



Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	24 NOVEMBER 2021
Title	REPORT FROM ESG/RI WORKING GROUP
Report of	VICE-CHAIRMAN OF THE PENSION FUND COMMITTEE

EXECUTIVE SUMMARY

1. At its meeting on 28 July 2021, the committee agreed that a working group should be created to consider the fund's approach to Environmental, Social and Governance risks (ESG) and Responsible Investment (RI) activities.
2. The group has since met twice; notes and actions arising from those meetings are appended to this report.
3. The group recommends that the committee agree the terms of reference for the working group, and confirms the fund joining the Local Authority Pension Fund Forum (LAPFF) for the remainder of financial year 2021-22 and for 2022-23.

BACKGROUND

4. Membership of the group has been confirmed as follows:

Cllr Claire Critchison - Chair	Vice-chairman pension committee
Cllr Richard Quigley	Pension committee member
Cllr Vanessa Churchman	Pension committee member
Cllr Jonathan Bacon	Cabinet Member for Environment, Heritage and Waste Management
Cllr Julie Jones-Evans	Cabinet Member for Regeneration, Business Development and Tourism
Mr Steve Milford	Pension committee scheme member representative

The group is supported by the Technical Finance Manager.

5. Two meetings of the group have been held, on 28 September 2021 and 2 November 2021. Notes and actions from these meetings are presented as appendices 1 and 2 to this report.
6. The first meeting discussed the terms of reference for the group, which are appended to this report at appendix 3. The committee is asked to approve these terms of reference.

7. In between the working group meetings, a briefing session was delivered by a representative of the Local Authority Pension Fund Forum (LAPFF) to members of the working group, members of the committee and fund staff. This briefing session covered the activities of LAPFF, particularly around engagement with companies in whom the fund may be invested.
8. At the second working group, the benefits of membership of the LAPFF were discussed. Appendix 4 summarises those benefits in a document provided by LAPFF.
9. The group agreed to recommend to the committee that the fund join the forum for the remainder of the current financial year, and for the next twelve months, after which time the membership could be assessed to determine whether it should be continued. The cost in the current financial year will be £2,512 (plus VAT), and £10,050 plus VAT for the full financial year.
10. The committee is asked to agree that recommendation and authorise the Technical Finance Manager to pursue membership.

STRATEGIC CONTEXT

11. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
12. The work of the ESG/RI working group will support the committee in achieving its Responsible Investment beliefs, set out below:
 - (a) The Pension Fund is a long-term investor and the investments should be able to generate sustainable returns to pay pensions for scheme members. Environmental, Social and Governance ("ESG") issues can have a material impact on the long-term performance of its investments.
 - (b) The Committee should focus on meeting its financial obligations to pay benefits to members. Financial considerations carry the same weight as non-financial considerations.
 - (c) Long-term sustainable investment returns are an important consideration, even to the extent that the sustainability of returns extends beyond the expected investment horizon of the Committee.
 - (d) Responsible ownership of companies benefits long term asset owners. Companies with a clear responsible investment policy are expected to outperform companies without a responsible investment policy, over the longer term.

FINANCIAL / BUDGET IMPLICATIONS

13. The cost of membership of the LAPFF will be borne by the pension fund, and will have no impact on the council's revenue budget.

14. Any future actions or analysis required will be costed before commissioning, and the group will seek approval from the Committee for any future expenditure.

CARBON EMISSIONS

15. The ESG/RI working group will assist the committee in determining its approach to addressing Climate Change risks, including revising its ESG policy statements contained in its published Investment Strategy Statement. This will support work to reduce the fund's carbon footprint through its investment portfolios, and contribute to the Council's climate strategy.

LEGAL IMPLICATIONS

16. As administering authority, the Isle of Wight Council is the designated statutory body responsible for administering the Isle of Wight Council Pension Fund of behalf of the constituent scheduled and admitted bodies in the relevant area.
17. While there is currently no statutory obligation for the pension fund to have specific policies in respect of Environmental, Social and Governance risks (ESG) and Responsible Investment (RI) activities, other than reference within its Investment Strategy Statement, there is more focus on this area from both Central Government and the Pensions Regulator.
18. The working group has been formed to support the pension fund committee in reviewing and updating its statements and beliefs in these areas, and will recommend future action to the committee.

EQUALITY AND DIVERSITY

19. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
20. There are no implications for any of the protected characteristics arising from this report.

RECOMMENDATION

21. That the notes and actions from the first two ESG/RI working group meetings be noted.
22. That the terms of reference for the ESG/RI working group at appendix 3 be approved.
23. That the fund's membership of the Local Authority Pension Fund Forum (LAPFF) be approved, and the Technical Finance Manager be authorised to proceed with membership.

APPENDICES ATTACHED

24. Appendix 1 – ESG/RI working group notes and actions 28 September 2021.
25. Appendix 2 – ESG/RI working group notes and actions 2 November 2021.
26. Appendix 3 – ESG/RI working group Terms of reference.
27. Appendix 4 – Benefits of membership of the Local Authority Pension Fund Forum.

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