

# WIRRAL COUNCIL

## PENSIONS COMMITTEE

20 SEPTEMBER 2021

<b>REPORT TITLE:</b>	<b>NORTHERN LGPS UPDATE AND RESPONSIBLE INVESTMENT POLICY</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>

### REPORT SUMMARY

This report provides Members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern LGPS (NLGPS). Minutes of the previous Northern LGPS Joint Committee meeting are appended for noting (appendix 1). At that meeting, a revised Responsible Investment (RI) policy was presented and is attached (appendix 2) for consideration and approval.

### RECOMMENDATION/S

That the Pensions Committee be recommended to note the minutes of the Northern LGPS Joint Committee meeting.

That the Pensions Committee be recommended to approve the Northern LGPS Responsible Investment policy.

### SUPPORTING INFORMATION

#### 1.0 REASON/S FOR RECOMMENDATION

- 1.1 Pooling is resulting in fundamental changes to the oversight and management of Local Government Pension Scheme (LGPS) assets and it is important that Members are informed of all developments affecting the Fund.
- 1.2 The LGPS Investment Regulations (2016) require a pension fund to publish an investment strategy statement which includes its policy “on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments” and “the exercise of the rights (including voting rights) attaching to investments”. The NLGPS RI policy is intended to enable its constituent funds to collaborate effectively in driving best practice in investee companies and assets by establishing areas of common understanding and interest.

#### 2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options have been considered.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Minutes of the previous Northern LGPS Joint Committee meeting are attached at appendix 1.
- 3.2 The LGPS Investment Regulations 2016 require MPF, after taking proper advice, to formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. Amongst other matters, this strategy must include “how social, environmental and corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments” and “the exercise of the rights (including voting rights) attaching to investments”.
- 3.3 The three NLGPS funds have historically had a high degree of commonality in their approach to Responsible Investment and the NLGPS RI policy is intended to establish these areas of common interest enabling the funds to effectively implement and prosecute the policy by collaborative working between themselves and with other investors. This approach is set out in greater detail in the policy (appendix 2).
- 3.4 If this policy is approved, MPF’s Investment Strategy Statement (ISS) will be revised to reflect the new NLGPS policy, revisions to the MHCLG guidance following the Supreme Court judgment in 2019 and MPF specific requirements. The ISS will be the subject of a future report to this Committee.

### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 There are none arising directly from this report. ESG factors can be financially material and, as such, should be part of the assessment and monitoring of investments in all asset classes

### **5.0 LEGAL IMPLICATIONS**

- 5.1 There are none arising directly from this report. There is a statutory requirement for an LGPS fund to formulate and publish an RI policy as part of its Investment Strategy Statement.

### **6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS**

- 6.1 The assessment and monitoring of investments in relation to ESG factors is integral to the ongoing management of the fund’s assets. As the scope of the fund’s RI policy expands, greater demands are placed on staff and associated resources. By collaborating with our pooling partners and other investors, these costs can be defrayed to a certain extent but RI remains an area of growing activity and interest.

### **7.0 RELEVANT RISKS**

- 7.1 Pooling has resulted in fundamental changes to oversight and management of LGPS assets. It is essential that Pensions Committee exercises its governance responsibilities in accordance with the Council’s constitution.

7.2 An effective RI policy can assist in managing financial and reputational risks to the fund.

## **8.0 ENGAGEMENT/CONSULTATION**

8.1 The policy has been reviewed by the NLGPS partner funds. Additionally, the policy was presented to the Investment Monitoring Working Party on 15 September and to the Pension Board ahead of this Committee meeting.

## **9.0 EQUALITY IMPLICATIONS**

9.1 The policy has reference to international standards such as the UN Sustainable Development Goals, the UN guiding principles on business and human rights and IIGCC's Net Zero Investment Framework. It is intended to maximise the positive impact good corporate practice can have on the fund's stakeholders, particularly the communities and beneficiaries residing in the North of England.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 This policy explicitly addresses environment and climate implications as financially material to long-term performance of investments.

**REPORT AUTHOR: PETER WALLACH**  
DIRECTOR OF PENSIONS  
telephone (0151) 242 1309  
email peterwallach@wirral.gov.uk

## **APPENDICES**

Minutes of Joint Committee meetings.  
Draft NLGPS RI policy

## **BACKGROUND PAPERS**

Local Government Pension Scheme: Guidance on preparing and maintaining an Investment Strategy Statement.

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
The Northern LGPS update is a standing agenda item on Pensions Committee	