



Pension Fund Committee

27 July 2020

Title	Responsible Investing
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Responses to RI Survey Appendix 2 – RI survey questions
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Summary

The Pension Fund Committee and Local Pension Board members attended a training day on 11 November 2019 to consider issues relating to responsible investing (RI). Subsequently, it was agreed to undertake a survey of Committee and Board members to ascertain their views on the integration of RI issues into investment decisions. The responses from the survey are discussed below.

Officers Recommendations

1. That the Pension Fund Committee review the survey responses and invite officers and Hymans to suggest ways to incorporate members beliefs into investment decision making.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Committee members attended a training session on responsible investing on 11th November 2019. Following the training a survey was undertaken into Pension Committee and Local Board members attitudes to RI issues. The findings from survey are shown on appendix 1 and the survey questions on appendix 2.
- 1.2 Eight responses were received; three from Committee members and five from Board members. Four members of the Committee did not respond.
- 1.3 The responses clearly indicate a preference that investment decisions incorporate RI considerations and that these should not be wholly delegated to fund managers. Questions 3 to 6 suggesting that returns are the only consideration received low levels of support. The highest levels of support were in connection with using votes to influence corporate behaviour and reviewing the voting policies of fund managers.
- 1.4 Another area with high levels of support was to disinvest from corporates that have a poor record on workers' rights and when a corporate does not act responsibly. A slightly contradictory response was that engagement was preferred to disinvestment. Divesting from corporates operating in non-sustainable resources (oil and gas) received neutral responses. Neither was there a preference to sacrifice returns for 'common good'.
- 1.5 In terms of acting on the results it would be helpful to have the opinions of the other four Committee members. In the meantime some of the options to incorporate the responses include:
 - Reporting of fund manager voting guidelines and voting practices, including benchmarking votes against LAPFF recommendations.
 - Reviewing each fund manager's approach to incorporating RI issues into their selection of investments, including an evaluation of adherence to workers' rights. Possibly attributing a scoring of the extent to which RI and sustainability are factored into investment decisions.
 - Considering which of our investments support sustainability and reviewing the London CIV offering that focus on sustainability and RI.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) review the investment strategy and publish a statement of any revisions made. The Regulations also require the Scheme's Investment Strategy Statement to the Committee's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Alternatives will be considered when developing RI proposals.

4. POST DECISION IMPLEMENTATION

- 4.1 N/A.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 There are no direct resources issues however changes in the financial performance of the pension fund affects the pension fund deficit reflected in the Authority's accounts and the level of contributions payable by the Council and other employers.

5.3 Social Value

5.3.1 The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.

5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.

5.3.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long-term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

5.4.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) to review the investment strategy and publish a statement of any revisions made.

5.4.2 The Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee, (1) the approval of the Investment Strategy Statement (ISS) and (2) the appointment of investment managers. This paper considers factors that will influence the asset allocation set out in the ISS.

5.5 Risk Management

5.5.1 Risk management is central to the LGPS; which are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.5.2 Understanding the causes of sources and variabilities of scheme returns informs the

management of investment and funding risk.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Including Local Pension Board members in training and in the beliefs survey will enable the Committee to consider the views of scheme member and employer representatives.

5.9 Insight

5.9.1 Not applicable

6. BACKGROUND PAPERS

6.1 Pension Fund Committee 21 November 2019, agenda item 12 – Responsible Investing

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MIId=9920&Ver=4>