

## **Briefing note to Council on motion on Pension Investments**

The Pensions Committee has an obligation to act as fiduciaries, safeguarding the interests of beneficiaries of the Scheme. Decisions must be taken in accordance with public law obligations, including the obligations of reasonableness, rationality and impartiality. The pursuit of appropriate risk adjusted return should therefore be the Committee's predominant concern, but it may also take non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme.

The Pension Fund is a long-term investor and therefore seeks to deliver financially sustainable returns to meet the future pension benefits of its members.

In this context the Fund seeks to integrate environmental, social and governance (ESG) issues throughout its investment decision-making process, from setting investment strategy to monitoring the Fund's investment managers – taking appropriate advice. The Committee expects that ESG principles, including the transition to a low carbon future, are considered at all times in the investment process.

The Committee is supportive of the values and aims of its participating employers, including the County Council, acknowledging that climate change presents a systemic risk which has potential implications on an asset class basis. Taking this into account, the Fund invests responsibly rather than divesting or restricting investment opportunities.

The Fund requires the 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 Pensions Committee has recently formed a task and finish group to review the investment strategy of the Fund which includes aligning the investment considerations of the Fund and developing a responsible investment policy.

**Katharine Eberhart**

Director of Finance and Support Services