beneficiaries and to meet capital call drawdowns in relation to the investment commitments made. During the 2023/24 investment strategy review, the Pension Committee agreed to provide 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.

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2.3 As at 31 March 2024 the net investment assets of the Fund (measured at bid-price market value) were administered as follows.

Market value 31 March 2024	%	£000	Portfolios held
Wales Pension Partnership			
Russell Investments	15.2	646,496	Global Opportunities Equity Fund
	4.0	170,529	Global Sustainable Equity Fund
	13.5	569,887	UK Opportunities Equity Fund
	1.6	69,097	Emerging Markets Equity Fund
	6.0	254,390	Global Credit Fund
	6.0	254,454	Global Government Bond Fund
	0.9	36,209	GCM WPP Global Infrastructure, L.P.
	0.4	17,523	Octopus Renewables Infrastructure SCSp
	0.1	2,950	Capital Dynamics CEI (WPP), LP
	0.3	13,957	Russell Inv. WPP Global Private Credit LP
Wales Pension Partnership	48.0	2,035,492	
Investments administered outside of the Wales Pension Partnership			
BlackRock	26.5	1,123,224	Low Carbon Tracker Equity Fund ¹⁰
	5.9	250,610	European Equity Fund
	0.0	18	Cash
Assets held by BlackRock	32.4	1,373,852	
Invesco Perpetual	6.6	278,279	Asian Equity Fund
Assets held by Invesco	6.6	278,279	
Fidelity Worldwide Investment	0.8	34,983	Emerging Markets Equity Fund
	2.6	111,046	Multi Asset Income Fund
Assets held by Fidelity	3.4	146,029	
Investment Fund Managers	42.4	1,798,160	
Managed In-House	1.7	70,239	Pooled Property Funds
	0.6	25,698	Gresham House BSI Infrastructure LP
	1.1	48,312	Gresham House BSI Infrastructure II LP
	1.6	67,042	Invesco Credit Partners (Cayman) II, L.P.
	0.4	14,554	Invesco Credit Partners (Cayman) III, L.P.
	1.2	50,715	Quinbrook Renewables Impact Fund L.P.
	3.0	129,328	Cash
	0.0	1,829	Other investment balances
Administering Authority	9.6	407,717	
Net Investment Assets	100	4,241,369	

¹⁰ 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 2023/24

Funding Strategy – 2022 Valuation Exercise

- 3.1 At each three-yearly interval, a triennial valuation exercise is carried out by the Fund's appointed actuarial advisor 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. The most recent triennial valuation exercise took place on 31st March 2022, with the vast majority of work being undertaken during 2022/23. The outcome of the triennial valuation exercise determined further improvements to its 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. The Fund will undergo its next actuarial valuation in 2025 and preparation for this will commence during the 2024/25 financial year.

Primary Investment Objectives

- 3.2 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 continues to exceed expenditure 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 Review 2023/24

- 3.3 The Pension Committee attempts to meet its objectives by securing the most advantageous mixture of investment in equity, 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 57). 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 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 nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies
- 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 local taxpayers

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- 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.

A comprehensive review of the Fund's investment strategy was conducted during 2023/24. The key conclusions and outcomes of the review can be summarised as follows:

- Only minor modifications should be made to the SAA that was previously agreed in 2019, which was supported by findings of Capital Market Assumption (CMA) modelling. These adjustments included: a minor increase to equity and real assets in favour of fixed-income and an increased allocation range for cash holdings.
- Re-categorisation of certain asset classes to better define the underlying investments within each; this involved devolving 'alternatives' into 'real assets' (comprising real estate and infrastructure), multi-asset and fixed income & private credit.
- The introduction of 'interim ranges' within the SAA that are intended to offer flexibility to achieving the long-term SAA over the proceeding three-year period (2024-2027).
- Sufficient exposure to growth assets (equities) should be maintained to ensure investment returns are able to keep pace with the future expected cost of funding scheme liabilities whilst limiting risks in contribution by and on behalf of active members.
- The Fund's interim cash allocation range should be increased to 1-5%. 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 evolution and development of the WPP, as well as Fund experience through the pursuit of private market investments outside of the pool, means that the Fund is much better placed to deliver on the revised SAA.

Investment within the WPP

- 3.4 As of 31st March 2024, the Fund's commitment to WPP actively managed sub-funds sits at 48% pooled which, together with the existing passive investments under WPP management of 26.5%, represents a total pooled exposure of 74.5%. This represents a 7.5% year on year increase in overall pooled assets placing it comfortably within the median average across the eight Constituent Authorities from a pooling perspective.

Progress in terms of transitioning assets into the WPP is expected to continue into 2024/25 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.

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 26 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 59.
- 4.3 During 2023/24, the Fund continued to demonstrate strong adherence to RI principles through the practice of stewardship across its listed asset portfolio. In addition, the Fund continued to invest in dedicated infrastructure funds with clear sustainability-related characteristics focusing on investment in renewable energy generation, grid stability and transition, vertical farming and waste to energy solutions in conjunction with the WPP, the Fund also achieved the following during the year:
- Successfully launched and invested in a bespoke Active Sustainable Equity sub-fund via the WPP. The new sub-fund, which launched with c.£1.3bn of WPP capital, is comprised of exposure to companies that are currently or have a viable framework to become net-zero aligned. The sub-fund also maintains a set of exclusions that prevents investment in a range of companies according to their primary operations such as fossil fuel extraction and distribution, lethal weapons production, revenues generated from gambling and tobacco production.
 - Contributed towards the development of various WPP policies, including the successful awarding of UK Stewardship Code signatory status for a third consecutive year.
 - The development and publication of a novel All-Wales Climate Report, Engagement priorities and implementation framework.
 - Began allocating capital to an onshore wind farm project via the WPP, involving the construction of wind turbines to be built across a range of areas exclusively in Wales.

5. Impact investment

- 5.1 As part of the 2023/24 investment strategy review, 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 it 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 will be 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 future reporting. 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

On 8th September 2023, the then Department of Levelling Up, Housing and Communities laid the Local Government Pension Scheme (Amendment) (No. 3) Regulations (McCloud). These regulations came into force on 1st October 2023. These regulations constituted a 'material change to basic scheme information under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations and as such, the Pension Fund wrote out to all Active, Deferred and Pensioner Members providing them information about these changes.

The Fund carried out extensive testing on the McCloud remedy and switched it on, on 4th March 2024. Internal training was provided to the Benefits Team and all business-as-usual cases have since included the McCloud calculation and any underpin if applicable.

The McCloud remedy has introduced a new layer of complexity to benefit calculations. A number of new processes and procedures must be followed along with additional checks on member's records including hours and previous public sector pension. As a result of this, benefit calculations have taken longer to process.

During 2024/25, the Fund will be revisiting all retrospective cases that have been affected by the McCloud remedy, recalculating benefits of leavers who have benefited from the new underpin, calculating any arrears due and making payment to members. The Fund will also be working with its employers on the Teacher's Pension Excess service cases.

General Code of Practice

The Pensions Regulator's new Code of Practice came into force on 28th 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 begun to consider the requirements of the new General Code of Practice during the year and have purchased Hymans General Code of Practice - LGPS Checker as an additional resource to assist with an initial self-assessment of Fund compliance against revised requirements.

During 2024/25, officers will continue with the self-assessment of compliance against the General Code of Practice. Following this initial assessment, a work plan will be established 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.

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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.

During 2023/24, there were changes to CARE revaluation, the Lifetime Allowance, and the Annual Allowance. As a result of this, Fund officers had to review and amend processes, procedures, letters and documents to comply with the new regulations.

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.

Administration Strategy

During 2024/25, Fund officers will consult with scheme employers on the Fund's proposed Administration Strategy. This will also be taken to Local Pension Board for review, and Pension Committee for final approval.

Valuation

The next actuarial valuation for the Fund will commence on 31st March 2025. Preparation for the next valuation will take place over the next 6 months, working with scheme employers to ensure that the data held by the Pension Fund is accurate and up to date as possible.

b) IT/Pension administration developments

ATMOS

The Pension Fund invested in Heywood Pension Technologies enhanced Heywood Mortality screening solution during 2023/24. The mortality screening tool has been enhanced to include the National Deceased register (NDR), which when combined with the General Record Office Disclosure of Death Registration Information (GRO-DDRI), provides greater certainty on matching criteria. The output also provides additional data fields, providing more information to the Fund. A new data view has been created to hold this information along with an Altair Insights report to view and extract this information.

This new enhancement has simplified the process, and the results are easier and quicker to obtain and view. Data is automatically uploaded to member's records and an automated task is set up. This enhancement has reduced the need for duplication and manual intervention which has made the process more efficient and reduced the potential for manual inputting error.

Immediate Payments

The Fund's officers have worked tirelessly to embed Immediate Payments into its routine processes. Immediate Payments will 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 will be going live with Immediate Payments in 2024/25, initially focusing on retirement lump sums before moving on to refunds and other payments. Immediate Payments will provide greater efficiencies to the team as the payment information will be seamlessly transferred from the administration system to the payroll system. Not only will this improve processing time, but it will also reduce the need for dual inputting and mitigate the risk of user error.

Changes to General Ledger

In preparation for Immediate Payments several changes have been made to the general ledger. New reports and cost codes have been developed for new pensioner members and are now automated, providing the Fund with more reporting functionality and reducing user error, making processes more efficient.

i-Connect

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

My Pensions Online

The number of members signed up to MPO during the year has continued to increase. As at 31st March 2024, just over 32.67% of the Fund's total membership had registered for MPO. The Fund is committed to increasing the number of members registered to My Pensions Online and continues to promote the service through all its regular communication with scheme members.

Pension Dashboard

During 2024/25 the Fund will be embarking on a data readiness exercise to ensure that all its data is cleansed in preparation for the Pension Dashboard.

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 2023 and the results are set out within the key performance indicators set out below. 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).

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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 are able to 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.

<http://gwentpensionfund.co.uk>

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

<https://www.gwentpensionfund.co.uk/media/kfqltxs/employer-guide-to-policy-and-requirements-for-admitted-body-status.pdf>

b) Undertake duties

The Pension Fund comprises of five teams containing thirty posts. There are 27 posts on the establishment list of the pension administration section, including the Pension Manager and Operations Manager. This equates to 21.48 full time equivalent (fte) members of staff. There are an additional 3 members of staff (3) 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 \(gwentpensionfund.co.uk\)](http://gwentpensionfund.co.uk)

- The Payroll Team
The Payroll Team have averaged 3.23 fte staff during the year. They are responsible for calculating and checking pensions into payment, processing the monthly payment of pension, and ensuring the correct pensions are paid to the correct pensioners.
- The Benefits Team
The Benefits Team have averaged 10.89 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 have averaged 3.36 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 Communication Team have 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:

<https://www.gwentpensionfund.co.uk/forms-and-publications/privacy-notice/>

The Fund uses the Government's "Tell Us Once" service and ATMOS 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.

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 2023/24 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 on a monthly basis 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 2023 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.

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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	182	745	815	87.9%	685	79.0%
New dependent member benefits	44	281	325	100%	258	96.6%
Deferred member retirements	338	1,109	1,201	83.0%	1,002	74.8%
Active member retirements	148	818	839	86.9%	743	83.4%
Deferred benefits	93	1,745	1,660	90.3%	1,757	95.0%
Transfers in (including interfunds in, club transfers)	393	617	540	53.5%	600	60.4%
Transfers out (including interfunds out, club transfers)	106	839	806	85.3%	774	88.0%
Refunds	201	1,346	1,309	84.6%	1,235	86.0%
Divorce quotations issued	1	127	121	94.5%	127	99.2%
Actual divorce cases	5	4	5	55.6%	6	54.5%
Member estimates requested either by scheme member or employer	364	3,092	3,151	91.2%	2,826	88.6%
New joiner notifications	662	4,203	4,146	85.2%	5,288	88.9%
Aggregation cases	329	1,846	1,816	83.5%	1,790	84.5%
Optants out received after 3 months membership	5	371	373	99.2%	396	98.8%

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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	78.8%	66.5%
Communication issued confirming the amount of dependents pension	10 days	82.5%	68.6%
Communication issued to deferred member with pension and lump sum options (quotation)	15 days	85.1%	69.3%
Communication issued to active member with pension and lump sum options (quotation)	15 days	88.3%	84.1%
Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	97.2%	99.2%
Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	99.2%	98.2%
Payment of lump sum (both actives and deferreds)	15 days	98.3%	98.7%
Communication issued with deferred benefit options	30 days	86.7%	86.3%
Communication issued to scheme member with completion of transfer in	15 days	61.8%	48.7%
Communication issued to scheme member with completion of transfer out	15 days	54.8%	66.5%
Payment of refund	15 days	81.9%	76.5%
Divorce quotation	45 days	100%	100%
Communication issued following actual divorce proceedings i.e. application of a Pension Sharing Order	15 days	50.0%	42.9%
Communication issued to new starters	40 days	99.7%	99.6%
Member estimates requested by scheme member and employer	15 days	91.0%	90.6%

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2.3 Table C – Communications and engagement

Engagement with online portals	Percentage as at 31 March
% of active members registered	17.83%
% of deferred member registered	8.70%
% of pensioner and survivor members registered	6.14%
% total of all scheme members registered for self-service	32.67%
Number of registered users by age:	
0-20	107
21-25	504
26-30	962
31-35	1,505
36-40	1,745
41-45	2,067
46-50	2,319
51-55	3,484
56-60	4,005
61-65	2,889
66-70	1,435
71-75	449
76-80	154
81-85	45
85-90	11
Over 90	4
% of all registered users that have logged onto the service in the last 12 months	67.1%

Communication	Total
Total number of telephone calls received in year	23,109*
Total number of emails and online channel queries received	24,905**
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	2
b) Deferred members	2
c) Pensioners	1

*These only include calls to the pension fund's three hot numbers. Individual telephone calls will be included in the 2024/2025 Annual Report

**These do not include online queries from My Pensions Online to the Benefits Team

***We do not currently record this, but it will be included in the 2024/2025 Annual Report

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Table D – Resources

Resources	Total
Total number of all administration staff (FTE)	21.48
Average service length of all administration staff	12 years 183 days
Staff vacancy rate as %	8%
Ratio of all administration staff to total number of scheme members (all staff including management)	1:3089
Ratio of administration staff (excluding management) to total number of scheme members	1:3406

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	98.0%
Scheme specific data score	98.25%
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	2.53%
Percentage of active, deferred and pensioner members with an email address held on file	67.33%

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	n/a*

*We do not currently record this, but will be able to report this in the 2024/2025 Annual Report

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 72.

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 72. Details of contributions paid and benefits payable per employer can be found in the notes to the accounts on page 81.

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	33	8	41
Deemed Body	1	1	2
Admitted Body	22	23	45
Total	56	32	88

4. Communications Policy

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 communication tools.
- Provide timely and accurate information to all our audiences and stakeholders using plain English and avoiding unnecessary jargon.
- Provide all of our different audience groups with an effective channel to give feedback to enable the Fund to evaluate the effectiveness of its communications and develop its communications 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 2023/24 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 Scheme and include advertising material to promote the Pension Fund's My Pensions Online service. Topics this year included: LGA Annual Update Bulletin, Lifetime Allowance and Annual Allowance changes, Contribution bandings, Ill health Medical Certificates, i-Connect updates, Member and Employer training, Pension Surgeries, Flexible Retirement and AVCs, Pension Awareness Weeks, LGA ill health training modules, Ill health resources, Strike Action FAQ, Casual Employees, Teacher's Pension Scheme McCloud Remedy, McCloud remedy, LGA Employer training and sending documents.

4.3 Active & Deferred newsletter

A newsletter was sent out to all Active and Deferred members in August 2023 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: Contribution rates and savings limits, co-habiting partners, 50:50 scheme, National Fraud initiative, Cyber Security and Pension Scams.

In addition to this, all Active and Deferred members received a letter in December in relation to the McCloud disclosure regulations.

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, Payslips and P60s, McCloud disclosure information, changes to address and bank details, Tell Us Once, Tax Code queries, National Fraud Initiative 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 2023/24 the Fund participated in the Pension Awareness week in September, trialling a Pension Awareness Day for staff at Torfaen County Borough Council. Pension Awareness week was advertised on the Fund's website and each employer was also provided with a pack and were asked to share this with their staff. The Pension Awareness Day was extremely popular, and the Fund carried out another session in February. During 2024/25 the Fund will be offering Pension Awareness Days to all our employers.

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.

- 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 2024 Number of members	2023/24 Total expenses £000	2023/24 Cost per member £
Membership as at 31 March 2024			
Contributors	25,610		
Pensioners	21,047		
Deferred benefits	19,700		
Total scheme members	66,357		
Administrative costs		1,506	22.69
Investment management expenses		15,094	227.47
Oversight and governance costs		1,313	19.79
Total management expenses		17,913	269.95
Total cost per scheme member including investment costs			269.95
Total cost per scheme member excluding investment costs			42.48

- 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	2018/19	2019/20	2020/21	2021/22	2022/23	Wales 2022/23
Investment management expenses						
Total Cost (£'000)	7,656	8,176	8,608	9,495	10,170	86,597
Total Membership (number)	60,214	61,120	61,942	63,452	65,372	406,445
Sub cost per member (£)	127.15	133.77	138.97	149.64	155.57	213.05
Administration costs						
Total Cost (£'000)	1,216	1,280	1,433	1,372	1,513	13,536
Total Membership (number)	60,214	61,120	61,942	63,452	65,372	406,445
Sub cost per member (£)	20.19	20.94	23.13	21.62	23.14	33.30
Oversight and governance costs						
Total Cost (£'000)	678	1,047	1,028	1,135	1,256	7,830
Total Membership (number)	60,214	61,120	61,942	63,452	65,372	406,445
Sub cost per member (£)	11.26	17.13	16.60	17.89	19.21	19.26
Total cost per member £	158.6	171.84	178.70	189.15	197.92	265.61

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:

<https://www.gwentpensionfund.co.uk/forms-and-publications/internal-dispute-resolution-procedure-guide-idrp/>

The tables below set out the number of Stage 1 and Stage 2 appeals the Fund received in 2023/24 and 2022/23.

IDPR cases reported 2023/24

Stage	Cases submitted	Dismissed	Upheld	Ongoing
1	1	1	0	0
2	1	1	0	0

IDPR cases reported 2022/2023

Stage	Cases submitted	Dismissed	Upheld	Ongoing
1	3	3	0	0
2	2	2	0	0

During 2023/24 two disputes have been referred to the Pension Ombudsman. Both disputes were in relation to ill health retirement. One dispute has been closed, and was not upheld by the Pension Ombudsman, and the other one is still on-going.

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
\(\[gwentpensionfund.co.uk\]\(https://www.gwentpensionfund.co.uk\)\)](https://www.gwentpensionfund.co.uk)

The review has not considered 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, Responsible Investment, 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 nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodes
- 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 local taxpayers
- 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 and fixed interest 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 94 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 Responsible Investor Working Group.

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 investment advisor, actuary, and the Deputy Chief Executive.

2. Responsible Investment Policy

2.1 Responsible Investment

Responsible investment is the term used to incorporate 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 Responsible Investment is set out within the Responsible Investment (RI) policy which is available on the Fund's website: [responsible-investment-policy-april-22-v2-0.pdf \(gwentpensionfund.co.uk\)](https://www.gwentpensionfund.co.uk/responsible-investment-policy-april-22-v2-0.pdf)

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 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 Investments 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 in 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:

<https://www.gwentpensionfund.co.uk/forms-and-publications/responsible-and-sustainable-investment-policy/>

You can read the Wales Pension Partnership's Responsible Investments Policy on their website www.walespensionpartnership.org in the Publications area.

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 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 \[gwentpensionfund.co.uk\]](https://www.gwentpensionfund.co.uk/governance-policy-and-compliance-statement-2023)

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.

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Following the 2022 triennial valuation, the FSS has been extensively updated and revised. It will be published with effect from 1 April 2023. In summary, the key updates to the policy include:

- 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:

<https://www.gwentpensionfund.co.uk/forms-and-publications/funding-strategy-statement/>

<https://www.gwentpensionfund.co.uk/media/coydxw5o/cessation-policy.pdf>

<https://www.gwentpensionfund.co.uk/media/nbah4jrn/contribution-review-policy.pdf>

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, responsible investment 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.
- <https://www.gwentpensionfund.co.uk/forms-and-publications/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 however 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 clear and timely, 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's 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 Annual Report

- 6.1 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 in legislation. 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.
- 6.2 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: -

<https://www.gwentpensionfund.co.uk/forms-and-publications/>

Greater Gwent (Torfaen) Pension Fund (the Fund) Actuarial Statement for 2023/24

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.

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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. 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, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). 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. The Funding Strategy Statement will also be reviewed at that time.

Barry Dodds FFA

3 May 2024

For and on behalf of Hymans Robertson LLP

Pension Fund Annual Report 2023/2024

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 2024 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 2023-24.

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 2024, 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 2023-24

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.

Pension Fund Annual Report 2023/2024

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:

Pension Fund Annual Report 2023/2024

- 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; and
 - 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; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the 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. 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 November 2024

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Pension Fund Accounts

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Pension Fund Accounts 2023/2024

Fund Account for the Year Ended 31 March 2024

	Note	2022/2023 £000	2023/2024 £000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	(154,503)	(168,556)
Transfers in from other pension funds	8	(9,122)	(11,751)
		(163,625)	(180,307)
Benefits	9	137,782	158,937
Payments to and on account of leavers	10	6,774	8,887
Other payments	13b	65	2,760
		144,621	170,584
Net (additions)/withdrawals from dealings with members		(19,004)	(9,723)
Management expenses	11	12,939	17,913
Net (additions)/withdrawals including fund management expenses		(6,065)	8,190
Returns on investments			
Investment income	12	(47,894)	(60,933)
Profit and losses on disposal of investments and changes in the market value of investments	14a	59,148	(432,970)
Net return on investments		11,254	(493,903)
Net (increase)/decrease in the net assets available for benefits during the year		5,189	(485,713)
Opening net assets of the scheme		(3,768,067)	(3,762,878)
Closing net assets of the scheme		(3,762,878)	(4,248,591)

Net Assets Statement for the Year Ended 31 March 2024

	Note	2022/23 £000	2023/24 £000
Investment assets	14	3,756,274	4,241,369
Investment liabilities	14	-	-
Total net investments		3,756,274	4,241,369
Current assets	20	13,636	15,278
Current liabilities	21	(7,032)	(8,056)
Net assets of the Scheme available to fund benefits at 31st March		3,762,878	4,248,591

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 57 to 63.

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 56 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 2023/2024

Fund Membership

	Active Members 31/03/23	Active Members 31/03/24
Administering Authority		
Torfaen CBC	3,268	3,244
Current Scheduled Bodies		
Blaenau Gwent CBC	2,597	2,772
Caerphilly CBC	7,280	7,246
Monmouthshire CC	3,679	3,612
Newport City Council	4,610	4,501
Valuation Panel	5	9
Coleg Gwent	685	681
Chepstow Town Council	9	11
Brynmarwr Town Council	1	1
Chief Constable (Gwent)	1,023	1,010
Police & Crime Commissioner (Gwent)	21	18
Silent Valley Waste Disposal	2	0
Caldicot Town Council	3	2
Nantyglo & Blaina Town Council	2	2
Monmouth Town Council	3	3
Gwent Cremation Committee	9	11
Cwmbran Community Council	9	9
Pontypool Community Council	9	9
Tredeggar Town Council	2	2
Rogerstone Community Council	5	5
Bargoed Town Council	1	2
Portskewett Community Council	1	1
Shirenewton Community Council	1	1
Magor with Undy Community Council	1	2
Llanfoist Fawr Community Council	1	1
BTM CC	2	2
Abertillery & Llanhillith Community Council	3	2
Abergavenny Town Council	2	3
Croesyceiliog & Llanyrafon Community Council	2	2
Shared Resource Service	218	230
Llanbradach & Pwll-y-pant Community Council	1	1
Vann Community Council	1	1
Rogiet Community Council	1	1
Blaenavon Town Council	2	2
Deemed Bodies		
Newport Transport	5	5
Admitted Bodies		
Melin Homes ¹¹	37	0
Careers Wales Gwent	105	107
Citizen Advice Bureau Caerphilly	5	5
Hafod Care	7	4
Archives	16	16
Monmouthshire Housing	204	208
Bron Afon	272	254
Newport City Homes	350	386
Tai Calon	173	158

¹¹ Ceased participation in the scheme on 31st May 2023

Pension Fund Accounts 2023/2024

Fund Membership

	Active Members 31/03/23	Active Members 31/03/24
Admitted Bodies continued		
Drive	3	2
Vinci	1	1
Compass Catering	17	13
National Trust	3	2
EAS	64	65
Just Perfect Catering	0	7
Churchill	3	3
Torfaen Leisure Trust	206	219
NCS Norse	116	133
Life Leisure	364	294
Newport Live	298	294
Alliance in Partnership	1	1
Radis	48	31
Arwen Cultural Trust	3	3
Total Active Membership	25,760	25,610
Total Deferred Members	19,422	19,700
Total Pensioners and Dependents	20,190	21,047
Total Membership	65,372	66,357

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 <http://gwentpensionfund.co.uk/>

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 2024. 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 2023/24 financial year and its financial position at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 accruals 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 accruals 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 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 April 24 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 pension fund collaboration across Wales via investment pooling which is shared between the 8 Welsh LGPS Funds. Further details on the Wales Pension Partnership can be found on page 26 and in Note 13(a) on page 85.

▪ 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 Worldwide Investment and Aberdeen Standard Investments 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 2023/24 £0.043m of fees is based on such estimates (£0.853m in 2022/23).

▪ 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. In accordance with CIPFA guidance the Fund has not elected to fully adopt the CTI framework in the disclosure of its management expenses in 2023/24 but will do so in respect of 2024/25.

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**

In accordance with Central Government requirements the Wales Pension Partnership (WPP) has established a Joint Governance Committee formed from Elected Member representatives of the eight participating Constituent Authorities to govern 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 setting up and running the WPP are shared by the eight partners (see Note 13(a) page 85).

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 104).

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 106.

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 102. 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 104. 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 2024; a 0.1% decrease in the discount rate assumption would increase the value of liabilities by approximately £77m; 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 £73m.</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 £164m.</p>

Pension Fund Accounts 2023/2024

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.</p> <p>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 £276.960m as of 31 March 2024. 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 2024 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 2023/24 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 contains lump sum payments and contributions paid over the primary rates.

By category

2022/23		2023/24
£000		£000
(33,639)	Employees normal contributions	(35,913)
(142)	Employees 50:50 contributions	(209)
(51)	Employees additional contributions	(17)
(33,832)	Total Employees contributions	(36,139)
(94,984)	Employers normal contributions	(111,071)
(24,690)	Employers deficit recovery contributions	(19,470)
(997)	Employers augmentation contributions	(1,876)
(120,671)	Total Employers contributions	(132,417)
(154,503)	Total contributions receivable	(168,556)

By type of employer

2022/23		2023/24
£000		£000
(21,591)	Administering Authority	(23,638)
(117,206)	Scheduled bodies	(130,086)
(38)	Deemed bodies	(42)
(15,668)	Admitted bodies	(14,790)
(154,503)		(168,556)

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Contributions received in 2023/24 split by employers and employees

Authorities	Employees Contributions £000	Employers Contributions £000	Total Contributions £000	Benefits Payable £000
Administering Authority				
Torfaen CBC	(4,819)	(18,819)	(23,638)	22,922
Scheduled Bodies				
Blaenau Gwent CBC	(3,750)	(15,409)	(19,159)	18,958
Caerphilly CBC	(9,335)	(35,581)	(44,916)	39,825
Monmouthshire CC	(4,657)	(18,542)	(23,199)	18,137
Newport City Council	(5,790)	(21,390)	(27,180)	24,944
Valuation Panel	(15)	(54)	(69)	40
Coleg Gwent	(1,013)	(3,253)	(4,266)	2,781
Coleg Gwent Training	0	0	0	18
Chepstow Town Council	(11)	(41)	(52)	20
Brynmawr Town Council	(1)	0	(1)	9
Gwent Police Authority	0	0	0	2,118
Chief Constable (Gwent)	(2,163)	(6,176)	(8,339)	2,977
Police & Crime Comm (Gwent)	(74)	(178)	(252)	162
Gwent Magistrates	0	0	0	504
Silent Valley Waste Disposal	(1)	(14)	(15)	50
Caldicot Town Council	(6)	(11)	(17)	28
Nantyglo & Blaina Town Council	(3)	(10)	(13)	9
Monmouth Town Council	(5)	(16)	(21)	10
Gwent Cremation Committee	(19)	(36)	(55)	191
Cwmbran Community Council	(15)	(53)	(68)	61
Pontypool Community Council	(16)	(56)	(72)	216
Tredegar Town Council	(3)	(8)	(11)	5
Rogerstone Community Council	(9)	(37)	(46)	2
Bargoed Town Council	(2)	(6)	(8)	11
Portskewett Community Council	(1)	(3)	(4)	2
Shirenewton Community Council	0	(1)	(1)	1
Henllys Community Council	0	0	0	1
Magor with Undy Com Council	(2)	(12)	(14)	38
Caerwent Community Council	0	0	0	4
Llanfoist Fawr Community Council	(1)	(2)	(3)	0
Croesyceiliog & LLanyrafon CC	(1)	(6)	(7)	16
Abergavenny TC	(4)	(12)	(16)	0
BTM Community Council	(2)	(10)	(12)	0
Abertillery & LLanhilleth CC	(4)	(14)	(18)	0
Shared Resource Service	(544)	(1,685)	(2,229)	520
Llanbradach & Pwll-y-pant CC	(1)	(3)	(4)	0
Vann Community Council	(1)	(1)	(2)	0
Rogiet Community Council	(1)	(4)	(5)	0
Blaenavon Town Council	(3)	(9)	(12)	0
Former Scheduled Bodies				
Gwent County Council	0	0	0	9,321
Commission for New Towns	0	0	0	545
Deemed Bodies				
Islwyn Transport	0	0	0	172
Newport Transport	(9)	(33)	(42)	945

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Contributions received in 2023/24 split by employers and employees

Authorities	Employees Contributions £000	Employers Contributions £000	Total Contributions £000	Benefits Payable £000
Admitted Bodies				
Big Pit	0	0	0	15
Melin Homes (formerly EVHA)	(14)	(49)	(63)	286
Careers Wales Gwent	(218)	(676)	(894)	1,091
Citizen Advice Bureau Caerphilly	(13)	(183)	(196)	56
Mitie (formerly Ballast)	0	0	0	14
CWVYS	0	(3)	(3)	24
Canllaw	0	0	0	7
Capita Gwent Consultancy	0	0	0	1,598
Hafod Care	(8)	0	(8)	304
Archives	(30)	(61)	(91)	70
Monitor	0	0	0	26
OCS Ex Monmouth CC	0	0	0	16
OCS Ex UWN	0	0	0	9
United Response	0	0	0	35
Monmouthshire HA	(443)	(1,073)	(1,516)	938
Bron Afon	(594)	(2,182)	(2,776)	2,622
Newport City Homes	(920)	(1,962)	(2,882)	1,197
Tai Calon	(388)	(1,386)	(1,774)	2,455
Manpower UK Ltd	0	0	0	3
DRIVE	(4)	0	(4)	47
Regent Ex Mon CC	0	0	0	9
Regent Ex Monmouth Cluster	0	0	0	3
Regent Ex Abergavenny Cluster	0	0	0	4
Regent Ex Chepstow Cluster	0	0	0	3
Vinci	(2)	(14)	(16)	1
Compass Catering Newport	(10)	0	(10)	190
Compass Catering St Albans	0	0	0	5
National Trust	(6)	(85)	(91)	46
Barnardo's	0	0	0	32
Education Achievement Service	(266)	(784)	(1,050)	415
Just Perfect Catering	(2)	(3)	(5)	0
Caterlink NCC Caerleon	0	0	0	7
Caterlink NCC Newport High	0	0	0	4
Churchill	(2)	0	(2)	9
Monwell Ltd	0	0	0	62
Torfaen Leisure Trust	(116)	(339)	(455)	163
Borough Theatre	0	0	0	26
NCS – Norse	(249)	(730)	(979)	638
NPS – Newport	0	0	0	31
Life Leisure	(274)	(567)	(841)	429
Newport Live	(268)	(722)	(990)	265
Alliance in Partnership	0	0	0	3
Glyncoed Catering	0	0	0	6
Radis	(25)	(103)	(128)	192
Arwen Cultural Trust	(6)	(10)	(16)	18
Totals	(36,139)	(132,417)	(168,556)	158,937

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8. Transfers in from other pension funds

2022/23		2023/24
£000		£000
(9,122)	Individual transfers	(11,751)
(9,122)		(11,751)

9. Benefits payable

By category

2022/23		2023/24
£000		£000
108,836	Pensions	121,660
23,803	Commutation of pensions and lump sum retirement benefits	30,300
3,730	Lump sum death benefits	4,593
1,413	Additional allowances	2,384
137,782		158,937

By type of employer

2022/23		2023/24
£000		£000
18,968	Administering Authority	22,922
106,528	Scheduled Bodies	121,524
1,181	Deemed Bodies	1,117
11,105	Admitted Bodies	13,374
137,782		158,937

10. Payments to and on account of leavers

2022/23		2023/24
£000		£000
418	Refunds to members leaving service	461
(1)	Payments for members joining state scheme	(1)
6,357	Individual transfers	8,427
6,774		8,887

Pension Fund Accounts 2023/2024

11. Management expenses

2022/23		2023/24
£000		£000
1,512	Administrative costs	1,506
10,170	Investment management expenses	15,094
1,257	Oversight and governance costs	1,313
12,939		17,913

a) Investment management expenses

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			
Total	15,094			

2022/23	Total	Management fees	Performance related fees	Transaction costs
	£000	£000	£000	£000
Pooled investments	9,539	9,523	16	-
Pooled property investments	343	343	-	-
	9,882	9,866	16	-
Custody fees	288			
Total	10,170			

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.

The increased expenses for pooled investments in 2023/24 include the costs of joining additional private market investments during the period. These costs include partnership expenses associated with setting up and operating the fund, as well as management expenses. In October the Fund paid an equalisation or 'catch-up' payment of £3.1m to join an established infrastructure fund to ensure that all Limited Partners are treated as if they had been admitted to the Partnership at the first closing date. Over time, equalisation fees are expected to be offset by the investment performance of these investments.

12. Investment income

2022/23		2023/24
£000		£000
(45,499)	Pooled investments	(55,690)
(2,000)	Pooled property investments	(2,012)
(395)	Interest on cash deposits	(3,231)
(47,894)		(60,933)

Interest received on cash deposits increased during 2023/24 following a Fund decision not to proceed with investment in the merger of the Abrdn Global Absolute Return Strategy (GARS) strategy and the decision of Invesco to liquidate the Global Targeted Return (GTR) fund which occurred in Q4 2023 and Q1 2024 respectively.

13. Other fund account disclosures

a) Wales Pension Partnership

2022/23		2023/24
£000		£000
	WPP oversight and governance costs	
327	Operator fees	343
137	Set up and oversight costs	204
21	Host Authority costs	22
	WPP investment management expenses	
4,025	Fund management fees	4,438
262	Depositary and custody fees	289
4,772		5,296

For further information on costs for the Wales Pension Partnership please refer to the Asset Pooling section on page 26.

b) Other payments

2022/23		2023/24
£000		£000
65	Cessation Payment	2,760
65		2,760

On 31st May 2023 one of our admitted bodies, Melin Homes, left the Fund. The Fund's Actuary carried out a cessation calculation in accordance with the Funding Strategy Statement and determined that a surplus was due to be repaid to the employer which was paid in September 2023.

14. Investments

Value at 31.03.23 bid price £000		Value at 31.03.24 bid price £000
	Investment assets	
	Pooled funds	
493,636	Fixed Income	508,844
902,748	Acs World Low Carbon Equity Tracker	1,123,224
454,373	European Equity	250,610
539,138	Global Equity	817,025
517,674	UK Equity	569,887
276,800	Asian Equity	278,279
98,811	Global Emerging Markets Equity	104,080
279,895	Multi Asset Funds	111,046
52,108	Private Credit	95,553
48,176	Infrastructure	181,407
3,663,359		4,039,955
	Other investments	
72,198	Pooled Property Investments	70,239
72,198		70,239
20,014	Cash deposits	129,346
703	Investment income due	1,829
20,717		131,175
3,756,274	Total investment assets	4,241,369
	Investment liabilities	
-	- Amounts payable for purchases	-
-	Total investment liabilities	-
3,756,274	Total investment assets	4,241,369

Pension Fund Accounts 2023/2024

a) Reconciliation of movements in investments

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
	3,735,557	382,649	(431,839)	(9,143)	432,970	4,110,194
Other investment balances:						
• Cash deposits	20,014					129,346
• Investment income due	703					1,829
Net investment assets	3,756,274				432,970	4,241,369

Period 2022/23	Market Value 31 March 2022	Purchases during the year	Sales during the year	Investment management expenses deducted at source	Change in value during the year	Market Value 31 March 2023
	£000	£000	£000	£000	£000	£000
Pooled investments	3,661,861	94,735	(38,481)	(9,645)	(45,111)	3,663,359
Pooled property investments	86,235				(14,037)	72,198
	3,748,096	94,735	(38,481)	(9,645)	(59,148)	3,735,557
Other investment balances:						
• Cash deposits	12,518					20,014
• Investment income due	641					703
Net investment assets	3,761,255				(59,148)	3,756,274

Pension Fund Accounts 2023/2024

b) Investments analysed by Fund Manager

Market value 31 March 2023		Fund Manager	Market value 31 March 2024	
£000	%		£000	%
Investments managed by the Wales Pension Partnership				
1,616,928	43.2	Russell Investments	1,978,810	46.6
-	-	GCM Grosvenor	36,209	0.9
-	-	Octopus Renewables	17,523	0.4
-	-	Capital Dynamics	2,950	0.1
1,616,928	43.2		2,035,492	48.0
Investments managed outside of the Wales Pension Partnership				
1,357,123	36.1	BlackRock ¹²	1,373,852	32.4
344,528	9.2	Invesco Perpetual	278,279	6.6
137,603	3.7	Fidelity Worldwide Investment	146,029	3.4
106,895	2.8	Aberdeen Standard Investments	-	-
72,198	1.9	Pooled Property Funds (various)	70,239	1.7
48,176	1.2	Gresham House	74,010	1.7
52,108	1.4	Invesco Credit Partners	81,596	2.0
-	-	Quinbrook	50,715	1.2
20,012	0.5	Cash at Administering Authority	129,328	3.0
703	-	Other investment balances	1,829	0.0
2,139,346	56.8		2,205,877	52.0
3,756,274	100	Total	4,241,369	100

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

	Market value 31 March 2023 £000	% of total fund	Market value 31 March 2024 £000	% of total fund
WPP Global Credit Fund	243,009	6.5	254,390	6.0
WPP Global Government Bond Fund	250,627	6.7	254,454	6.0
BlackRock ACS World Low Carbon Equity Tracker	902,748	24.0	1,123,224	26.5
Blackrock Ascent Life European Equity Fund	454,373	12.1	250,610	5.9
WPP Global Opportunities Fund	539,138	14.4	646,496	15.2
WPP UK Opportunities Fund	517,674	13.8	569,887	13.5
Invesco Perpetual Asian Equity Fund	276,800	7.4	278,279	6.6
Total value of investments	3,756,274		4,241,369	

¹² 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.

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Basis of valuations and estimation techniques

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity Funds UK and Overseas	Level 2	The NAV is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Pooled Investments - Fixed Income Funds UK and Overseas	Level 2	The NAV is calculated based on the market value of the underlying fixed income securities.	Evaluated price feeds	Not required
Pooled Investments - Multi Asset Funds	Level 2	The NAV is calculated based on the market value of the underlying investments and financial instruments.	Evaluated price feeds	Not required
Pooled Investments - Property Funds	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
Pooled Investments - Private Credit Funds 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.
Pooled Investments - Infrastructure Funds 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.	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.

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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 2023 and 31 March 2024.

	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		95,553	103,952	87,154
Pooled Investments – Infrastructure		181,407	206,006	156,808
Total		276,960	309,958	243,962

	Potential variation in fair value (+/-)	Value at 31 March 2023 £000	Potential value on increase £000	Potential value on decrease £000
Pooled Investments – Private Credit	9.61	52,108	57,116	47,100
Pooled Investments – Infrastructure	15.96	48,176	55,865	40,487
Total		100,284	112,980	87,588

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

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2023				
Financial assets at fair value through profit and loss	-	3,635,273	100,284	3,735,557
Net investment assets	-	3,635,273	100,284	3,735,557

b) Transfers between levels 1 and 2

No transfers took place in the financial year ending 31 March 2024.

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c) Reconciliation of fair value measurements within level 3

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			
Ending Value at 31 March 2024	181,407	95,553	276,960

Movements 2022/23	Alternatives Infrastructure Funds £000	Alternatives Private Credit Funds £000	Total £000
Starting Value at 31 March 2022	22,066	28,571	50,637
Transfers into level 3	-	-	-
Transfers out of level 3	-	-	-
Capital calls (purchases)	29,583	17,720	47,303
Return of investment (sales)	(5,133)	(3,348)	(8,481)
Unrealised gains and losses	1,660	9,165	10,825
Realised gains and losses	-	-	-
Ending Value at 31 March 2023	48,176	52,108	100,284

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 2023				31 March 2024			
£000	£000	£000		£000	£000	£000	
			Financial Assets				
3,663,359			Pooled investments	4,039,955			
72,198			Pooled property investments	70,239			
	20,014		Cash		129,346		
703			Other investment balances	1,829			
	13,636		Debtors		15,278		
3,736,260	33,650	-		4,112,023	144,624	-	
			Financial liabilities				
		(7,032)	Creditors			(8,056)	
-	-	(7,032)				(8,056)	
3,736,260	33,650	(7,032)	Total	4,112,023	144,624	(8,056)	
3,762,878				4,248,591			

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 2023		31 March 2024
£000		£000
Financial assets		
(59,148)	Fair value through profit and loss	(432,970)
-	- Amortised cost – realised gains on derecognition of assets	-
-	- Amortised cost – unrealised gains	-
Financial liabilities		
-	- Fair value through profit and loss	-
-	- Amortised cost – realised losses on derecognition of assets	-
-	- Amortised cost – unrealised losses	-
(59,148)	Total	(432,970)

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, which was approved by Pension Committee in March 2024, is available on the Pension Fund's website:

[investment-strategy-statement-2024-25.pdf \(gwentpensionfund.co.uk\)](https://www.gwentpensionfund.co.uk/investment-strategy-statement-2024-25.pdf)

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 as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or 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.

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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 for 2024/25.

Asset type	Potential 1 Year market movement (+/-)
Total Fund	12.28%
UK Equities	16.01%
Overseas Equities	16.66%
Emerging Market Equities	23.05%
Government Bonds ¹³	5.77%
Corporate Bonds ¹⁴	6.97%
Pooled Property Investments	15.59%
Alternatives (Absolute Return)	7.91%
Alternatives (Private Credit)	8.79%
Alternatives (Infrastructure)	13.56%
Cash	0.30%

The total Fund volatility considers 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. It however disregards any long-term investment value appreciation from the assets noted.

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) p.a. (+)
UK Equities	7.9%
Overseas Equities (inc. EM)	8.0%
Government Bonds (Medium Term)	4.8%
Corporate Bonds (Medium Term)	5.2%
Property	6.7%
Alternatives (Absolute Return)	6.6%
Alternatives (Private Credit)	7.9%
Infrastructure	7.3%
Cash	4.0%

¹³ Includes exposure to Overseas Government Bonds. The total exposure to Overseas Government Bonds is £236.64m.

¹⁴ Includes exposure to Overseas Corporate Bonds. The total exposure to Overseas Corporate Bonds is £204.28m.

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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 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
Investment portfolio assets:				
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 ¹⁵	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
Alternatives (Absolute Return)	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
Total Fund	4,241,369		4,853,495	3,629,243

Asset type	Value as at 31 March 2023 £000	Potential market movements %	Potential value on increase £000	Potential value on decrease £000
Cash and accruals	20,717	0.30	20,779	20,655
Investment portfolio assets:				
UK Equities	517,674	18.15	611,632	423,716
Overseas Equities (inc. EM)	2,271,870	18.98	2,703,071	1,840,669
Government Bonds	250,627	6.01	265,690	235,564
Corporate Bonds	243,009	7.53	261,307	224,710
Pooled Property Investments	72,198	15.50	83,389	61,007
Alternatives (Absolute Return)	279,895	8.85	304,666	255,124
Alternatives (Private Credit)	52,108	9.61	57,116	47,100
Alternatives (Infrastructure)	48,176	15.96	55,865	40,487
Total Fund	3,756,274		4,363,515	3,149,032

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.

¹⁵ Not split out from overseas equities by Actuary in 2023

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Assets exposed to interest rate risk¹⁶:

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
Total	640,019	608,471	671,567

Exposure to interest rate risk	Asset Values as at 31 March 2023 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash	20,717	20,717	20,717
LF Wales PP Global Government Bond Fund	250,627	233,835	267,419
LF Wales PP Global Credit Fund	243,009	228,428	257,589
Total	514,353	482,980	545,725

Exposure to interest rate risk	Interest receivable 2023/24 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash on deposit	3,231	3,264	3,199
Bonds	-	-	-
Total	3,231	3,264	3,199

Exposure to interest rate risk	Interest receivable 2022/23 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash on deposit	395	399	391
Bonds	-	-	-
Total	395	399	391

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 2024 is 9.3% (9.9% as at 31 March 2023). This assumes no diversification with other assets and, in particular, that interest rates remain constant. A 9.3% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

¹⁶ 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.

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Currency risk - sensitivity analysis¹⁷

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
Total change in assets available to pay benefits	3,274,466		3,578,991	2,969,941

Assets exposed to currency risk	Asset value as at 31 March 2023 £000	Potential market movement %	Value on increase £000	Value on decrease £000
Overseas Equities (inc. EM)	2,271,870	9.9	2,496,785	2,046,955
Overseas Government Bonds	219,799	9.9	241,559	198,039
Overseas Corporate Bonds	176,181	9.9	193,623	158,739
Global Absolute Return Strategies Fund	106,895	9.9	117,477	96,312
Global Targeted Returns Fund	67,728	9.9	74,433	61,023
Multi Asset Income Fund	105,272	9.9	115,694	94,850
Global Private Credit Fund	52,108	9.9	57,267	46,949
Total change in assets available to pay benefits	2,999,853		3,296,838	2,702,867

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, in order 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.

¹⁷ Overseas exposure in bond funds based on valuations as at 31 March 2024 and regional asset allocation as at 31 December 2023

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During 2023/24, the rising interest rate environment meant that the cash management strategy could attract more favourable rates of return and in excess of the Fund's long-term actuarial discount rate (minimum investment return assumption). In addition, two of the Fund's multi-asset mandates were subject to merger and liquidation respectively, resulting in unexpected levels of cash being returned to the global custodian and available to invest in line with the cash management strategy. As a result of these unforeseen events, a report was presented to Pension Committee in November 2023 seeking additional flexibilities around the cash management strategy to ensure that the Fund was able to maximise the return on assets available. This report included expanding the counterparties in which the Fund is available to invest whilst ensuring all options remained within existing and acceptable risk parameters. The Pension Fund utilises the services of Link Group for formulating and monitoring the Fund's list of approved counterparties. Link Group 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 2024 was £129.328million (31 March 2023 was £20.012million) and this was held with institutions and the global custodian as follows:

Cash on deposit with financial institutions ¹⁸	Rating (Fitch Long Term) (at 31 March 2024)	Balances as at 31 March 2023 £000	Balances as at 31 March 2024 £000
Money Market Funds			
Aberdeen Liquidity	AAA	6,000	3,000
Blackrock	AAA	6,000	3,000
SSgA Sterling Liquidity		5,500	0
Bank Current Accounts			
TCBC Pension Fund		2,512	50,305
Custodian			
Northern Trust Global Cash		-	73,023
Total		20,012	129,328

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 2024, 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.

¹⁸ Excludes £18,338 cash held and managed by BlackRock on 31 March 2024

In practice, however, the vast majority of 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 2023/24 financial year. However, due to unanticipated events that occurred in Q4'23 and Q1'24 respectively, additional cash was returned to the Fund's global custodian while options for redeployment of capital were explored. The favourable interest rate environment meant that cash levels were elevated to c. 3% at the reporting date.

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.

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.

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18.4 The contribution rates for the unitary councils with effect from 1 April 2023 were as follows: -

Blaenau Gwent	25.5%
Caerphilly	23.5%
Monmouth	24.1%
Newport	22.2%
Torfaen	24.7%

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:

<https://www.gwentpensionfund.co.uk/media/zffc4grq/funding-strategy-statement-april-2023.pdf>

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 the majority of 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.

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

	Funding Target
	2022
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: -

<https://www.gwentpensionfund.co.uk/media/4ulibeig/valuation-report-march-2022.pdf>

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 2024 (the 31 March 2023 assumptions are included for comparison).

	31 March 2023	31 March 2024
Discount rate (return on investments)	4.75% per annum	4.85% per annum
Rate of salary increases	3.45% per annum	3.25% per annum
Rate of increase in pensions	2.95% 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:

<https://www.gwentpensionfund.co.uk/media/4ulibeig/valuation-report-march-2022.pdf>

- 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 (4.85% p.a. versus 4.75% p.a.). The expected long-term rate of CPI inflation (RPI-CPI gap) increased during the year, resulting in a decrease in the assumption for pension increases (2.95% p.a. versus 2.75% p.a.). The other experience items show a loss in applying the Pensions Increase Order for 2023 as it was higher 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 2023 was estimated as £4,073million. The impact of the changes in financial assumptions between 31 March 2023 and 31 March 2024 as described above is to decrease the Fund liabilities by £234million.
- 19.5 There are also changes to demographic assumptions, which have further decreased the liabilities by £26million. The remaining increase in obligation of £298million has arisen from the 6.3% Pensions Increase Order which was over and above the 2023 CPI assumptions. It also includes accrual of benefits for active members over 2023/24 and an increase with interest over the year of the obligations value at 2023.
- 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 2024 is therefore £4,111million.

20. Current assets

31 March 2023 £000		31 March 2024 £000
	Short term debtors	
2,672	Contributions due - employees	2,962
9,715	Contributions due - employers	10,827
12,387		13,789
742	Early retirement costs	987
250	Fund manager fee rebates	300
257	Sundry debtors	202
13,636		15,278

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a) Funding of early retirement costs

During 2023/24 the cost to the pension fund of early retirements arising in the year was £1,757,022 which is paid by the employers in instalments over periods of up to five years. The cost includes the extra years of pension payments as a result 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 2023/24 and in future financial years for early retirements known as at 31 March 2024. These are summarised in the following table: -

	£000	£000
Instalments falling due in 2023/24 in respect of:		
Prior Years	350	
Current Year	1,281	1,631
Balances b/f 1 April 2023	742	
Payments Received in 2023/24	(1,631)	
Reversal of previous instalments due	(701)	(1,590)
Instalments due for 2024/25	351	
Instalments due for 2025/26 & later years	595	946
2023/24 Debtor		987

The instalments due for 2024/25 and future years have been included in accordance with the guidance notes issued with the Code of Practice on Local Authority Accounting 2023/24.

21. Current liabilities

31 March 2023		31 March 2024
£000		£000
(5,361)	Benefits payable	(6,982)
(1,534)	Management expenses	(900)
(137)	Sundry creditors	(174)
(7,032)		(8,056)

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 2023		Market value 31 March 2024	
£000	AVC provider	£000	
4,012	Standard Life	4,817	
1,711	Clerical Medical	1,825	
558	Utmost Life and Pensions (previously Equitable Life)	565	
6,281		7,207	

Contribution Received 31 March 2023		Contribution Received 31 March 2024	
£000	AVC provider	£000	
522	Standard Life	830	
184	Clerical Medical	263	
1	Utmost Life and Pensions (previously Equitable Life)	1	
707		1,094	

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 2023		31 March 2024	
£000	Payments on behalf of: -	£000	
10	Central Government	11	
8,285	Other Local Authorities	8,755	
23	Other entities and individuals	22	
8,318		8,788	

24. Related party transactions

- 24.1 In the course of 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 84). 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

Five 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.

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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 2022/23 and 2023/24 is set out below for their time apportioned to the Fund.

31 March 2023		31 March 2024
£000		£000
86	Short-term benefits	93
(112)	Post-employment benefits	14
(26)		107

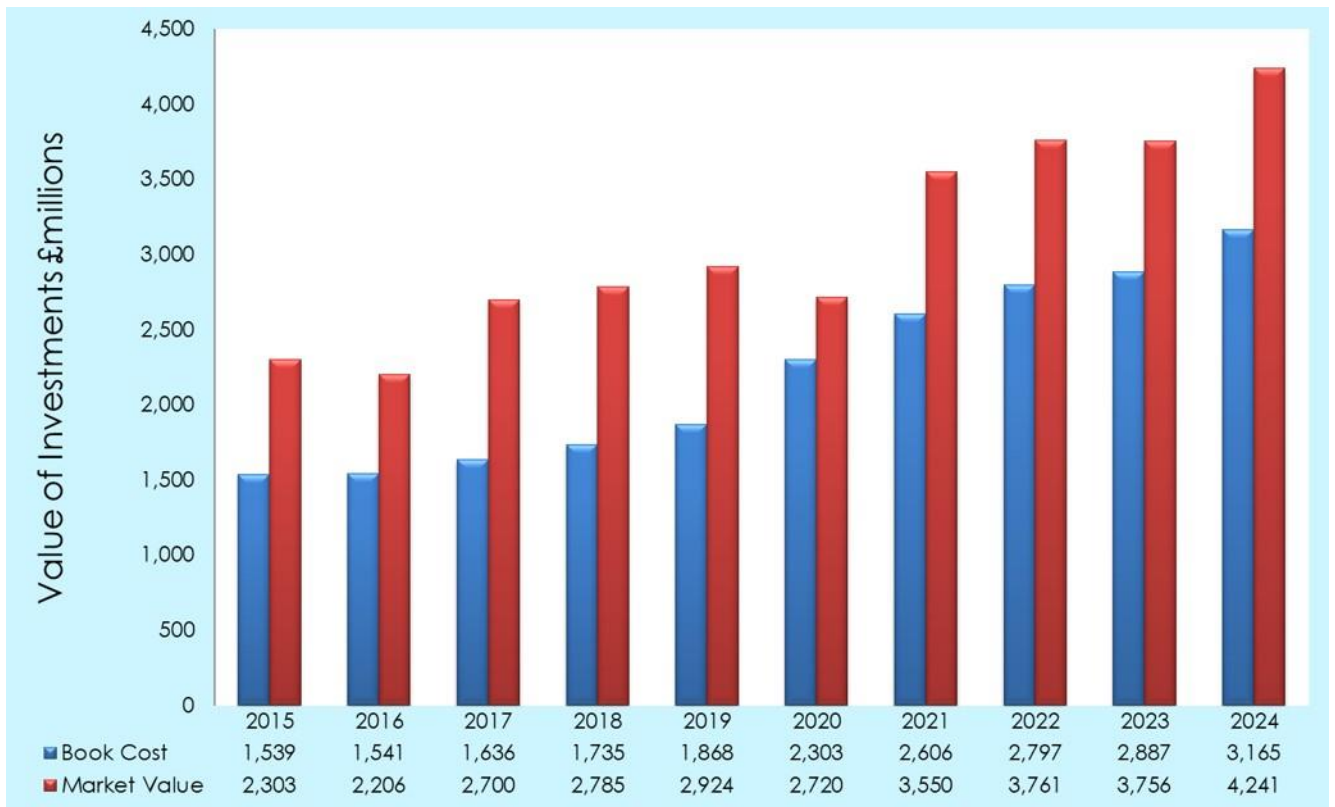
Please note that within the post-employment benefits earned in the table above, the values present the movements between financial periods relating to key management personnel as required by the code.

Appendices

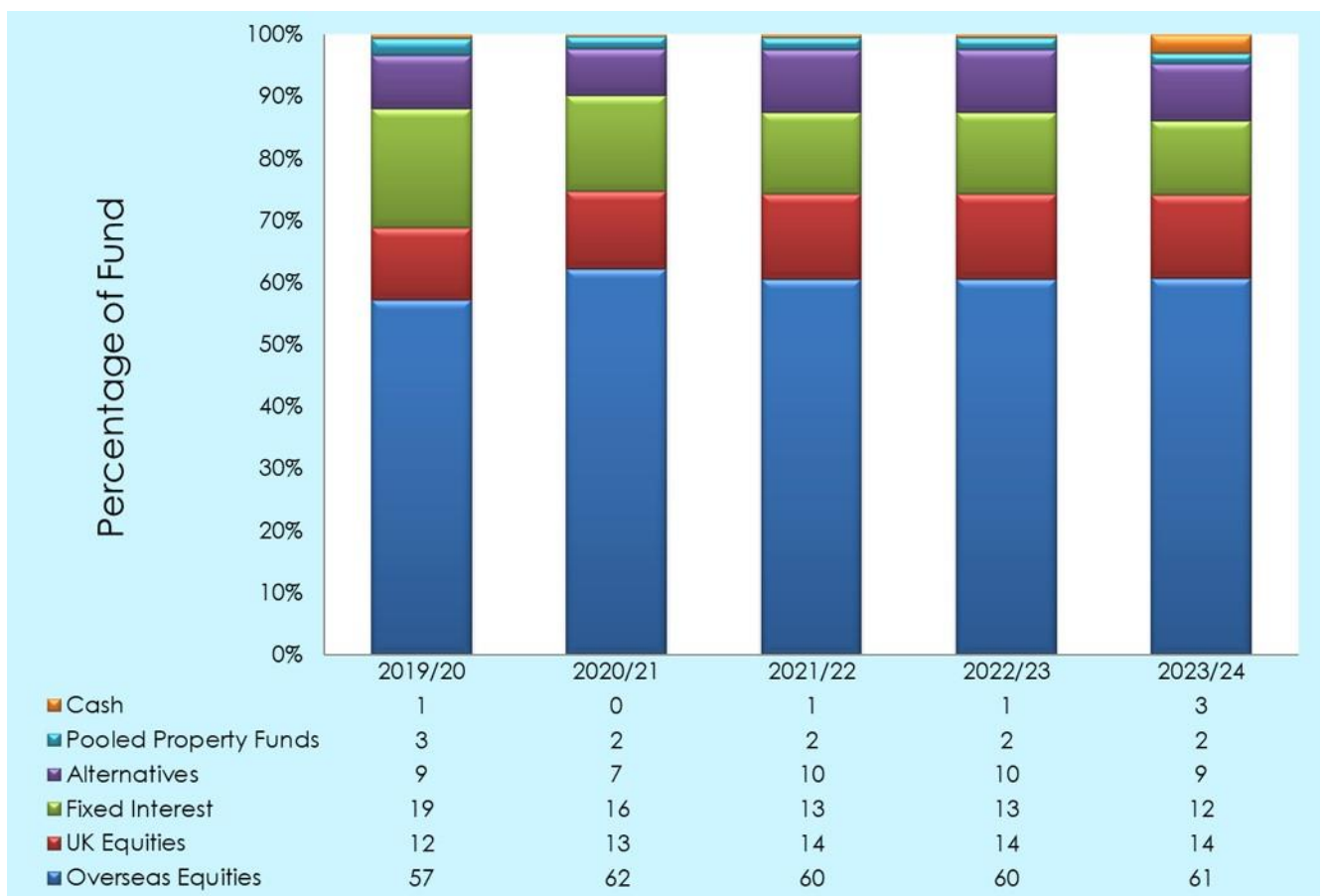
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Appendix 1

Ten Year Valuation of Investments



Tactical Asset Allocation



Ten Year Summary of Statistics

Revenue Account	2014/15 £000	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
Contributions	104,655	103,450	107,205	114,118	118,047	129,790	130,301	136,924	154,503	168,556
Transfer Values Received	5,318	9,277	5,573	5,704	6,280	7,939	3,932	8,631	9,122	11,751
Investment Income and Other	20,800	17,772	19,283	21,318	27,215	18,893	31,446	34,209	47,894	60,933
Total Income	130,773	130,499	132,061	141,140	151,542	156,622	165,679	179,764	211,519	241,240
Pensions and Other Benefits	102,179	109,229	108,881	111,419	118,602	123,185	123,182	132,359	137,782	158,937
Transfer Values Paid	49,692	9,377	7,138	7,553	7,576	6,512	5,619	8,059	6,357	8,427
Refunds of Contributions	149	239	248	250	266	272	178	258	417	460
Fees and Other	9,403	9,205	8,933	9,366	9,550	10,503	11,069	12,580	13,004	20,673
Total Expenditure	161,423	128,050	125,200	128,588	135,994	140,472	140,048	153,256	157,560	188,497
Net Surplus for Year	(30,650)	2,449	6,861	12,552	15,548	16,150	25,631	26,508	53,959	52,743
Net Profit/(Loss) on Sale of Investments	75,822	30,736	99,726	80,416	117,298	421,489	277,203	164,416	35,393	227,621
Unrealised Change in Market Value	150,940	(99,529)	387,623	(1,776)	5,310	(639,014)	526,805	19,903	(94,541)	205,349
Increase/(Decrease) in the Fund	196,112	(66,344)	494,210	91,192	138,156	(201,375)	829,639	210,827	(5,189)	485,713
Investment Assets	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Book Cost at 31 March	1,538,838	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
Market Value at 31 March	2,303,073	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
Membership										
Contributors	22,880	23,607	22,788	23,991	23,932	24,200	24,539	25,015	25,760	25,610
Pensioners	15,204	15,816	16,388	16,848	17,533	18,299	18,718	19,474	20,190	21,047
Number of Preserved Benefits	15,153	16,058	18,068	18,455	18,749	18,621	18,685	18,963	19,422	19,700
Total	53,237	55,481	57,244	59,294	60,214	61,120	61,942	63,452	65,372	66,357