**PENSION FUND COMMITTEE**

**MINUTES OF MEETING HELD ON TUESDAY 15 JUNE 2021**

**Present:** Cllrs Andy Canning (Chairman), Peter Wharf (Vice-Chairman), John Beesley, David Brown, Bobbie Dove, Howard Legg, Mark Roberts, Adrian Felgate and Simon Christopher

**Apologies:** -

**Also present (for all or part of the meeting):** Catherine Dix and David Vickers, Brunel Pension Partnership, and Alan Saunders, Independent Investment Adviser.

**Officers present (for all or part of the meeting):** Aidan Dunn (Executive Director – Corporate Development), Jim McManus (Corporate Director - Finance and Commercial), David Wilkes (Service Manager - Treasury and Investments) and Stephanie Ball (Pensions Systems Manager).

https://www.youtube.com/embed/_HGNGldqdZA

96. **Apologies**

No apologies for absence were received at the meeting.

97. **Minutes**

The minutes of the meeting held on 11 March 2021 were confirmed by the Chairman.

98. **Declarations of Interest**

No declarations of disclosable pecuniary interests were made at the meeting.

99. **Public Participation**

The public questions together with the responses from the Chairman of the Committee are set out in the Appendix to the minutes.

The following statement was read by the Chairman:

"We have received a large number of questions from members of the public regarding the pension fund's approach to investments in fossil fuels and we welcome the interest in this important topic. Written responses to each of the questions will be published alongside the minutes of this meeting but I would like to make this statement today.

This topic was discussed at length at our meeting in September 2020. The reports, minutes and a recording of those discussions are all available on the Council's website.

I would like to remind everyone that the purpose of the pension fund is to pay benefits to scheme members and that the Committee has a duty to scheme members and their employers to ensure that their contributions to the fund are invested appropriately to make returns sufficient to meet those obligations. This duty overrides any other considerations.

The approach agreed by the Committee in September 2020 was not to divest completely from companies involved in the sourcing and refining of fossil fuels, instead we will seek to reduce investment in all high carbon emitting companies and to influence the demand for fossil fuels and their financing, not just their supply.

The decision was based upon evidence presented to the Committee by independent investment consultants, Mercer, that a strategy of decarbonisation can deliver significantly greater reductions in the 'carbon footprint' of investments than can be achieved by divestment. Divestment is effectively a transfer of ownership that does not directly lead to a reduction in either the supply or demand for fossil fuels but it does remove the opportunity to influence companies by working with them to transition to a lower carbon future. I would like to add, however, that targeted divestment remains an option from individual companies who will not positively engage.

Significant decarbonisation has been and will continue to be achieved through the transition of assets to the management of Brunel Pension Partnership, the pension fund's LGPS investment pooling manager. 10% of the pension fund's assets are now invested in Brunel's global sustainable equities fund, which is 20% of our total equities and is the fund's largest single investment. All other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint.

Brunel's quarterly reports considered by the Committee and publicly available include summaries of the carbon intensity and extractive exposure of all the funds we are invested in compared to industry benchmarks. Brunel are widely recognised as a 'market leader' within this field and their website includes details of the underlying investments of all its funds plus a wealth of information relating to its engagement activities with companies, including voting records.

In 2022 Brunel will complete a 'stock take' of their approach to engagement and divestment. If this review concludes that companies are not taking appropriate action and sufficient steps to manage climate risks and to enable alignment with the Paris Climate Agreement then the Committee will need to reconsider its approach too."

100. **Questions from Members**

There were no questions from members.

101. **Urgent items**

There were no urgent items.

102. **Investment Pooling Update**

The Committee considered a report from David Vickers, Chief Investment Officer (CIO) of the Brunel Pension Partnership (Brunel). He gave his thoughts on the investment context for the quarter and summarised the performance of the Brunel funds that the pension fund held investments in.

Concerns about inflation were discussed and it was agreed that the Committee would consider the opportunity to increase the pension fund's inflation hedging at its next meeting in September 2021.

Brunel felt that it was not mutually exclusive to have a sustainable approach to investments and for the Committee to meet its fiduciary duty to scheme members and employers. The transition away from fossil fuels was underway but there would be periods of volatility.

The Chairman noted that actual and benchmark carbon intensity and extractive exposure metrics were reported by Brunel for each individual portfolio and asked if this could be provided at aggregate level for all Dorset's assets under Brunel's management.

Brunel had been working with index providers to create useful 'Paris aligned' benchmarks and were close to agreement with FTSE Russell. This would allow new Paris aligned passive equity funds to be offered to clients as alternatives to existing options. The new benchmarks could also be used as secondary benchmarks for other Brunel funds.

Brunel and the other LGPS investment pooling managers were asking government to work with them to develop and offer infrastructure investment opportunities suitable for LGPS funds. The Scheme Advisory Board could also play a part in bringing pressure to bear on this topic.

The Independent Adviser raised concerns that the benchmark for the Diversifying Returns Fund (DRF) was 'cash' and not 'cash plus x%' as had been the case with pension fund's legacy mandate with Barings. Brunel agreed to review this.

Cllr John Beesley, the pension fund's representative on the Brunel Oversight Board, updated the Committee on governance matters relating to the investment pooling arrangements. At the Annual General Meeting on 25 March 2021 the chair and other non-executive directors were reappointed. In line with best practice, the company board now consisted of four executive directors and five non-executive directors. The non-executive directors now spanned a very wide range of knowledge and experience.

**Resolved**

i. That Brunel provide actual and benchmark carbon intensity and extractive exposure metrics at aggregate level for all the pension fund's assets under Brunel's management.

ii. That the benchmark for Brunel's Diversifying Returns Fund be reviewed by Brunel and clients.

103. **Pensions Administration**

The Committee considered a report from officers on operational and administration matters relating to the pension fund.

Performance as measured by the Key Performance Indicators (KPIs) had been pleasing, particularly given the challenges of working from home.

The Committee were asked to approve new policies needed to reflect changes in regulations that extended flexibilities when dealing with exiting employers and the ability to review employer contribution rates in between valuations. The Funding Strategy Statement would also need to be updated to reflect these new policies. Officers would confirm whether time periods in the policies referred to working days or calendar days.

The most common reasons for employers to exit the pension fund were that there were no employees left in the scheme, the employer had gone into administration or ceased trading, or that the employer had been taken over by another organisation.

The administration system changes were nearing completion and were on track to 'go live' 28 July 2021, with the scheme employers' portal live 30 July 2021 and the scheme members' portal live 2 August 2021. Relocation of the team within County Hall would be planned so that it does not impact on implementation of the new systems.

A workaround had been developed to get year-end returns from the pension fund's Additional Voluntary Contributions (AVC) provider, Prudential, and a checking exercise will be undertake once all the information had been received. Officers will confirm whether a review of AVC provision has been undertaken or is planned.

**Resolved**

i. That the new policies relating to increased flexibility when dealing with exiting members and the ability to review employer contribution rates in between valuations be approved, subject to confirmation that time periods are measured in working days or calendar days.

ii. That the Funding Strategy Statement be updated to reflect the adoption of these new policies.

iii. That officers confirm whether a review of AVC provision has been undertaken or is planned.

104. **Independent Investment Adviser's Report**

The Committee considered a report from Alan Saunders, the pension fund's Independent Investment Adviser, that gave his views on the economic background to the pension fund's investments, the outlook for different asset classes and key market risks.

Inflation concerns due to increases in material costs and labour shortages had unsettled markets. There were concerns about how central banks would respond and a more cautious approach to investment decisions was recommended.

Labour shortages in the UK may be temporarily exaggerated due to the Job Retention Scheme but this was a global issue, particularly in the US. The chief economist at the Bank of England had warned that there was not enough slack in labour markets and so wages could start to respond.

The Chairman believed it was right to focus on inflation and proposed that the Committee met with Insight, the pension fund's Liability Driven Investment (LDI), to revisit the mandate and consider options in September 2021. The Independent Investment Adviser noted that there was scope to increase the inflation hedge or reduce collateral to invest elsewhere.

The estimated funding ratio had fallen to 85% from 92% at the last full valuation as at March 2019. Possible reasons were the smoothing of asset valuations by the actuary, rises in inflation expectations and/or falls in expected investment returns – as equities had shown such strong returns the actuary was now factoring in reduced returns leading to reduced discount rate and therefore higher liabilities.

Cllr John Beesley highlighted that the LGPS Scheme Advisory Board (SAB) were very aware of the risk of reduced funding levels at the next triennial valuation across the LGPS. The Government Actuary's Department (GAD) were looking at deficit recovery periods and other mitigation options. He hoped to report back at the September 2021 meeting as this would be hugely influential on what Dorset's actuary perceived to be permissible for the pension fund.

**Noted**
That the Committee review the Liability Driven Investment (LDI) mandate and consider increasing the pension fund's inflation hedging position at its meeting in September 2021.

105. **Fund Administrator's Report**

The Committee considered a report from officers on the pension fund's funding position, asset valuation, investment performance and asset allocation as at 31 March 2021.

The value of the pension fund's assets ended the financial year at £3.3 billion compared to £2.7 billion at the start of the financial year, approximately 10% higher than the position as at March 2019 the date of the last full valuation by the actuary and broadly in line with the estimated average annual return of 5%.

However, the funding position estimated by our actuary is that the value of the pension fund's assets only covers 85% of the present value of our liabilities, significantly lower than the 92% it was estimated to be at the March 2019 valuation.

The actuary had made some small increases to their assumptions for pension increases (CPI) and salary increases which will increase expected liabilities but the main reason for the fall in funding level is that the actuary had revised down their expectations for asset returns from 5% at the March 2019 valuation to 4.5% now.

The investment return for the financial year was 24% above the combined benchmark by about 3%. The last quarter of the year was below benchmark, driven by the pension fund's reduced UK and fossil fuels exposure which did well in the quarter. The pension fund is believed to be positioned well for longer term trends, but there will be times of underperformance over shorter periods.

Just under 30% of the pension fund's liabilities were hedged against inflation sensitivity but using roughly 11.5% of assets to do so. Nearly 60% of the pension fund's assets are now under the management of Brunel.

Allocations for equities and other publicly traded assets were now broadly near the targets agreed by the Committee in September 2020. Some further investment in the Brunel Diversifying Returns Fund (DRF) was needed to reach target, funded by cash and/or partial redemption from corporate bonds which was above target.

Achieving target allocations for private market assets, particularly private equity, remained a challenge. There will be an opportunity to commit to the next cycle of Brunel's private offerings in March 2022, therefore it would be useful to consider this in more depth at the September 2021 meeting.

**Noted**

106. **Dates of Future Meetings**

**Resolved**
That meetings be held on the following dates:

10am Wednesday 8 September 2021 – London (tbc)
10am Tuesday 30 November 2021 – County Hall, Dorchester (tbc)

107. **Exempt Business**

**Resolved**
That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the business specified in minute 14 because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing that information.

108. **Independent Investment Advice**

The pension fund's independent adviser, Alan Saunders, will be retiring from this role after the meeting of the Committee in September 2021. A working group of officers, the Chairman and Vice Chairman reviewed the requirements for independent advice and concluded that there is still a need for a retained independent investment adviser supplemented by the use of investment consultants as and when appropriate.

**Resolved**
That officers begin the process to procure the services of a retained independent investment adviser and that these services are supplemented by the use of investment consultants as and when appropriate.

109. **Questions/Answers for the Pension Fund Committee - 15 June 2021**

**Question 1: Julie-Ann Booker, on behalf of Dorset Action on Pensions**

In considering the possibility of stranded assets, The Brunel Pension Fund Carbon Metrics report analyses its potential relationship with fossil fuel reserves both probable and proven, and then examines the potential emissions from these reserves:

"Taking the reserves exposures discussed above, we can look at an assessment of potential future emissions that may incur from these reserves being realised. This metric is not included in the WACI figure (which focuses on current intensity) and so it is an important assessment of company's potential contribution to emissions via its stockpile of fossil fuels. We have been able to assess the potential emissions associated with the proven and probable reserves for companies within our Portfolios, as well as an overall Portfolio assessment." (Brunel Pension Partnership Carbon Metrics report).

This abstraction in the face of a climate emergency seems like madness to me. I am no finance expert but have done some research and the Custom Benchmark appears to only relate to comparative investment funds and pays no attention to the health of the planet or to the science of climate change.

"It is crazy that our banks and our pensions are investing in fossil fuels, when these are the very things that are jeopardising the future we are saving for". (Sir David Attenborough, Nov 2020).

Sir David is also not a financial expert, but is one of the most respected naturalists on the planet and his message on fossil fuels is quite clear. Dorset Action on Pensions (https://dtaction.co.uk/pension-divestment/) feel that Dorset Council should stop investing in fossil fuels and start investing in a greener future.

Is Dorset Council seeking investments that are both good for the planet and good for returns as demonstrated by six other local government pension funds, half of all UK Universities, and over 1,250 institutions representing over $14.5 trillion in assets who have already committed to going fossil free (Nauman, 2020). Or is it in fact risking the threat of stranded assets, and ignoring the health of the planet and the science of climate change?

**Answer 1**

The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Dorset Council (DC) is the administering authority for the LGPS in Dorset which provides pensions and other benefits for employees of DC, other councils and a range of other organisations within the county.

DC has delegated its responsibilities as an administering authority to the Pension Fund Committee, which consists of five DC elected members, three Bournemouth, Christchurch and Poole Council (BCP) elected members, and one scheme member representative nominated by the trade unions.

The purpose of the pension fund is to pay benefits to scheme members. The Pension Fund Committee has a duty to scheme members and their employers to ensure that their contributions to the pension fund are invested appropriately to make returns sufficient to meet those obligations. This duty overrides any other considerations.

The decarbonisation approach agreed by the Committee at its meeting September 2020 was based on evidence that such an approach will deliver significantly greater reductions in the 'carbon footprint' of the pension fund's investments that blanket divestment, without negatively impacting returns.

The pension fund's investment pooling manager and underlying investment managers are required to take into consideration all matters that present a financially material risk to returns, including the risks that you highlight.

**Question 2: Colin Tracey**

I understand that Dorset Council have agreed to divest from fossil fuel companies at only 7% per year. That means it will not be completely divested until 2036. Scientists are saying that we have only ten years to try and keep global warming below 1.5 degrees. While Dorset council pension funds are

still being invested in fossil fuel companies Dorset Council continues to contribute to global warming. As an elected body that has declared a climate and ecological emergency, Dorset council has a moral and ethical duty to respond to the crisis with more urgency. How does the council propose to do this?

**Answer 2**

The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Dorset Council (DC) is the administering authority for the LGPS in Dorset which provides pensions and other benefits for employees of DC, other councils and a range of other organisations within the county.

DC has delegated its responsibilities as an administering authority to the Pension Fund Committee, which consists of five DC elected members, three Bournemouth, Christchurch and Poole Council (BCP) elected members, and one scheme member representative nominated by the trade unions.

The decarbonisation approach agreed by the Committee at its meeting September 2020 was based on evidence that such an approach will deliver significantly greater reductions in the 'carbon footprint' of the pension fund's investments that blanket divestment, without negatively impacting returns.

Divestment is effectively a transfer of ownership that does not directly lead to a reduction in either the supply or demand for fossil fuels but it does remove the opportunity to influence companies by working with them to transition to a lower carbon future. Targeted divestment remains an option from individual companies who will not positively engage.

Significant decarbonisation has been and will continue to be achieved through the transition of assets to the management of Brunel Pension Partnership, the pension fund's LGPS investment pooling manager. 10% of the pension fund's assets are now invested in Brunel's global sustainable equities fund, which is 20% of total equities and the fund's largest single investment. All other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint.

Brunel are widely recognised as a 'market leader' within this field and their website includes a wealth of information relating to its engagement activities with companies, including voting records. In 2022 Brunel will complete a 'stock take' of their approach to engagement and divestment. If this review concludes that companies are not taking appropriate action and sufficient steps to manage climate risks and to enable alignment with the Paris Climate Agreement then the Committee will need to reconsider its approach too.

**Question 3: Andrew Carey**

In Dorset Council's 'Making it happen action plan', the Council's Objective 1 includes the following action:

“Investigate decarbonising Dorset Council pension scheme” with the stated target: “Investigations carried out and reported to EAP by March 2021”.

Have those investigations been carried out and have they been reported to the EAP? If so, what did the report say?

In an answer given by the Chairman of Dorset Council’s Pension Fund Committee on 10th September 2020, Brunel Pension Partnership were quoted as follows:

*“On the issue of divestment, Brunel supports divestment from specific fossil fuel and other carbon-intense companies if they present a material investment risk – such as due to ‘stranded assets’ – but this is based on analysis by our asset managers. Brunel expects managers to take these decisions independently.*
*…We chose not to use exclusion lists with our active managers…. We will not issue exclusion lists…”*

This means that Brunel is divesting from fossil fuel companies only when they present an investment risk - not when they present a risk to the planet.

Given that six other local government pension funds, half of all UK Universities, and over 1,250 institutions representing over $14.5 trillion in assets have already committed to going fossil free, does the Committee recognise that its failure to instruct Brunel on this policy is at odds with its Climate & Ecological Emergency Strategy, which states, amongst other things, its intention to "Take DIRECT action to reduce our own carbon footprint... showing leadership as a large public sector organisation".

**Answer 3**

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The purpose of the pension fund is to pay benefits to scheme members. The Pension Fund Committee has a duty to scheme members and their employers to ensure that their contributions to the pension fund are invested appropriately to make returns sufficient to meet those obligations. This duty overrides any other considerations.

At its meeting September 2020, the Committee agreed to seek to reduce investment in all high carbon emitting companies and to influence the demand for fossil fuels and their financing, not just their supply. This approach to decarbonisation was based on evidence that such an approach will deliver

significantly greater reductions in the ‘carbon footprint’ of the pension fund’s investments that blanket divestment, without negatively impacting returns. The reports, minutes and a recording of those discussions are all available on the Council’s website.

Significant decarbonisation has been and will continue to be achieved through the transition of assets to the management of Brunel Pension Partnership, the pension fund’s LGPS investment pooling manager. 10% of the pension fund’s assets are now invested in Brunel’s global sustainable equities fund, which is 20% of our total equities and is the fund’s largest single investment. All other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint.

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**Question 4: Pam Rosling**

I am a Dorset Council Pensioner, and I recently read an article in the New Scientist (Environment June 1st 2021) which had a strong impact on me. As a result I am asking Dorset Council : Will you please poll Pension Fund members to establish what demand there is among us for an ethical investment option, rather than us having to continue to invest in fossil fuels when we don't want to?

**Answer 4**

The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Dorset Council (DC) is the administering authority for the LGPS in Dorset which provides pensions and other benefits for employees of DC, other councils and a range of other organisations within the county.

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The LGPS is a ‘defined benefit’ scheme which means that benefits for scheme members are calculated based on factors such as age, length of membership and salary, not investment performance as they would be in a ‘defined contribution’ scheme.

Administering authorities are required to maintain a pension fund for the payment of benefits to scheme members funded by contributions from scheme members and their employers, and from returns on contributions invested prior to benefits becoming payable.

Contribution levels for scheme members are set nationally, and contribution levels for scheme employers are set locally by actuaries engaged by administering authorities. As scheme member rates cannot be changed locally and benefits are defined, the risk of investment underperformance is effectively borne by scheme employers.

For the reasons set out above scheme members cannot have different investment options available to them as could be the case with a defined contribution scheme where the risk of investment underperformance is borne by the individual scheme member.

**Question 5: Belinda Bawden**

As a Dorset Pension Scheme member, I'd like to ask the following question of the Dorset Pension Fund Committee on 15th June.

On page 24 in the section entitled 'The fossil fuel age is ending—get out while you can', the UK Divest report details the market uncertainty, oil price collapse and rapid switch of investments into the renewables sector:

"Local Government Pension Funds must treat these changes seriously, or risk substantial exposure to the coming collapse of fossil fuel companies in this world wide technology shift.

Unless action is taken soon, the £10 billion invested in fossil fuels by UK local government pension schemes could drastically reduce in value once the 'carbon bubble' bursts (see text box, p. 47).

The Bank of England (BoE) has said that in the UK up to £16 trillion of assets could be wiped out if the climate emergency is not addressed effectively (Partington, 2019).

Mark Carney, the former governor of the BoE has said, the longer the adjustment is delayed in the real economy, 'the greater the risk that there is a sharp adjustment' (Partington, 2019).

Local Government Pensions can and should act now to reduce their exposure to this risk, so they don't lose their members even more money in the transition than they already have."

https://www.divest.org.uk/wp-content/uploads/2021/03/UKDivest_Report.pdf

Given that Dorset Council is highlighted in this report as having the third highest proportion of fossil fuel investment of all the UK local government pension schemes in its pension fund, please could you let me know as a very worried member of your pension scheme when you will divest from fossil fuels and how your pension scheme members can ensure this happens quickly?

**Answer 5**

The Local Government Pension Scheme (LGPS) is a 'defined benefit' scheme which means that benefits for scheme members are calculated based on factors such as age, length of membership and salary, not investment performance as they would be in a 'defined contribution' scheme.

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The pension fund's investment pooling manager and underlying investment managers are required to take into consideration all matters that present a financially material risk to returns, including the risks that you highlight.

**Question 6: Dr Sandra Reeve**

I would like Council to explain to me in greater depth the case for staying invested in fossil fuels and 'engaging'? which has been an argument used in the past by Brunel Pension Partnership/Dorset Council.

According to the report by UK Divest: "The argument for 'engagement' tends to be one made by asset owners who employ investment managers who won't or can't accept that there is a technology-driven transition occurring. This approach is like arguing: 'We're long-term shareholders in Blockbuster, the video rental store. We don't divest. We'll engage with them to adapt to the

threat of low-cost live-streaming posed by this new disruptor called Netflix.'

And as the 'engagement' proceeds over the years, this one company goes bust as the world no longer uses videos, while others' share prices run away with themselves as the technology shift happens. So this approach of 'we'll decarbonise when markets decide to decarbonise' is clearly not a risk management strategy. It is a 'do nothing, and hope a few meetings will help' strategy.

It is vital to realise that this is, at heart, a technology shift."(UK Divest- report) https://www.divest.org.uk/wp-content/uploads/2021/03/UKDivest_Report.pdf

As representatives of Dorset Council, do you agree with this analysis? If not, what kind of effective, transformative engagement with the fossil fuel industry does Dorset Council perceive to be possible that persuades it to continue to invest 5% of the total value of its pension fund into fossil fuels through Brunel- please could you give me some actual examples?'

On May 26, a Dutch court ruled that Shell needed to cut its greenhouse gas emissions by 45% by 2030. This is a clear indication of what will happen across the board in the very near future.

BH, BP and Shell account for 40% of total direct investments across all local authority pension funds in the UK.

It is becoming clear that Investing in fossil fuels is increasingly costly. It's a financial risk—with UK Public Pensions losing £2 billion on oil investments in the last 4 years. It's also a political risk—with the UK public more concerned about climate change than ever before. (https://www.moneysavingexpert.com/poll/2021/how-important-is-protecting-the-environment-to-you-/). On June 1 Cop 26 President Alok Sharma at the first NetZero Pensions Summit said: 'Putting your money in fossil fuels creates the very real risk of stranded assets.'

In the light of these facts on what basis is Dorset Council still prepared to risk its members funds and to continue to divest from fossil fuels at such a slow pace - 7% a year, which means that it will take 15 years to divest completely, so until at least 2036?

**Answer 6**

The Local Government Pension Scheme (LGPS) is a 'defined benefit' scheme which means that benefits for scheme members are calculated based on factors such as age, length of membership and salary, not investment performance as they would be in a 'defined contribution' scheme.

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**Question 7: Helen Sumbler**

Has the Dorset Council Pension Fund equity portfolio been assessed for carbon intensity and if so, how does this assessment compare to the weighted average carbon intensity of the MSCI All Country World Index (ACWI) at the same date, e.g. 178.5 tCO2e/$m as of 30th April 2020. If the fund has not been assessed against an internationally recognised benchmark such as this, are there any plans to do so.

**Answer 7**

The pension fund's LGPS investment pooling manager, Brunel Pension Partnership, produce quarterly performance reports for the Pension Fund Committee, publicly available on the Council's website. These reports include summaries of the carbon intensity and extractive exposure of all the Brunel funds the pension fund has holdings in compared to industry benchmarks.

**Question 8: Vicki Elcoate**

1. Councillor Canning told me earlier this year that the data in the UK Divest Report for Friends of the Earth of February 2021 was out of date for Dorset Council (https://www.divest.org.uk/wp-content/uploads/2021/03/UKDivest_Report.pdf).

He said that since those figures, which related to the 2019/2020 financial year, Dorset Council had undertaken a major strategic review of its pension fund investments. He promised an update after March 2021. The question is: what is the current amount of investment in fossil fuels (I understand these are indirect investments)? The figures provided by the Friends of the Earth report are for the amount in £s of investments and the % that is of the overall investments. It would be useful to have it in the same format to compare. So this is not a question about the carbon footprint or the carbon intensity of the investments. The figure in the Friends of the Earth report was £128 million in indirect investment in fossil fuels. This put Dorset in the top 10 of local authority pension funds for fossil fuel investments.

2. Brunel has made a 'net-zero by 2050' commitment. There is a clear contradiction here between Brunel's date and Dorset Council's own target of 2040. Surely this is a 'direct action' and Dorset Council should instruct Brunel to invest in order to meet their 2040 date?

**Answer 8.1**

As part of the government's requirement for Local Government Pension Scheme (LGPS) funds to pool investments the Dorset County Pension Fund no longer holds direct investments in companies. Instead, the vast majority of its equity investments are now in pooled investment vehicles managed by the Brunel Pension Partnership, the LGPS investment pooling manager set up and fully owned by the administering authorities of ten LGPS funds including Dorset.

Brunel regularly publish details on their website of the underlying holdings in all their pooled investment vehicles. When this information is published for the quarter ending 31 March 2021, officers will calculate the pension fund's indirect exposure to fossil fuels and report back to the next meeting of the Pension Fund Committee in September.

**Answer 8.2**

The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Dorset Council (DC) is the administering authority for the LGPS in Dorset which provides pensions and other benefits for employees of DC, other councils and a range of other organisations within the county.

DC has delegated its responsibilities as an administering authority to the Pension Fund Committee, which consists of five DC elected members, three Bournemouth, Christchurch and Poole Council (BCP) elected members, and one scheme member representative nominated by the trade unions.

At its meeting September 2020, the Committee agreed to seek to reduce investment in all high carbon emitting companies and to influence the demand for fossil fuels and their financing, not just their supply. This approach to decarbonisation was based on evidence that such an approach will deliver significantly greater reductions in the 'carbon footprint' of the pension fund's investments that blanket divestment, without negatively impacting returns.

Significant decarbonisation has been and will continue to be achieved through the transition of assets to the management of Brunel Pension Partnership, the pension fund's LGPS investment pooling manager. 10% of the pension fund's assets are now invested in Brunel's global sustainable equities fund, which is 20% of our total equities and is the fund's largest single investment. All other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint.

Brunel are widely recognised as a 'market leader' within this field and their website includes a wealth of information relating to its engagement activities with companies, including voting records. In 2022 Brunel will complete a 'stock take' of their approach to engagement and divestment. If this review concludes that companies are not taking appropriate action and sufficient steps to manage climate risks and to enable alignment with the Paris Climate Agreement then the Committee will need to reconsider its approach too.

**Question 9: Alison Smith**

It has come to my attention that Dorset pension funds are investing in companies involved in the exploitation of fossil fuels particularly but not exclusively in Shell, BP and BHP. In light of Dorset's statement to create a better environment in relation to climate change I feel that to continue to support these companies with the investment of pension funds is contrary to the expressed intentions of the council.

I would ask you to please remove these investments and place them with companies which have a greener intentions.

**Answer 9**

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DC has delegated its responsibilities as an administering authority to the Pension Fund Committee, which consists of five DC elected members, three Bournemouth, Christchurch and Poole Council (BCP) elected members, and one scheme member representative nominated by the trade unions.

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**Duration of meeting**: 10.00 am - 12.40 pm

**Chairman**

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