

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, 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 Fund was launched in October 2021

Issues

6. As at 31 December 2021, the Cardiff and Vale of Glamorgan Pension Fund (the Fund) had invested in seven of the WPP sub-fund's and the value of its holdings in these sub-funds totaled £1,770 million with holdings in the individual Funds as follows :-
 - i. UK Opportunities Equity Fund - £248.1 million.
 - ii. Multi Asset Credit Fund - £156.2 million
 - iii. Global Government Bond Fund - £252.9 million
 - iv. Global Credit Fund - £231.4 million
 - v. Global Opportunities Equity Fund - £537.7 million
 - vi. Global Growth Equity Fund - £222.9 million
 - vii. Emerging Markets Equity Fund - £121.1 million

7. The value of the Funds' assets held in WPP products now represents 65% of the total fund valuation. If the Blackrock Low Carbon Tracker Fund holding is included, then the proportion increases to 87% of the Fund value.

8. Discussions have continued with Russell Investments and Link to introduce a "Decarbonisation overlay" to the UK Equity fund in a similar manner to the overlay that operates with the Global Opportunity Fund. The introduction of the overlay is expected to result in a 25% reduction in the Carbon intensity of this fund. The move to introduce the overlay has also been agreed by Torfaen and as amendments to the prospectus are required will need to be approved by the FCA.

9. The WPP Private Markets Officers Working Group has continued to make progress in providing pooled options for these non-listed asset classes. The procurement process to appoint Allocator(s) for Private Credit and Infrastructure Funds is continuing with the evaluation of a "long list" of potential providers tenders progressing where the WPP is being assisted by bfinance. Early work on the process for Private Equity Allocators has also started and should accelerate following the completion of the Private Credit and Infrastructure procurements. Once the options for WPP Funds in these areas are further developed a report will be submitted to the Investment Advisory Panel and then onto the Pensions Committee to approve any future investment or transition of assets to the Private Market WPP Funds.

10. Following the approval of the Inter-Authority Agreement (IAA) amendments by the Constituent Authorities expressions of interest were requested for the role of the co-opted member representative, and a deputy, for the WPP JGC. The selection process to appoint the JGC representative and deputy is on-going. In advance of the end of October 2021 deadline the WPP submitted its application to become a signatory to the FRC 2020 UK Stewardship code. The result of this application is expected to be received in February 2022.

11. Russell Investments have started to develop a framework for a Sustainable Active Equity Fund. This Fund would have a global Equity benchmark and would aim to deliver returns commensurate with other global equity funds but would have a strong focus on sustainability ESG outcomes. As this framework develops further reports will be taken to future Investment Advisory Panel meetings and then onto Pension Committee.

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 Generations (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 notes the recent developments related to the WPP Investment Pool.

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