

Pension Fund Committee

19 September 2023

Government consultation LGPS investments For Decision

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

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Report Status: Public

Brief Summary:

On 11 July 2023 the government published an open consultation Local Government Pension Scheme (England and Wales): Next steps on investments. The consultation is open until 2 October 2023

The consultation seeks views on proposals relating to the investments of the LGPS and covers asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

A copy of the consultation document is included as Appendix 1 to this report and a draft response for the Committee to consider is included as Appendix 2.

Recommendation:

That the Committee agrees the pension fund's response to the consultation.

Reason for Recommendation:

To ensure that the views of the Pension Fund Committee on the proposals within the consultation document are shared with government.

1. **Financial Implications**

- 8.1 The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Dorset Council is the administering authority for the LGPS in Dorset which provides pensions and other benefits for employees of the Council, other councils and a range of other organisations within the county.
- 8.2 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. Member benefits are not calculated on the basis of investment performance as they would be in a 'defined contribution' scheme.
- 8.3 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 the returns on contributions invested prior to benefits becoming payable.
- 8.4 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.

2. **Climate Implications**

- 9.1 The pension fund's Investment Strategy Statement requires all external investment managers to consider and manage all financially material risks arising from environmental issues, including those associated with climate change.
- 9.2 At its meeting in September 2020, the Committee agreed to a strategy of decarbonisation meaning a reduction in allocations of investment to companies which are high carbon emitters and looking to influence the demand for fossil fuels and their financing, not just their supply.
- 9.3 The pension fund no longer has any direct investments in individual companies, including 'fossil fuel' companies, but it does have indirect exposure to such companies through its holdings in pooled investment

vehicles. As at 31 March 2023, the value of the pension fund's investments in companies primarily involved in the exploration, production, mining and/or refining of fossil fuels was estimated at approximately £66M (1.8% of total investment assets).

3. **Well-being and Health Implications**

10.1 No wellbeing and health implications arising from this report have been identified.

4. **Other Implications**

11.1 No other implications arising from this report have been identified.

5. **Risk Assessment**

12.1 The risks associated with the pension fund's investments are assessed in detail and considered as part of the strategic asset allocation. The pension fund's Investment Strategy Statement requires all external investment managers to consider and manage all financially material risks.

6. **Equalities Impact Assessment**

13.1 There are no equalities implications arising from this report.

7. **Appendices**

Appendix 1: Consultation Document

Appendix 2: Draft Consultation Response

15. **Background Papers**