

## **WALES PENSION PARTNERSHIP**

### **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.

### **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. 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 Link and Russell Investments as well as providing advice on governance and strategic investment strategy.
5. Three Equity Sub Funds had been launched prior to 2020/21 financial year, a UK Equity Fund and two Global Equity Funds with Cardiff and the Vale Pension Fund (the Fund) investing in the WPP UK Equity Fund. 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.

### **Issues**

6. As at 31 March 2021, the Fund's holdings in the WPP Sub-funds totaled £862.3 million with holdings in the individual Funds as follows :-

- i. UK Opportunities Equities Fund - £230.3 million.
  - ii. Multi Asset Credit Fund - £153.4 million
  - iii. Global Government Bond Fund - £252.5 million
  - iv. Global Credit Fund - £226.1 million
7. Following the approval of the Pension Committee at its November 2020 meeting the appointment of a Transition Manager to facilitate the transfer of the fund's existing Regional Equity mandates into the WPP Global sub-funds is almost complete. The valuation as at 31 March 2021 of the fund's assets to be transferred to WPP Global Equity Sub-funds is c£689 million with this transfer expected to take place during June 2021. Russell Investments have confirmed that from 31 March 2021 the WPP Global Opportunities sub-fund will benefit from their decarbonisation overlay. This will be implemented through their Enhanced Portfolio Implementation (EPI) Framework which is targeting a 25% carbon footprint reduction relative to the sub-funds benchmark (MSCI All Country World Index). Baillie Gifford, who are one of the sub-managers in the Global Growth Fund, have developed their proposals to ensure that their portfolio complies with the 2015 Paris Agreement.
8. WPP proposals for an Emerging Markets Equities sub fund are the subject of a separate report on the agenda with an autumn launch for this sub-fund expected. The Fund currently holds assets totaling £127 million in Emerging Markets equity.
9. Officer led work has also continued with regard to options for WPP Private Market Funds which will cover Property, Private Debt, Private Equity and Infrastructure assets. The initial focus has been on the appropriate structure(s) in which the WPP can hold Private Market assets. Private Debt and Infrastructure remain the asset classes with the initial focus on developing investment opportunities which are asset classes this fund has not currently invested in. WPP options for Property and Private Equity Investments will follow in further phases. Once the options for WPP Funds in these areas are further developed a report will be submitted to Pensions Committee to approve any future investment or transition of assets to the WPP.
10. The WPP's Responsible Investment Officers sub-group has also continued to meet. An updated Climate Risk policy has recently been circulated for comment with the intention that this policy will be approved at the July 2021 JGC meeting. One of the WPP training events for 2021/22 will focus on Responsible Investment
11. A copy of the WPP Business Plan for 2021-24 is attached as Appendix 1. The WPP have asked that Constituent Authorities individually approve the Business Plan. The Business Plan is a high level strategic document and includes sections on :-
- i. Introduction and Background to the WPP
  - ii. The Governance structure including details of its governance objectives and WPP engagement mechanisms and frequency of this engagement.
  - iii. The WPP approach to Risk Management.
  - iv. The Objectives, Beliefs and Policies of the WPP
  - v. WPP Work Plans split over the three financial years covered by the Business Plan
  - vi. WPP Training Plans
  - vii. A high level view of the WPP Budget
  - viii. A brief description of the WPP sub-funds
  - ix. Contact details

## Legal Implications

12. This report has been prepared to update the Committee on progress in the establishment of pooled investment arrangements for the eight LGPS funds in Wales and as such does not raise any direct legal implications however the general legal advice set out below should 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 2021-24.

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**

13. The costs of the WPP will be 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**

14. That the Committee :-
  - i. Notes the recent developments related to the WPP Investment Pool.
  - ii. Approves the WPP Business Plan 2021-2024

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**

### **Appendices**

Appendix 1 – WPP Business Plan 2021-2024