



**Resources and Public Realm  
Scrutiny Committee**  
29 January 2020

**Report from the Director of Finance**

**BRENT PENSION FUND POLICY ON RESPONSIBLE INVESTMENT**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Non-Key
<b>Open or Part/Fully Exempt:</b>	Open
<b>No. of Appendices:</b>	None
<b>Background Papers:</b>	None
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**1.0 Purpose of the Report**

- 1.1 The purpose of this report is to provide an overview of the Brent Council pensions policy for review.

**2.0 Recommendation(s)**

- 2.1 That the committee note the report.

**3.0 Introduction**

- 3.1. The Local Government Pension Scheme (LGPS) is a defined benefit, funded occupational pension scheme, set up under Regulations set by Parliament. The LGPS provides pension benefits for those working in the local authority sector and is open to employees of local government as well as a range of other public service employers e.g. Charities.
- 3.2. The LGPS is a nationwide scheme that is administered locally by 88 regional funds in England and Wales. This includes the Brent Pension Fund which is administered by the London Borough of Brent.
- 3.3. Key Facts about the Brent Pension Fund for 2018/19:
- The value of the Fund's investments increased from £831.1m to £856.4m, despite a backdrop of continued uncertainty in the global economy.
  - Total contributions received from employers and employees totalled £52.1m for the year.

- Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, totalled £45.9m.

3.4. At present, there are 21,354 members in the scheme, broken down as follows:

Active members	6,756
Deferred members	7,868
Pensioner members	6,730
<b>Total members</b>	<b>21,354</b>

3.5. There are currently no councillors in the LGPS.

### Responsible Investment

3.6. The link below directs you to the Pension Fund Sub-Committee report of 02 October 2019, which outlines the pension fund's approach to Responsible Investment and Environmental, Social and Governance issues.

<http://democracy.brent.gov.uk/documents/s89412/Responsible%20Investment.pdf>

3.7. *In summary:*

The Brent Pension Fund has the following funding principles:

- Ensure that sufficient resources are available to meet all benefit as they fall due for payment;
- Recover any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees;
- Enable employer contributions to be kept as stable as possible and at reasonable cost; and
- Maximise the returns from investments within reasonable risk parameters.

3.8. The Fund's Sub-Committee also takes Responsible Investment ("RI") seriously. The Committee recognise that Environmental, Social and Governance ("ESG") factors can influence the Fund's ability to achieve long-term sustainable returns. This is reflected Fund's Investment Strategy Statement, which includes the following stated beliefs:

- Environmental, social and corporate governance ('ESG') issues can have a material impact on the long term performance of its investments;
- Climate change and the expected transition to a low carbon economy is a long-term financial risk to Fund outcomes.

3.9. The ESG criteria of its existing investments are assessed on an ongoing basis, including regular interaction and challenge of the Fund's investment managers (including the Fund's asset pool London CIV). The fund had continued to make strong representations to the London CIV on ESG issues and to have a senior lead on responsible investment.

3.10. Despite a clear commitment to responsible investment, the Fund is regularly challenged about its approach to responsible investment: objections are often on ethical grounds, to the Fund owning shares in companies operating in certain industries or in certain geographies on the basis that they are too risky to own. Whilst the Fund is sympathetic to some of the issues raised, its

paramount consideration is its own social obligations, which is to pay promised benefits to pensioners.

- 3.11. Climate change has the potential to impact all asset classes over the Fund's lifetime and the Fund, with its actuary and investment advisors, is modelling various scenarios to understand possible outcomes from different climate related scenarios.
- 3.12. The fund is also considering undertaking a carbon footprint exercise for the Fund in order to improve its understanding of the Fund's holdings.
- 3.13. Additionally, the Fund committed to invest £50m in the London CIV Infrastructure fund in October 2019. The design of this fund ensures that at least 25% of the fund will be invested in renewable projects.

#### **4.0 Financial Implications**

- 4.1 None for the purposes of this report.

#### **5.0 Legal Implications**

- 5.1 None for the purposes of this report.

#### **6.0 Equality Implications**

- 6.1 None for the purposes of this report.

#### **7.0 Consultation with Ward Members and Stakeholders**

- 7.1 None for the purposes of this report.

**Report sign off**

**THE DIRECTOR OF FINANCE**