

## **County Council – 1 April 2022**

### **Item 12(b) – Notice of Motion by Cllr Baxter**

#### **Pension Divestments – Briefing Note**

The West Sussex Local Government Pension Fund is one of 87 separate funds which are administered under the Local Government Pension Scheme ('LGPS') in England and Wales. West Sussex County Council has a formal statutory role to administer the Fund on behalf of 87,000 members and over 200 contributing employers and does so through its Pensions Committee. The primary duty of the Committee in relation to the Fund is to be able to pay, from the Fund, the pensions of those employees of the Council and all the other employers who participate in the Fund. To do so, the Council invests the contributions paid by those employers and the members of the Fund.

The ring-fenced assets of the Fund do not belong to either the members of, nor to the participating employers in, the Fund. Instead, the Committee acts in the capacity of a 'fiduciary' in investing the Fund assets for the beneficiaries. This means that it has a legal duty of care to exercise its powers, including its investment powers, in the best interests of the members of the Fund.

The Committee also has obligations to invest in line with the LGPS Investment Regulations which, amongst other things, require that an Investment Strategy Statement ('ISS') is published. The Pension Committee's Investment Strategy Statement sets out financial and non-financial considerations, how it integrates environmental, social and governance (ESG) issues throughout its investment decision-making process and how risk and financial returns are balanced. The Statement is consulted on with employers.

The implementation of the Investment Strategy and day-to-day investment decisions are delegated to several specialist investment managers. The Pensions Committee requires that these portfolio managers to perform their stewardship role actively to support investment to identify and generate long-term sustainable growth. In turn portfolio managers invest considerable resources to support their research-driven investment decision-making, long-term stewardship, and engagement with companies on matters including climate change.

The following are highlighted as examples of the Committee's discharge of its commitment to sustainable investment in line with its Strategy Statement:

- The Pension Committee's request that its investment in the LF ACCESS Global Alpha Paris-Aligned Equity Fund includes additional guidelines to screen out carbon intensive companies that do not or will not play a major role in our energy transition has been approved. It is anticipated that this will be effective from May 2022.
- The LF ACCESS Global Equity Fund – Macquarie, which the Council is invested in, excludes companies that directly, or through the entities they control, derive more than 5% of revenue from extracting or refining fossil fuels, or that control or generate power (more than 5%) from fossil fuels.

- The Fund has also recently invested in a core infrastructure fund advised by JP Morgan which has significant exposure to renewable energy globally.

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