

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 6

WALES PENSION PARTNERSHIP AND INVESTMENT UPDATE

Reason for this Report

- 1) The Pension Committee Terms of Reference set out the Committee's responsibility for the strategic governance of the Cardiff & Vale of Glamorgan Pension Fund.
- 2) This report has been prepared to update the Committee on progress towards the establishment of pooled investment arrangements for the eight LGPS funds in Wales under the oversight of the Wales Pensions Partnership. In addition brief updates on the current investments of the Fund will be provided.

Background

- 3) The Committee and Board has received regular updates on the development of the Wales Pension Partnership by the eight LGPS administering authorities in Wales. The proposals for a Wales Investment Pool were approved by the Minister for Local Government in November 2016.
- 4) A Joint Governance Committee (JGC) has been established by the eight administering authorities to provide oversight of the Pool. The JGC is supported by the Officer Working Group (OWG) comprising the Treasurers (Section 151 Officers) and Investment Officers of the eight funds. Waystone (previously Link Fund Solutions) have been appointed as the Pool Operator and Russell Investments will provide consultative services including advice on fund design and manager selection. Carmarthenshire Council have been approved as the Host Authority, providing administrative support to the WPP. Hymans Robertson were appointed, in January 2020, as Oversight Advisors to support the WPP in managing its relationship with Waystone and Russell Investments as well as providing advice on governance and strategic investment strategy. Robeco have been appointed Engagement and Voting Advisors and will assist the WPP in areas such as corporate governance and exercising the Partnerships voting rights in line with the Partnerships ambition to become a leader in Responsible Investment.
- 5) Three Equity Sub Funds had been launched prior to 2020/21 financial year, a UK Equity Fund and two Global Equity Funds, Global Growth and Global Opportunities. During 2020/21 five Fixed Income sub-funds were launched by the WPP with this Fund investing in 3 of the WPP Fixed Income sub-funds in August 2020. The Emerging Markets Equity sub-fund was launched in October 2021 followed by the Sustainable Equity sub-fund in July 2023.

Issues

- 6) As at 31 December 2023 the Fund had the following investments in eight listed WPP products, with the aggregate value of £1,770 million (£1,678 million as at 30 September)
- i. UK Opportunities Equity Fund - £255 million
 - ii. Global Government Bond Fund - £237 million
 - iii. Global Credit Fund - £207 million
 - iv. Multi Asset Credit Fund - £152 million
 - v. Global Opportunities Equity Fund - £491 million
 - vi. Global Growth Equity Fund- £185 million
 - vii. Emerging Markets Equity Fund- £111 million
 - viii. Sustainable Equity Fund - £131 million

- 7) The total value of the Fund as at 30 November 2023 was £2,710 million with the listed WPP investments representing approximately 63% of this Fund's total valuation. The 30 November 2023 valuation of the BlackRock Low Carbon Fund was £640 million which if added to the WPP sub-funds would amount to 88% of the total Fund value at this date being pooled.

- 8) Commitments have started to be paid over to the WPP Private Market sub-funds during the last quarter with the following payments made as at the end of November 2023 :-
- i. WPP Private Credit : £19.9 million
 - ii. WPP Private Equity : £6 million
 - iii. WPP / Capital Dynamics Clean Energy : £2.5 million

The first capital call for the Infrastructure sub-fund, to Octopus Energy Generation, will take place at the end of January.

- 9) The procurement for the WPP Property sub-fund commenced towards the end of 2023 and following the PQQ stage the number of bidders taken to the ITT stage for the different sleeves is as follows :-
- a) Core UK : 7 Bidders
 - b) International : 10 Bidders
 - c) Impact UK : 8 Bidders

The above includes 4 bidders who are included in all 3 sleeves and 2 bidders who are in 2 of the 3. The current timeline for the JGC to confirm the preferred bidders for this asset class at its July 2024 meeting remains unchanged.

- 10) Robeco, the WPP Voting and Engagement Advisor, have continued to produce summary reports of their proxy voting activity and their public report for Q4 2023 is attached as Appendix 1.
- 11) A meeting of the WPP JGC took place on 13th December 2023 and the Host Authority have provided a summary of the items discussed at that meeting which is attached as Appendix 2 to this report..

- 12) The provisional valuation of the Fund as at 30 November 2023 is £2,711 million which compares with £2,663 million as at September 2023 and £2,608 million as at 30 November 2022. The table below presents the position for the Fund's Asset classes for November 2023 and 2022 and the percentage change over the year. It is important however to reinforce that the Funds investment performance remains focussed on long-term market returns.

ASSET CLASS	Nov-22	Nov-23	% change
	£million	£million	%
Equities			
UK	232	245	5.3%
Global	1,331	1,413	6.2%
Emerging Market	110	108	-2.4%
Total Equities	1,674	1,766	5.5%
Fixed Income	559	577	3.1%
Private Equity	107	111	3.0%
Property	188	177	-5.8%
Private Credit	0	22	
Cash	79	58	-26.5%
Total	2,608	2,711	4.0%

Legal Implications

- 13) This report has been prepared to update the Committee on recent developments related to the WPP Investment Pool and the current valuation of the fund.

The subject matter of the report (pension investment) is outside of the expertise of the in-house legal team to advise on. It is understood that to aid its consideration of matters the WPP have appointed a number of key advisors and service providers, including external legal advisors (Burges Salmon) .

As such the specialist external advice obtained in relation to this matter should be considered. In addition, the general legal advice set out below should also be considered.

General Legal Advice

Any decision must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council eg. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its tax payers; and (h) be reasonable and proper in all the circumstances and comply with any equalities legislation.

The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The Protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.

The Well-Being of Future Generations (Wales) Act 2015 (“the Act”) places a ‘well-being duty’ on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.

In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff’s Corporate Plan 2023-26.

The well-being duty also requires the Council to act in accordance with ‘sustainable development principle’. This principle requires the Council to act in a way, which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrates approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

The Council has to be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh language, the report and Equality Impact Assessment deals with all these obligations. The Council has to consider the Well-being of Future Guidance (Wales) Act 2015 and how this strategy may improve the social, economic, environmental and cultural well-being of Wales.

Financial Implications

- 14) The costs of the WPP are apportioned between the constituent authorities in accordance with the Inter Authority Agreement. All costs allocated to Cardiff will be charged to the Pension Fund

Recommendations

- 15) That the Committee notes the recent developments related to the WPP Investment Pool and the Fund's Investment holdings

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Appendices

Appendix 1 : Robeco Proxy Voting Highlight Q4 2023 Report

Appendix 2 : WPP JGC 13 December 2023 Summary