

MEETING: PENSION BOARD

DATE: 7 APRIL 2025

TITLE: WALES PENSION PARTNERSHIP UPDATE

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1. Introduction

The collaboration has been going from strength to strength since its establishment in 2017 and 85% of the Gwynedd fund has been pooled with Wales Pension Partnership.

The performance to date has been mixed in very challenging conditions and many developments are underway and therefore this paper provides an update for the Board.

2. Wales Pension Partnership Funds

The amounts invested in each sub-fund and their performance up to 31st December 2024 can be seen below:

	Valuation 31/12/24	3 Months Return	3 Months Benchmark	1 Year Return	1 Year Benchmark	Since Inception Return	Since Inception Benchmark
	£m	%	%	%	%	%	%
WPP Global Growth	435.8	4.0	6.0	13.2	19.6	10.2	12.3
WPP Global Opportunities	470.2	5.3	6.0	17.9	19.6	12.7	12.3
WPP Emerging Markets	63.2	0.4	-1.1	9.4	10.7	-0.9	1.1
WPP Sustainable Equity	333.8	2.9	6.0	13.9	19.6	13.9	19.0
WPP Multi Asset Credit	238.3	-0.8	2.2	7.5	9.5	3.0	6.7
WPP Absolute Return Bond	398.0	2.8	1.7	8.7	7.4	4.1	4.7
WPP Global Credit	230.0	-1.4	-1.6	3.5	3.1	-1.4	-1.2

The performance of each sub-fund is monitored by the WPP as well as our advisors on a continuous basis, and any concerns are presented to the investment manager (Russell Investments). Russell Investments will 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.

The fund continues to invest in the new WPP private markets funds, managed by the following investment managers.

Private Debt: Russell Investments

Closed-ended infrastructure: GCM Grosvenor

Open-ended infrastructure: CBRE Global Infrastructure Fund, IFM Global Infrastructure Fund and Octopus Renewables Infrastructure SCSp.

Private Equity: Schroders

The investments will increase quarter on quarter as capital is called, and a report on their progress will be presented to the Board in due course.

3. Developments

3.1 Real Estate

The WPP is in the process of establishing a real estate portfolio. The requirement for each property manager is:

- UK Core Real Estate, to take existing pooled fund investments and transition them over time to an open-ended direct property investment portfolio.
- International Real Estate, to establish an open-ended investment vehicle investing in funds and direct assets on a global basis.
- Local / Impact Real Estate, to develop an investment programme utilising fund investments and direct asset investments in UK Impact strategies, with at least 50% of assets located in Wales.

Gwynedd Pension Fund will be consolidating its property portfolio in order to take advantage of these options.

3.2 Fit for the Future

In November 2024, the government launched a consultation on proposals to put the LGPS (Local Government Pension Scheme) on a “clearer, firmer trajectory to scale and consolidation”, as well as measures to improve scheme governance and investment capabilities. Together these proposals are intended to provide long-term clarity and sustainability for the future.

The consultation closed on 16th January 2025. The consultation sought views on proposals to strengthen the management of LGPS investments in three key areas:

1. Reforming the LGPS asset pools
2. Boosting LGPS investment in their localities and regions in the UK, and
3. Strengthening the governance of both LGPS Funds and LGPS pools

LGPS funds have worked with key LGPS stakeholders, including the Scheme Advisory Board (SAB) and their own investment pools, in preparing responses to the consultation. Fund officers worked closely in consultation with the Chair of the Pension Committee and colleagues across the Wales Pension Partnership in developing its response which was submitted ahead of the 16th January deadline. A copy is available under Appendix 1. The WPP, as one of the eight LGPS asset pools across England and Wales, also issued a response to the consultation.

One of the requests of the Government was for all existing LGPS pools in England and Wales to prepare a business case submission, by the 1st of March 2025, setting out consideration for how pooling can be enhanced, focusing on:

1. The benefits of scale
2. Resilience
3. Value for money
4. Viability for completion by the proposed deadline

The WPP, following detailed engagement with the Joint Governance Committee (JGC) successfully submitted its business case submission to Government on Friday 28th February and a copy is appended to this report within Appendix 2. A key proposal within the submission is that Wales should retain a stand-alone LGPS pool, building on the success of existing pooling arrangements. WPP is now awaiting feedback on its business case submission while the LGPS awaits consultation feedback more generally. In the proceeding months there will

need to be further consideration and formal approval to progress matters and officers will continue to keep members informed of these developments as they materialise.

4. Pension Board Chair's Engagement meeting- 30th April 2025

Sioned Parry and Osian Richards (as the Scheme Member Representative of the JGC) will be attending this meeting and will provide an update to the Board in the next Board meeting.

5. Recommendation

The Board is asked to note the information.