

MEETING	PENSIONS COMMITTEE
DATE	27 JANUARY 2025
TITLE	WALES PENSION PARTNERSHIP UPDATE
PURPOSE	To receive and note a quarterly update from Wales Pension Partnership
RECOMMENDATION	RECEIVE AND NOTE THE INFORMATION
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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 10th December 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 30th September 2024.

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

- **Global Opportunities - £446.6m**
- **Global Growth- £419.0m**
- **Emerging Markets - £62.9m**
- **Global Passive - £451.7m**
- **Multi Asset Credit - £240.3m**
- **Absolute Return Bond- £412.3m**
- **Global Credit Fund - £233.3m**
- **Sustainable Equity Fund- £324.6m**

4. PERFORMANCE REPORTS AS AT 30th SEPTEMBER 2024

The performance reports can be seen in Appendix 4.

Global equities and fixed income markets rose in the third quarter. After a shaky start due to recession fears, shares rebounded on more encouraging US economic data and signals from Federal Reserve (Fed) Chair Jerome Powell that interest rates would be lowered imminently. The central bank followed through with a bumper 50-basis point (bps) rate cut in September. Equities were further boosted by new measures in China aimed at reviving the ailing economy. Aside from the Fed's action, the Bank of England (BoE) cut its key interest rate by 25 bps in August. The European Central Bank lowered rates in September while the Bank of Canada cut its key interest rate by 25 bps twice over the quarter. In contrast, the Bank of Japan raised its benchmark interest rate to 0.25%, its highest in 15 years. Yields fell across major economies as resilient growth in the US and encouraging inflation data buoyed sentiment. The US dollar weakened against most currencies, impacted by the Fed's move on interest rates. Despite geopolitical tensions, oil prices fell amid concerns over weak demand, an end to voluntary production cuts and moves by Saudia Arabia to abandon its crude price target.

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.

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, and they are currently looking at establishing the Real Estate investment programmes.

6. PROCUREMENT

There have been 2 recent procurement exercises contracts, with the recommendation reports approved by the December 2024 JGC. The standstill period has now been completed, and the following appointments for the Wales Pension Partnership can be confirmed:

- Oversight Advisor –Hymans Robertson re- appointed.
- Voting & Engagement Service provider –Robeco re- appointed.

7. LGPS CONSULTATION: FIT FOR THE FUTURE

In November 2024, the Chancellor presented her 'Mansion House' speech, which set out plans to boost the growth of the UK economy. Alongside these announcements, the Government published various documents including a consultation called 'Fit for the Future' on reforming the Local Government Pension Scheme (LGPS).

Reforming LGPS asset pooling is one of the main themes of the consultation with:

- The Fund will be required to transfer all assets including illiquid and legacy assets to the management of the Pool by 31 March 2026.
- The Fund will be required to fully delegate the implementation of the investment strategy to the pool.
- The Fund will retain the decision on the high-level investment objectives, and can decide on the Strategic Asset allocation to 9 high-level asset classes if it wishes or delegate that decision to the pool.
- The Fund will be required to take its principal investment advice on their investment strategy from the Pool.
- The fund will continue to set the Responsible Investment Policy.
- LGPS pools will need to be investment management companies registered and regulated by the FCA. The Wales Pension Partnership is not an FCA registered entity and therefore a pool investment company needs to be set up.
- Pools are required to work with partner funds and provide a report to the government by 1st March 2025 detailing how they plan to deliver the proposed pooling model and complete the transfer of assets to the pool.

A steering working group which includes a senior representation from each constituent authority supported by Hymans Robertson has been established in order to consider the implications of this consultation. Workstreams have also been created to manage and research the various subject areas.

The Wales Pension Partnership and Gwynedd Pension Fund have provided a response to the consultation by the required deadline of 16th January 2025. The Gwynedd Pension Fund response can be seen in Appendix 5.

8. RECOMMENDATION

To receive and note the information.