

Convene a summit to accelerate sustainable and ethical investment by public sector pensions.

Y Pwyllgor Deisebau | 16 Mehefin 2025
Petitions Committee | 16 June 2025

Reference: SR25/11287-4

Introduction

Petition Number: P-06-1522

Petition title: Convene a summit to accelerate sustainable and ethical investment by public sector pensions.

Text of petition:

The eight Welsh Local Government pensions, managed through the Welsh Pension Partnership total assets worth £25 billion (31 March 2024) . Although there is a Responsible Investment policy, there are millions of pounds of assets in people and planet harming investments such as fossil fuels, deforestation, arms and companies complicit in human rights abuses.

The Well-being of Future Generations Act requires public bodies to consider the long-term impact of their decisions and work towards improving the economic, social, environmental and cultural well-being of Wales.

One of the well-being goals calls for Wales to be a 'Globally Responsible Nation'. Derek Walker, the future generations commissioner has called on Welsh public



bodies to conduct an urgent review of public sector pension investments to ensure they are ethical and sustainable.

Presently Rachel Reeves the UK chancellor is proposing the amalgamation of all Welsh and English Local Government Pension pots into a small number of pooled funds and changing their governance. It is crucial that Welsh funds are directed towards ethical and sustainable investments that can practically benefit the people and environment of Wales rather than creating harm here and abroad. eg. sustainable social housing, regenerative forestry, local green energy, green transport, nature restoration.

The text provided above is submitted by the petitioner. The petitions team make every effort to ensure it preserves their authentic voice. This text has not been verified for accuracy, or errors, and may contain unverified opinions or assertions.

1. Background

The Local Government Pension Scheme (LGPS) is a public service pension scheme for local government workers and other employers that participate. Scheme rules and regulations can only be changed with the approval of the UK Parliament. The scheme is administered locally by pension funds.

Administering authorities are required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to set out their approach to investment in an investment strategy statement, such as this one by Gwynedd Pension Fund. UK Government Guidance was issued in 2017. The statement has to include certain information, including:

- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

In Wales, there are eight LGPS funds, each run by a constituent authority:

- Gwynedd Council (Gwynedd Pension Fund)
- City of Cardiff Council (Cardiff and Vale Pension Fund)
- Flintshire County Council (Clwyd Pension Fund)
- Carmarthenshire County Council (Dyfed Pension Fund)
- Torfaen County Borough Council (Greater Gwent Pension Fund)
- Powys County Council (Powys Pension Fund)
- City and County of Swansea (City and County of Swansea Pension Fund)
- Rhondda Cynon Taf County Borough Council (Rhondda Cynon Taf Pension Fund)

In 2017, the Wales Pension Partnership (WPP) was established. This is a collaboration of the eight LGPS funds that cover the whole of Wales. It was established in response to UK Government requirements for local government pension funds to 'pool' their assets. Its role is to advise the constituent authorities on their investment strategies, maintaining investment performance and reduce investment costs.

Responsible investments

In its Governance Manual, the WPP sets out its 'Beliefs', noting that:

Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of broader Environmental, Social and Governance issues, should result in better outcomes for the WPP's stakeholders.

In its Responsible Investments Policy, the WPP it states that the document “sets out WPP’s policy on responsible investment for all assets invested within the WPP.”

It continues by **stating**:

In developing and implementing this policy, WPP will have regard to the Well-being of Future Generations (Wales) Act 2015, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any relevant guidance provided by the Scheme Advisory Board (“SAB”), the Ministry of Housing Communities and Local Government (“MHCLG”) and the Welsh Government.

The policy continues by **stating that**:

The Constituent Authorities are individually responsible for setting investment strategy (and the underlying structure of those strategies, e.g. geographical exposure) for their own funds which reflect their membership profile and funding position. The investment strategy is the high-level split between asset classes including but not limited to equities, debt, property and infrastructure. The role of WPP is to provide a means for each Constituent Authority to implement its agreed strategy.

The Responsible Investment policy also sets out the WPPs Climate Risk Policy and how it’s assessing portfolio risks:

8. This policy will have regard to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any relevant guidance provided by the Scheme Advisory Board (“SAB”), the Ministry of Housing Communities and Local Government (“MHCLG”), Intergovernmental Panel on Climate Change (“IPCC”).The policy will note Welsh Government guidance and the Well-being of Future Generations (Wales) Act 2015.

WPP’s Annual Update

In its Annual Update for 2023-24, the WPP noted that in June 2023, it “launched a **£1.2bn Sustainable Global Active Equity sub fund**”, which sees its partner, Russell Investments “manage a diversified multi-manager sustainable active equity solution built to the WPP’s bespoke requirements”.

According to the WPP’s Annual Report 2023-24, the Constituent Authorities have total assets in the region of £25bn (as of 31 March 2024), £18.5bn of which are invested in WPP’s existing sub-funds.

2. Welsh Government action

The Cabinet Secretary for Housing and Local Government responded to the petition on 2 May 2025. The Cabinet Secretary makes clear from the outset that local government pension funds are and remain a “**reserved matter**” to the UK Parliament, and that the Welsh Government has “no powers in relation to the scheme or its operation”.

Nevertheless, the Cabinet Secretary does set out how the Welsh Government has and continues to have dialogue with LGPS constituent authority leaders and the WPP. This includes discussions about the:

*[...] steps the Pool was taking to increase opportunities to invest in **climate positive investments** and to take account of the risks posed by investing in fossil fuel related funds.*

The Cabinet Secretary also notes the Welsh Government’s support for the UK Government’s review of pensions, which is intended to “boost investment, including investment in local economies”. The paper also notes that the Welsh Government has been given:

[...] reassurances that the UK Government recognises the benefits of a single Welsh LGPS pool, in which partner funds will have a mutual interest in investing in the Welsh economy, including in sustainable investments.

3. Welsh Parliament action

In March 2022, Peter Fox MS asked the then Minister for Finance and Local Government, Rebecca Evans MS about local government pension schemes in relation to investments in Russian companies and funds. Responding to the question, the Minister noted:

I've had some very good discussions with the local government pension scheme representatives in respect of a range of issues—for example, divestment from fossil fuels, which again is a shared area of concern between Welsh Government and local government.

In May 2022, a Member Debate on Decarbonising public sector pensions in the name of Jack Sargeant MS was moved. The Member stated that he'd been:

[...] working with Friends of the Earth Cymru for some time now on the campaign that is the subject of today's motion: for the Welsh Government to bring in targets for public sector pension fund disinvestment. The motion calls on the Welsh Government to mirror its 2030 target for the public sector to go carbon neutral with a target for public sector pension funds to achieve the same.

Members during the debate referenced that over £500 million of local government pension funds has been invested in fossil fuels, which Cefin Campbell MS notes was “around 3.2 per cent of these schemes' value”.

Responding to the debate, the then Minister for Finance and Local Government stated the Welsh Government “supports the ambitions set out in the motion to decarbonise those public sector pension scheme” and that:

[...] public sector pensions, like others, must develop a coherent understanding of the current and historic emissions inherent in their investments. They need to identify positive opportunities to invest in developments that support the shift to the decarbonised world. They need to understand and respond to the financial risks that the climate emergency brings.

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.