

MEETING	<b>PENSIONS COMMITTEE</b>
DATE	<b>25 NOVEMBER 2024</b>
TITLE	<b>WALES PENSION PARTNERSHIP UPDATE</b>
PURPOSE	<b>To receive and note a quarterly update from Wales Pension Partnership</b>
RECOMMENDATION	<b>RECEIVE AND NOTE THE INFORMATION</b>
AUTHOR	<b>DELYTH JONES-THOMAS, INVESTMENT MANAGER</b>

---

## **1. INTRODUCTION**

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

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

## **2. JGC QUARTERLY UPDATE**

The WPP's decision making body, the Joint Governance Committee (JGC), last met formally on 18<sup>th</sup> September 2024. The host authority has provided a summary of the items discussed at that meeting which is attached as Appendix 1 to this report. The 2024/25 Business Plan was reviewed and this can be seen in Appendix 2.

## **3. OPERATOR UPDATE**

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

The update provides a snapshot of the full range of WPP investment sub-funds as at 30<sup>th</sup> June 2024.

Gwynedd Pension Fund currently has exposure to eight of the eleven sub-funds and as of 30<sup>th</sup> June 2024, these were as follows:

- **Global Opportunities - £441.1m**
- **Global Growth- £412.9m**
- **Emerging Markets - £62.0m**
- **Global Passive - £444.8m**
- **Multi Asset Credit - £228.9m**
- **Absolute Return Bond- £431.9m**
- **Global Credit Fund - £223.1m**
- **Sustainable Equity Fund- £319.6m**

#### **4. PERFORMANCE REPORTS AS AT 30<sup>th</sup> JUNE 2024**

The performance reports can be seen in Appendix 4.

Global equities rose while fixed income markets lagged in the second quarter. Gains in equity markets were more modest versus the previous period. Markets diverged with Asia Pacific ex Japan, Emerging Markets, US and UK equities performing well. In contrast, Japan and Europe ex UK lagged, recording losses over the period. Political uncertainty was further heightened by surprise election announcements in the UK and France alongside the unusually large number of global elections already scheduled this year.

The Federal Reserve and the Bank of England kept interest rates unchanged at their policy meetings. US equities benefitted from solid quarterly earnings, although some gains were driven by a narrow cohort of technology stocks. Meanwhile, the strength of the economy and stubbornly high inflation forced a rapid adjustment to interest rate expectations. The yield on 10-year US Treasuries rose 20 basis points (bps) to 4.40%. UK equities hit new all-time highs as investors were encouraged after the economy exited last year's mild recession. Although inflation disappointed in April, May's figure fell to the lowest since 2021 (2.0%). However, the unexpected general election announcement prompted investors to adjust their expectation of an initial interest rate cut from June to September or November, sending gilt yields higher. The benchmark 10-year gilt yield ended up 24 bps at 4.17%. Elsewhere, the European Central Bank held rates in April but cut its benchmark rate by 25 bps in June, its first rate cut in five years. The yield on 10-year German bunds increased by 20 bps to 2.50%.

The performance of the sub funds that Gwynedd Pension Fund invests in are monitored by officers, and as part of the quarterly investment review by Hymans Robertson and no concerns have been raised. Russell Investments also continuously assess the managers within their portfolio and will reduce, increase or eliminate their holdings to try and enhance the sub- fund's long- term performance. This is currently being undertaken within the Global Growth sub- fund with a change in manager selection.

#### **5. PRIVATE MARKETS UPDATE**

Most of the major private market investment programmes have now launched – Infrastructure, Private Credit and Private Equity. Real Estate managers have been appointed, currently looking at the detailed legalities of establishing the Real Estate investment programmes.

Russell Investments provided the WPP with a Private Credit progress update in the latest JGC and the presentation is attached in Appendix 5.

#### **6. PROCUREMENT**

There are 2 new procurement exercises underway, with the aim of the recommendation reports going to the December 2024 JGC for approval.

- Oversight Advisor – existing contract with Hymans Robertson ends 31 December 2024.
- Voting & Engagement Service provider – existing contract with Robeco ends 31 March 2025.

## **7. CALL FOR EVIDENCE**

In September 2024, the Chancellor has launched a landmark pensions review to boost investment, increase saver returns and tackle waste in the pensions system. The Chancellor has appointed the Minister for Pensions to lead the review. The review will focus on defined contribution workplace schemes and the Local Government Pension Scheme.

In its initial stages the review will be considering evidence on a range of questions which can be found here: [Pensions Investment Review: Call for Evidence - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/pensions-investment-review-call-for-evidence) Gwynedd Pension Fund, Wales Pension Partnership and a number of the Fund's key stakeholders have responded to this initial stage. The response by Gwynedd Pension Fund can be found in Appendix 6.

Officers have had a meeting with Treasury and MHCLG which was very positive, and a meeting with the Minister has also been scheduled.

## **8. RECOMMENDATION**

To receive and note the information.