



Committee report

Committee	LOCAL PENSION BOARD
Date	26 OCTOBER 2022
Title	DLUHC CONSULTATION: LGPS (ENGLAND AND WALES) GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS
Report of	PENSION FUND MANAGER

EXECUTIVE SUMMARY

1. On 1 September 2022, the Department for Levelling Up, Housing and Communities (DLUHC) issued the expected consultation on responding to climate change risks, linking to the Taskforce for Climate Related Financial Disclosure (TCFD) requirements for private sector schemes.
2. This report contains the consultation document and the first thoughts of a potential response to the consultation from the Isle of Wight Council Pension Fund..
3. The consultation period closes on 24 November 2022, so there is time for the response to be shared and agreed with the pension fund committee before the submission deadline.
4. Members should note that this consultation does not cover the investment strategy of the fund and does not seek to restrict or direct towards any specific asset classes or business sectors.
5. Discussions at the board meeting will be directed towards the fund's response to the consultation and the management and reporting of risks; issues regarding disinvestment will not be considered at this stage.

RECOMMENDATION

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| 6. That board members consider the consultation document and the proposed response and provide any further considerations that may be useful to include in the response. |
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BACKGROUND

7. Appendix 1 to this report contains the consultation document which was issued by DLUHC on 1 September 2022.

8. Appendix 2 contains the initial draft response to the 12 consultation questions, as prepared by the Pension Fund Manager.
9. The draft response has been shared with the scheme member representative on the pension committee and one of the scheme member representatives from the board for initial review and comment, which included:
 - There is an enormous amount of work to get through.
 - We should be looking to share services of other LGPS funds.
 - Consider if we can adopt a statement from another fund (after consideration, review and any amendments); if not – then pick it apart and use it as a guide for creating a new one.
 - We don't need to do this in isolation; we could move ahead with establishing local principles and policies with the help of what other funds have done.
 - Concern that we could be building a whole industry here of setting objectives and targets, detailed measurement and reporting, interpreting and debating, disclosing and dealing with more and more questions.
 - It basically comes down the question – “so what?”
10. Additional thoughts from the Pension Fund Manager:
 - We will be working with colleagues in the ACCESS pool to get information in respect of the pooled holdings and will work with other investment managers to get the data for the investment held outside the pool.
 - What we can't outsource is the decision making, the strategy setting or the understanding.
 - We will need to do something about the output of the reporting, and I hope that eventually this will become embedded in our (and all LGPS) thinking, but initial action will be in determining a starting position.
11. Key local actions will include:
 - Reconvene ESG/RI working group with focus on compliance with the new requirements.
 - Revisit our ESG beliefs and objectives.
 - Commission the baseline data to see where we are.
 - Understand what that means and what we can/need to do about it.
 - Understand what the metrics mean and what our results show.
 - Understand what scenario modelling means, select our scenarios, interpret the results, etc.
 - Consider our target, what it means, actions we need to carry out, timescales.
 - Consider reporting requirements.
 - Committee/board understanding of what we are reporting and how to message that with scheme members, and deal with the potential flurry of questions/criticisms etc.
12. After a very brief discussion on the consultation with the Director of Finance, a further point will be added to the response about the increased burden on compliance for smaller funds. Compliance will result in increased administrative costs, which will ultimately be passed on to employers through increased contribution rates.
13. Appendix 3 contains an extract from the Pension Regulator's draft combined code of practice, in respect of climate change. While TPR does not have any direct

influence over the investment aspects of public service pension schemes, it is considered best practise to take these requirements into account.

APPENDICES ATTACHED

14. Appendix 1: Consultation document – Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks.
15. Appendix 2: draft initial response.
16. Appendix 3: extract from the Pension Regulators' new code of practice - Climate change.

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