

Questions to the Pensions and Investment Sub-Committee from Gill Slater for Written Response:

Question 1:

Can the Committee advise regarding the scope of the investigation into potential negative social and environmental impacts of investments undertaken prior to determining not to pursue an ethical investment policy, which would demonstrate that fund investments deliver 'best returns' in the fullest sense to council taxpayers and fund members?

Answer 1:

As set out in the Investment Strategy Statement, the authority has been advised that its primary responsibility is to secure the best returns for the fund in the interests of its council taxpayers and its members. The Council has decided to take no action at this time in developing an 'ethical investment' policy, having also considered:

- the difficulties involved in identifying companies meeting any ethical investment criteria;
- the possibility of judicial review in the case of any company included in error;
- the difficulty and cost of monitoring any policy;
- the unpredictable impact on investment performance;
- the complications that would arise in relation to performance measurement;
- the requirement this would imply for segregated mandates for all investment managers, potentially leading to increased management and custody costs, and

Our fund managers always look at sustainability of returns and capital values of investments and we would not want restrictions that could impact on maximising returns in the interest of fund members and keeping the cost to council tax payers low.

We look to work with, and only select, asset managers who invest over the long term. We believe in active management and as such select managers who actively engage with the companies they invest in.

We believe that by focusing on the long term we can deliver superior investment returns to the members of the Fund and hence contain the cost to Council Tax payers within the Borough. This can be evidenced by the strong returns the Fund has delivered over all timeframes, from 1 to 30 years, its strong funding position and the awards we have recently won including the LGPS Fund of the Year (assets under £2.5 billion) at the LAPF Investment Awards 2018, LGPS Investment Performance of the Year at the LAPF Investment Awards 2017 and the Public Finance Innovation Award 2019 for Pensions, Treasury and Asset Management.

Question 2:

Will the committee review the ISS to consider all (financial and other) social and environmental risks, including the mounting awareness of Climate Change impacts and investment risk (not reflected in the FSS, ISS or the now dated actuarial valuation - Mercer 2016) are recognised and ameliorated through an ethical investment policy?

Answer 2:

I refer you to the previous reply.