

**QUESTIONS TO THE PENSIONS INVESTMENT SUB-COMMITTEE FOR WRITTEN REPLY**

**From Gill Slater**

1. Where or when can the advice to the Council that '*its primary responsibility is to secure the best returns for the fund in the interests of its council taxpayers and its members*', the associated definition of 'best returns', and the detailed analysis of social and environmental impacts producing the ISS bulleted conclusions be provided?

**Reply**

The primary responsibilities of administering authorities are to deliver the returns needed to pay scheme members' pensions and protect local taxpayers and employers from high pension costs' (reaffirmed in CLG consultation, November 2012). In April 2014, the Local Government Association published legal advice on the fiduciary duties of LGPS administering authorities which said that the power of investment must be exercised for investment purposes and not for wider purposes. Any precise choice of investment may be influenced by wider social, ethical or environmental considerations, so long as that does not risk material financial detriment to the fund. The ISS reflects this.

The Sub-Committee believe in working with their investment managers over the long term and to expect those managers to invest on this timeframe (as can be seen in the average holding period for both the Funds equity managers of 5-10 years, this is well about the industry average). Because we are working consistently on this timeframe, environmental issues become fundamental to the value our managers place on the investments they make on our behalf. All the managers the Fund employs have significant resources dedicated to ESG research and adopt a proactive engagement approach with the companies they invest in on these issues. ESG is reviewed by the Trustees on an ongoing basis.

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 costs to the council tax payer low.

We believe in active management and as such select managers who actively engage with the companies they invest in. Our asset managers take their responsibilities seriously, looking to support growth and promote good decision making at companies we invest in.

The long term sustainability approach is evidenced by the superior returns achieved over 1 to 30 years, recognised through National Awards.

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2. Will the Sub-Committee investigate and respond to the recognised financial risks associated with fossil fuel investments which are becoming increasingly vulnerable as the world transitions to low-carbon energy, risking very rapidly becoming 'stranded assets', at cost to taxpayers and fund members?

3. Can the Sub-Committee set out the timeframe for the review of the Investment Strategy Statement and advise how fund holders and taxpayers will be engaged in the consultation?

### **Replies**

The Sub-Committee has agreed to progress with an asset allocation review of the pension fund investments including considering any changes necessary to the ISS and any consultation matters. The work is currently being commissioned and a timetable and more detailed arrangements will be reported to a future meeting of the Pensions Investment Sub-Committee. The Council is aware of the work being undertaken by the Scheme Advisory Board and a future consultation from Government of new Statutory Guidance which may impact on any final arrangements. This will be monitored closely by the Committee.

The Sub-Committee works closely with asset managers to help meet the ESG commitments. Currently, employers and members of the LGPS scheme can nominate members to the Local Pension Board and can more directly contribute to the development of strategies. Members of the scheme also receive an annual newsletter and the next one published will invite comments from scheme members on all aspects of the Annual Report 2018/19 which includes the ISS. The Annual Report 2018/19 is included in the public agenda which is available on the Council's website. This provides opportunity for comments and to help inform changes to the ISS.

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