

**Report for: Pension Fund
Committee**

Date of Meeting:	29 March 2023
Subject:	Responsible Investment Policy
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	None
Enclosures:	Appendix 1 – Draft Responsible Investment Policy Appendix 2 – Investment Strategy Statement

Section 1 – Summary and Recommendations

Further to previous discussions, this report includes a draft Responsible Investment Policy and updated Investment Strategy Statement for the Committee to consider and approve.

Recommendations:

The Committee is recommended to approve:

1. the draft Responsible Investment Policy attached at Appendix 1
2. the updated Investment Strategy Statement at Appendix 2.

Section 2 – Report

1. The LGPS (Investment and Management of Funds) Regulations 2016 set the framework within which LGPS pension funds are required to manage their investments. They are required to have an Investment Strategy Statement (ISS) – which sets out how the Fund will manage and invest its assets to enable it to meet its Funding Strategy.
2. The Regulations include a requirement for funds to have a policy setting out how environmental, social and governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments. For LBH, to date the Investment Strategy Statement has contained that information.
3. With growing concern about climate change, a greater awareness of social issues such as working conditions and governance issues including equality, diversity and executive remuneration, it is now considered best practice for LGPS Funds to have a standalone Responsible Investment (RI) Policy. The likely introduction of the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) – reported to the Committee on 29 November 2022 - highlights this further.
4. Following discussion at the Fund’s informal briefing session in July 2022, it was agreed that the morning of the “Training and Meet the Manager” day would be devoted to RI training – and accordingly a workshop training session was led by Jennifer O’Neill – an RI specialist from the Fund’s Investment Consultant (Aon).
5. Following that meeting, the Committee members completed a survey to determine their “Investment Beliefs” and this was used to develop a draft RI Policy, which was considered by the Committee in November 2022.
6. As agreed at that meeting, further work has been undertaken, and an updated draft policy is now attached – **appendix 1**. The Policy sets out the Committee’s Investment beliefs, and how these will be translated / implemented via the Investment Strategy. The Committee is asked to approve this document.
7. As a consequence of the Policy, some changes are required to update the Fund’s Investment Strategy Statement – the updated version is attached as **appendix 2**. The changes are highlighted in red, and also adjust for the change in the Fund’s Emerging Market equities manager. The Committee is also asked to approve this document.
8. Both documents were considered by the Pension board at its meeting on 2 March 2023. After asking a number of questions, including about how the section on “Voting and Engagement” would work in practice. After discussions, the Board endorsed the Policy as a helpful development and recommended no changes to the draft.
9. Once approved by the Committee, the documents will be published on the LBH Pension Fund website.

Legal Implications

10. There are no direct legal implications arising from this report.
11. The Pension Fund Committee has the following powers and duties:
 - i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
 - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
 - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
 - iv. to establish a strategy for the disposition of the pension investment portfolio; and
 - v. to appoint and determine the investment managers' delegation of powers of management of the fund;
 - vi. to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulations 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
 - vii. to apply the arrangements set out in (vi) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups.

Financial Implications

12. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

Risk Management Implications

13. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The most recent review was carried out at the 23 November 2022 meeting of the Committee.
14. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy and having a Responsible Investment Policy will assist in managing those risks.

Equalities implications / Public Sector Equality Duty

15. Was an Equality Impact Assessment carried out? No
There are no direct equalities implications arising from this report.

Council Priorities

16. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer
Date: 10/03/2023

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 08/03/2023

Chief Officer: Dawn Calvert
Signed on behalf of the Chief Executive
Date: 10/03/2023

Mandatory Checks

Ward Councillors notified: Not applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

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Background Papers: None