

Report to: Pension Committee
Date: 23 September 2019
By: Chief Finance Officer
Title of report: Pension Fund Policies and Strategies – Statement of Investment Beliefs
Purpose of report: To consider an update on the East Sussex Pension Fund’s Statement of Investment Beliefs

RECOMMENDATION

The Committee is recommended to agree the revised Statement of Investment Beliefs

1. Background

1.1 This report provides an update on recommendations at the Pension Committee – annual strategy day meeting. At the 10 July 2019 Annual Strategy Day, Hymans Robertson facilitated discussions on Responsible Investment matters, where the Committee discussed Environmental, Social and Governance (ESG) strategies next steps, which included short and long term approaches to mitigate climate change risks and a review of the East Sussex Pension Fund (the Fund’s) investment beliefs.

1.2 The Pension Committee has on a number of occasions considered its approach to responsible investment practices and ways to increase the level of engagement on environmental, social and governance issues in relation to the management of the Fund investments including members training. The Fund itself is a member of the Local Authority Pension Fund Forum (LAPFF) and has used this primarily as a route to ensuring that the Fund’s voice is heard in conjunction with other investors. Like most Local Government Pension Scheme (LGPS) funds, the Fund has preferred to use the route of engagement with its managers and companies rather than taking a particular stance of divesting in companies or market sectors, having considered the financial risks of such a course of action.

2. Statement of Investment Beliefs

2.1 To establish these additional beliefs, Hymans developed a questionnaire to gather the Committee’s views on a range of areas relating to the Fund’s investment approach. An action agreed from the session was to review the Fund current Statement of Investment Beliefs, which need to reflect the fund approach to climate change.

2.2 The attached (Appendix 1) draft Statement of Investment Beliefs reflects feedback from the questionnaire and having a clear set of investment beliefs can improve governance by providing a framework for all investment decisions and will form part of the overall investment process. The updated Investment Beliefs will be included as an appendix to the Investment Strategy Statement (ISS) to demonstrate the fund commitment to managing carbon risk and set targets that are both quantifiable/measurable where this is appropriate.

3. Conclusion and recommendations

3.1 The cornerstone of the Fund’s policy on ethical investment – as set out in its ISS – is its interpretation of the Fund fiduciary duty and legal position regarding its duty towards ethical investment. This is an area in which further work will continue to be undertaken over the coming months.

3.2 The Committee is recommended to agree the revised Statement of Investment Beliefs.

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