Climate and the Carbon Emergency -One Year On

Research and review of the LGPS pension funds investment strategy statements in the Brunel Pension Partnership Fund

September 2020

UNISON South West

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One Year On - Responsible Investment in the Brunel Pension Partnership Local Government Funds.

Published by the UNISON South West Regional LGPS Committee 2020.

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Introduction

This report was commissioned by the South West Regional LGPS committee of UNISON to take forward the findings of the research report “Responsible Investment in LGPS” published by UNISON in 2019.

The Local Government Pension Scheme (LGPS) investment funds in the Brunel Partnership in 2019 held assets of £34 billon which forms 12% of the overall LGPS fund of £280 billon. The funds in the Brunel Pension Partnership had 717,253 scheme members at the time of the survey

The survey looks in detail at the ten LGPS investment funds who are part of the Brunel Pension Partnership, to see if any changes have occurred in how Climate Change has been addressed in the investment funds controlled given the announcements of local Climate Change emergencies by Local Government.

How this money is invested and how such issues as climate change are addressed will have a material impact on the ability of the system to support pension payments into the future.

The opportunity was taken to extent the original 2018 survey looking in more detail at some of the issues raised by the original survey into Responsible Investment. In particular the areas of Governance and Strategy as well as Scheme member involvement and the training of Board and Committee members.

The Local Government Pension Scheme (LGPS)

The LGPS is a pension scheme operating in each jurisdiction of England, Wales, Northern Ireland and Scotland. This Report concentrates on the governance system of the ten funds within the Brunel Pension Partnership.

The LGPS has more than five million members – contributors, ‘deferred members ’and pensioners and is made of individual funds with assets estimated at £280bn. It has members in local government, education from primary to higher, police staff, the voluntary sector, environment agencies and private contractors.

The LGPS is a statutory public service scheme, so the scheme’s benefits and terms are set out in regulations passed through parliament. The scheme is administered through 88 pension funds, known as administration authorities, who are mainly councils.

UNISON’s role in the Local Government Pension Scheme (LGPS)

UNISON holds the vice chair position on the Scheme Advisory Board (SAB), which is comprised of six trade union and six employer representatives. The SAB serves as both a regulator of the Local Government Pension Scheme (LGPS) and acts as an advisor to the Secretary of State for Housing, Communities and Local Government.

UNISON has a trained and supported network of over 120 representatives who sit as members/observers on council pension committees, as quasi-trustees on the Environment Agency LGPS fund and on local pension boards. Over 700,000 members of UNISON are members of the LGPS and we have established a consultation and decision-making body which has integrated the work of the SAB into our democratic structures.

As a result of the formation of the Brunel Pension Partnership (BPP), a regional committee was established by the UNISON to give a voice to the scheme members of the various funds from those branches involved in the various LGPS scheme covered by BPP.

Survey Results - Responsible Investment in the Brunel LGPS funds

Responsible Investment

Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance factors, and the long-term health and stability of the market as a whole. It recognises that the generation of long-term sustainable returns is dependent on stable, well-functioning and well-governed social, environmental and economic systems. (Source PRI/Cambridge Institute for Sustainability Leadership)

Environmental	Social	Governance
• climate change	• human rights	• bribery and corruption
• resource depletion	• modern slavery	• executive pay
• waste	• child labour	• board diversity and structure
• pollution	• working conditions	• political lobbying and donations
• deforestation	• employee relations	• tax strategy

In 2016, the government required the Local Government Pension Scheme (LGPS) funds to create Investment Strategy Statements (ISS) by April 2017 setting out their investment principles including those relating to Environmental, Social and Governance (ESG).

Subsequently, in 2018, UNISON commissioned ShareAction to carry out a review of the Investment Strategy Statements produced by the LPGS funds. This work was the first attempt by any organisation to critique them.

The 2018 report, set out the findings of the research into the 88 LGPS funds in England and Wales in order to measure the progress made so far in relation to Responsible investment. Recommendations were made to improve the process which it was believed will better reflect the aspirations of scheme members to tackle some of their key concerns, such as climate change.

Investors' obligation (in many jurisdictions deemed fiduciary duty) to act in the best interests of beneficiaries has been used by some investors as a reason not to incorporate ESG issues in investment decision making, due to the misconception that ESG factors are not financial factors.

However, work undertaken by the Principles for Reasonable Investment (PRI) (an investor initiative in partnership with UNEP Finance Initiative and UN Global Compact) has clarified that financially material ESG factors must be incorporated into investment decision making, including that:

- Investors should consider ESG factors, consistent with the time frame of the obligation.

- Investors should understand and incorporate the ESG preferences of their clients and/or beneficiaries.
- Investors should consider disclosing the process followed.

The Brunel Pension Partnership has signed up to these concepts as a body but this is not yet the case for the constituent pension funds.

The survey was undertaken by reviewing the ISS statements of the ten funds and ranking them by the criteria set out in appendix 1 of this report. Members of the UNSION SW LGPS committee undertook the review between April and August 2020. During this period, we reviewed the Investment Strategy Statements and associated documents from the LGPS funds in the Brunel Pension Partnership.

These documents are publicly available and were sourced throughout the internet. These statements were assessed qualitatively on 5 key areas:

Governance
Strategy
Risk Management
Metrics and Targets
Voting

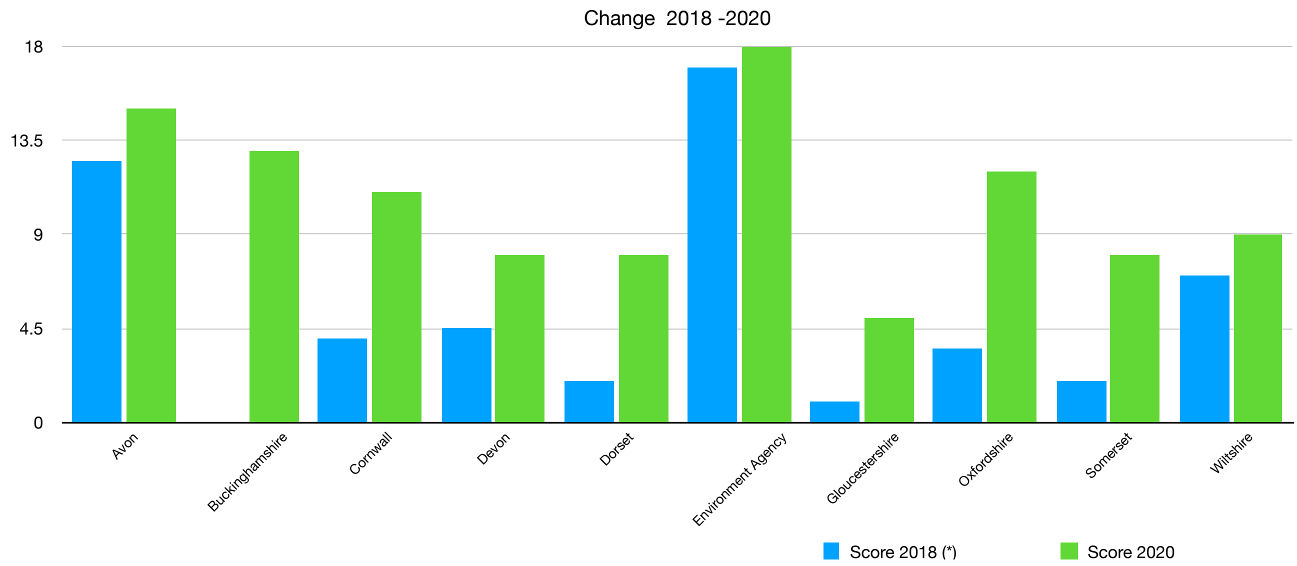
It should be noted that Pension Fund ISS and associated statements are often technical documents. This has meant that the analysis is qualitative and subject to the interpretaton of the researcher.

In the UNISON/ Shareholder Action report (2019), the funds were placed in various category's according to the scores on the initial assessment. This scoring system has been kept for the SW UNISON survey 2020, so a direct comparison can be made to show progress in the funds.

Category	Factors	Score
A	Progressing across all areas	12-18
B	Action being taken in at least one area	9 -12
C	Starting to take action	5 -8
D	Limited disclosure	1- 4
E	No disclosure	O

Table 1 : Ranking categories 2019/2020

Changes in Rank



As can be seen from the graph above and table 2 below, all of the LGPS funds in the Brunel Pool have improved on their performance against the criteria since 2018, but at different speeds.

Some funds have improved significantly such as Buckinghamshire from what was a low start, while others have only improved gradually. As with the previous research, the Environment Agency and Avon are leading the way.

Authority	**Score 2019 (*)**		**Score 2020**	
Avon	12.5	Progressing across all areas	15	Progressing across all areas
Buckinghamshire	0	No disclosure	13	Progressing across all areas
Cornwall	4	Starting to take action	11	Action being taken in at least one area
Devon	4.5	Starting to take action	8	Starting to take action
Dorset	2	Limited disclosure	8	Starting to take action
Environment Agency	17	Progressing across all areas	18	Progressing across all areas
Gloucestershire	1	Limited disclosure	5	Starting to take action
Oxfordshire	3.5	Limited disclosure	12	Action being taken in at least one area
Somerset	2	Limited disclosure	8	Starting to take action
Wiltshire	7	Starting to take action	9	Action being taken in at least one area

Table 2: Comparison between funds 2019/2020

(* Source: Responsible Investment in LGPS, UNISON/Shareholder Action April 2019)

Overall Criteria Score

This information is based on the current survey as the previous survey did not contain the individual scores for each category. A future survey in 2021 will allow for direct comparison.

The survey questions are grouped in to five categories as shown in the graph below which summarises the individual scores for each fund. The categories are:

Governance	5 points
Strategy	4 points
Risk Management	4 points
Metrics and Targets	2 points
Voting.	3 points

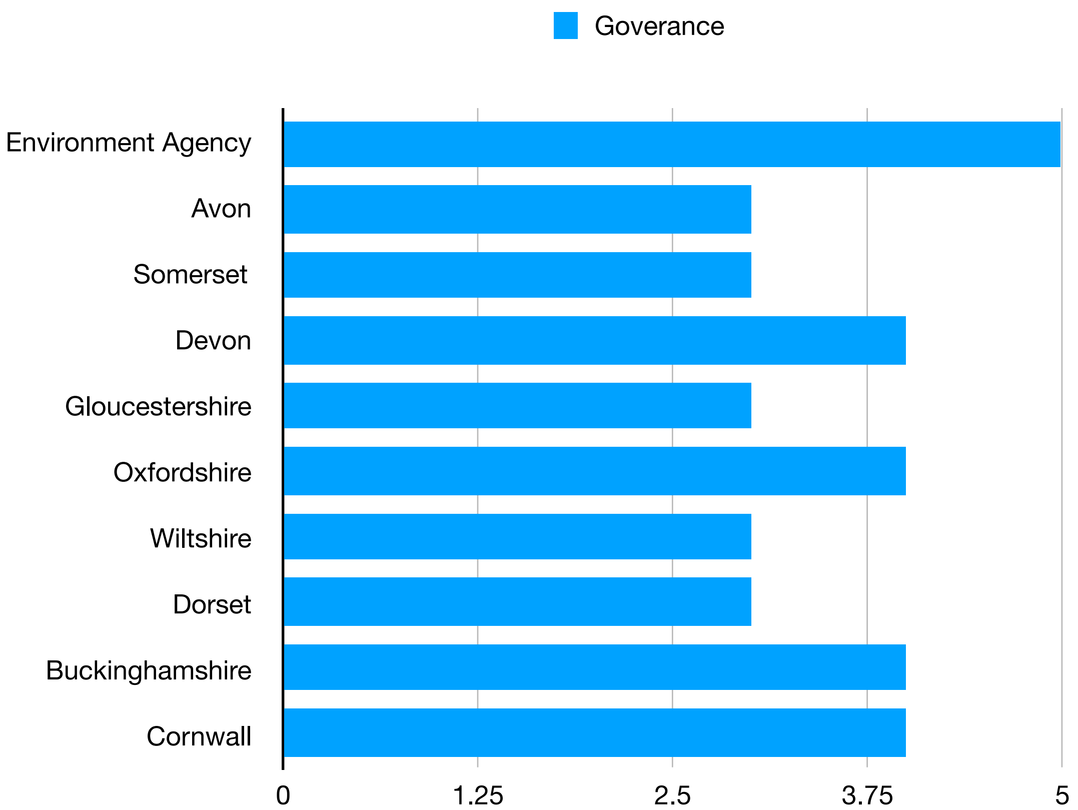
Table 3: Summery Scores across Categories

	Governance	Strategy	Risk Management	Metrics and Targets	Voting
Environment Agency	5	4	4	2	3
Avon	3	4	4	2	2
Somerset	3	2.5	0.5	0	2
Devon	4	2.5	0.5	0	1
Gloucestershire	3	1.5	0.5	0	0
Oxfordshire	4	2.5	1.5	2	2
Wiltshire	3	3.5	1.5	0	1
Dorset	3	2.5	0.5	0	2
Buckinghamshire	4	1	4	2	0
Cornwall	4	4	2	2	1

Governance

This category contains 5 criteria.

G1: Knowledge –Responsible investment training for trustees identified (1)
G2: Knowledge - Advice from Advisors/Pool on ESG and or Climate Change
G3: Climate risk stated as financial risk (1)
G4: Oversight of asset managers and/or pool on ESG (1)
G5: Understanding of the law commission's financial vs non-financial factors



Law Commission Fiduciary Duty

The major omission in nine of the funds was that there was no direct indication that they understood the Law Commissions advice on what were financial and non-financial issues, in relation to their fiduciary duty when it came to the Environmental, Social and Governance (ESG) policy

Fiduciary Duty is a standard term used, but there is only one reference to ESG policies as a reason why they could not disinvest from Carbon

Following the Kay Report [1]in 2010, the Government in its response [2] elected to avoid using the word “fiduciary”, instead set out the following principle for equity markets:

All participants in the equity investment chain should act:
(a) in good faith;
(b) in the best long-term interests of their clients or beneficiaries;
(c) in line with generally prevailing standards of decent behaviour.

This means ensuring that the direct and indirect costs of services provided are reasonable and disclosed, and that conflicts of interest are avoided wherever possible, or else disclosed or otherwise managed to the satisfaction of the client or beneficiary

The Law Commission considered that the term *was “legal Polyfilla”, molding themselves around other structures to plug the gaps. They are not the whole structure*”

The Law Commission report [3] indicated that while the pursuit of a financial return should be the predominant concern of pension trustees, the law is sufficiently flexible to allow other, subordinate, concerns to be considered.

It concluded that the law, permits trustees to make investment decisions that are based on non-financial factors, provided that:
- they have good reason to think that scheme members share the concern; and
- there is no risk of significant financial detriment to the fund.

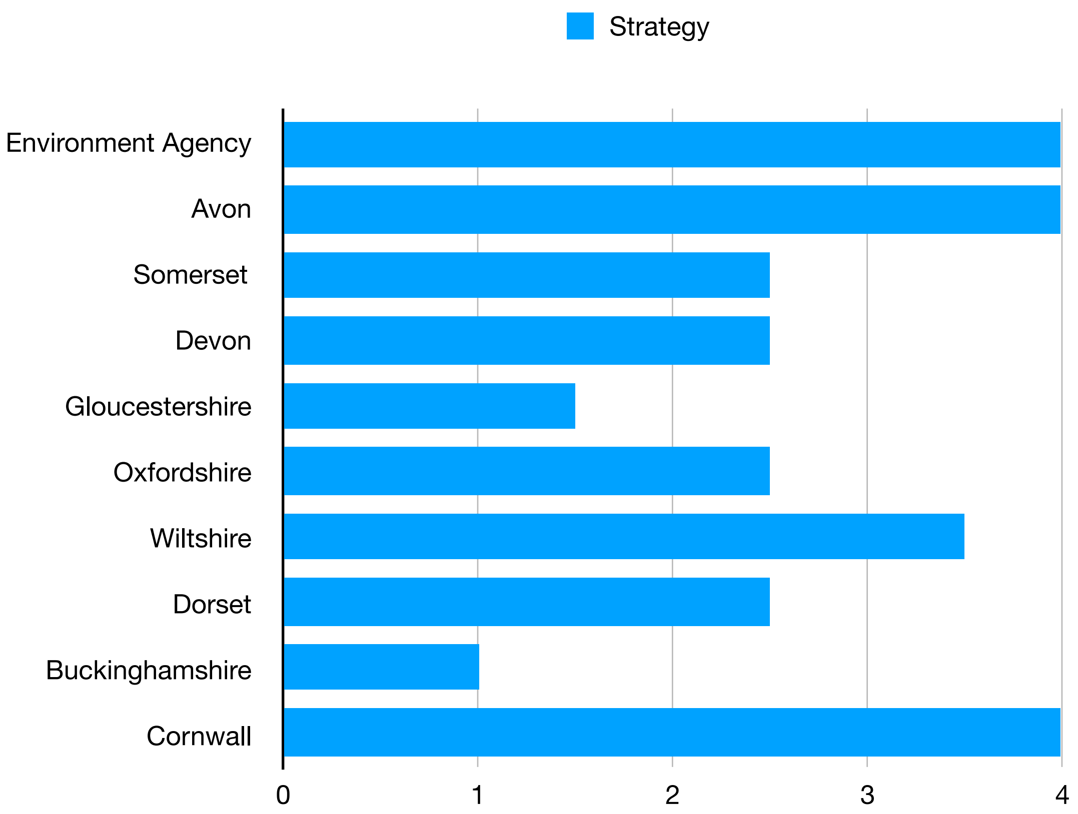
The reference to the concerns of scheme members is something we will return to later in the report.

[1] The Kay Review of UK Equity Markets and Long term decision making Final Report 2010
[2] Department for Business, Innovation and Skills, *Ensuring equity markets support long-term* growth: The Government Response to the Kay Review (November 2012) para 2.8.
[3] https://www.lawcom.gov.uk/project/fiduciary-duties-of- investment-intermediaries/

Strategy

This category contained four criteria relating to Climate Risk Management and how this was managed and reflected in the investment decisions.

S1: Climate risk management - E.g. Scenario analysis, stranded assets (1)
S2: Collaborations - E.g. LAPFF, CDP, Climate Action 100+, IIGCC (1)
S3: Reference to voting decision or supporting resolutions (1)
S4: Reference to engagement with companies (0.5 point if engagement is through LAPFF)



Climate Risk Management

Despite the move by organisations including some of the administrating authorities to declare Climate Emergences on an individual basis, three of the funds failed to take this into consideration in the ISS.

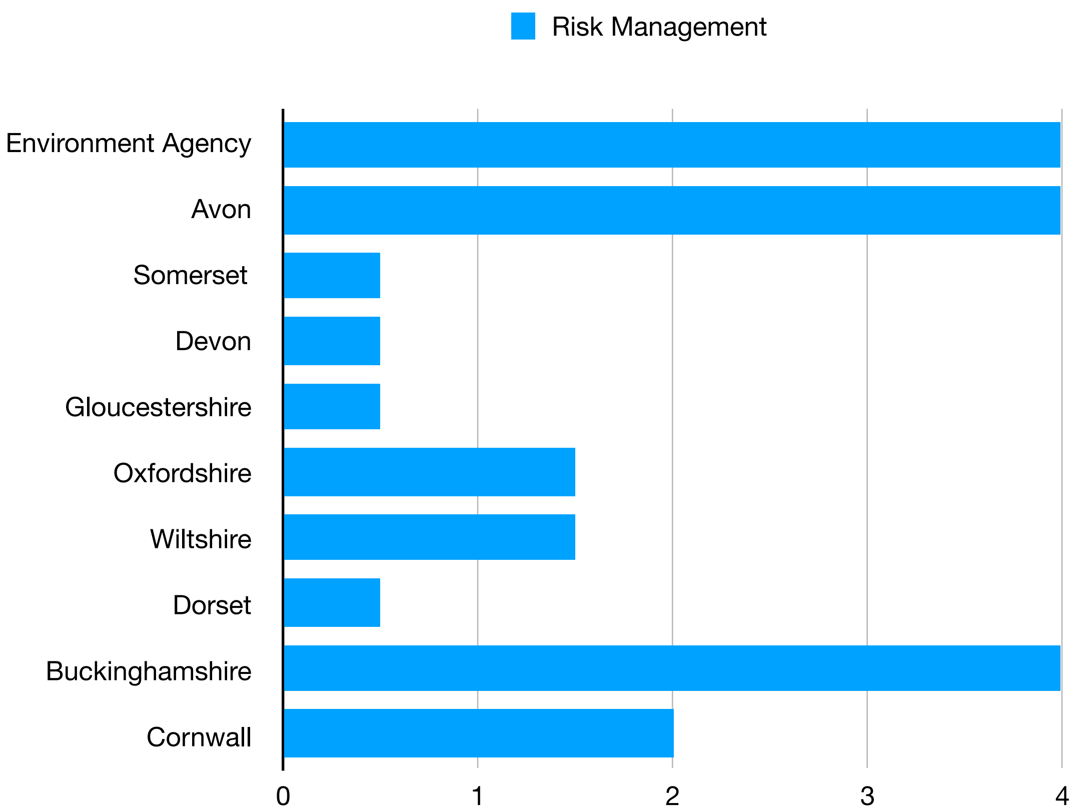
Engagement with Companies

As to engagement with companies, all but three funds left this to their investment managers or to LAPFF. Where it was left to investment managers there was little reference to them being required to take ESG matters into account when making investment decisions.

Risk Management

This category includes four criteria relating primarily to reducing the Carbon impact of the investment portfolio. This is directly related to the Strategy section above but focusses on one issue, that of Carbon.

R1: Integrating ESG (1/2 point if it is only an expectation of asset managers)
R2: Allocating low carbon (1)
R3: Reducing coal/tar sands holdings (1)
R4: Reducing oil/gas holdings (1)

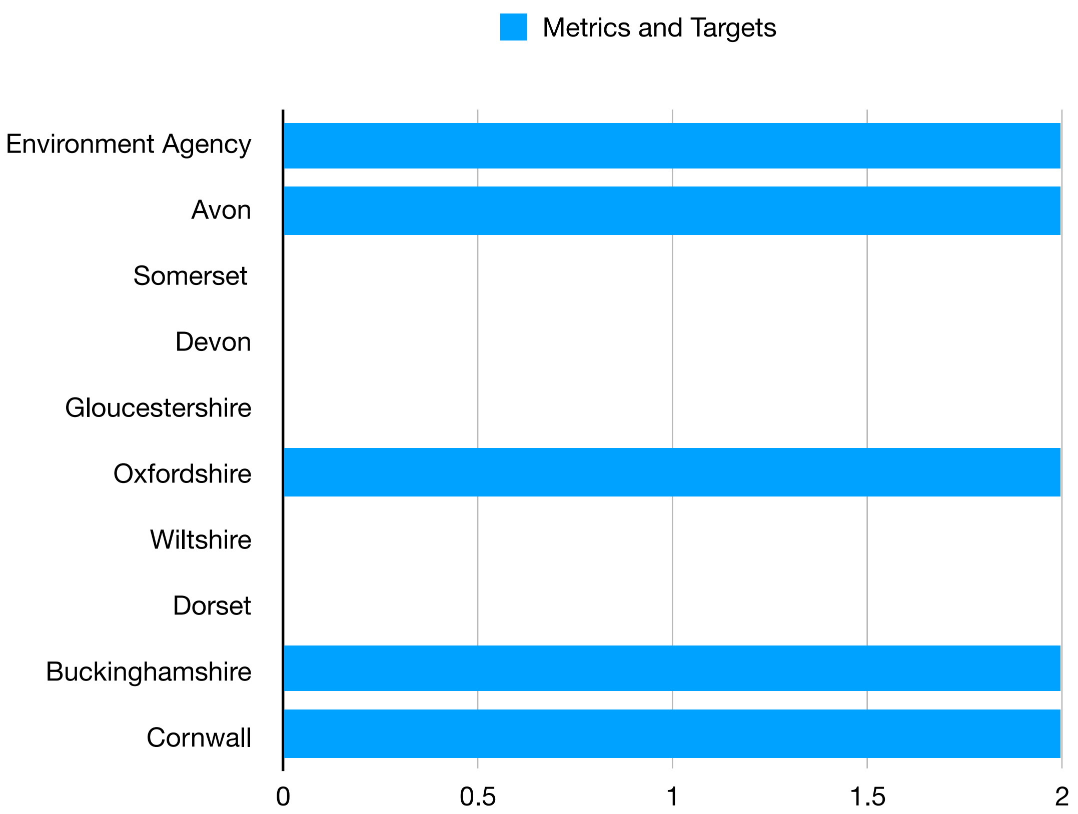


This was one of the most disappointing categories looked at, with four funds scoring only 0.5 compared to three who scored full points. This follows on from the previous section where despite the administering authorities declaring climate emergencies this is not being reflected in the decisions around the Pension fund allocation in the ISS.

Metrics and Targets

This category looks at the timescale for changing to a low Carbon investment strategy.

Low carbon asset allocation target (1)
Time frame for engagement and/or divestment (1)



Low carbon asset allocation target

Credit must be given to the other five funds who appear to have taken note of the need to disinvest from the Carbon economy. It may be the case that the other funds are currently considering adopting a carbon metric but this is not recorded in the ISS. When the ISS are published for the year 2020 this may become apparent.

Time frame for engagement and/or divestment

It appears that there is a lack of a timescale for five of the funds who manged not to score in either of the two criteria.

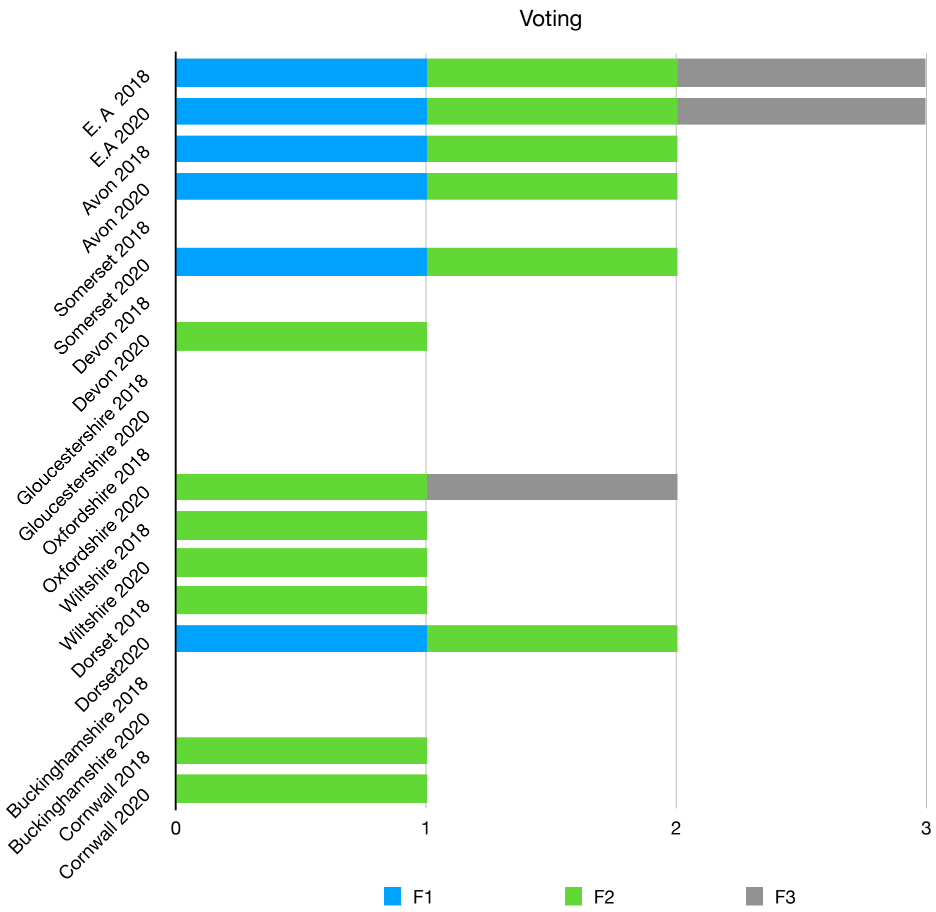
Voting

This section looks at how the fund manages it interests in voting at Company annual general meetings takes place. It also looks as if there is any consultation undertaken with Scheme members to ascertain their views on the issues raised.

Funds need to outline policies in relation to engagement with investee companies and the exercise of voting rights. It was recommended previously (UNISON/Shareaction2019) that a process of consultation for LGPS funds would protect them from accusations that they have made these decisions in their own interests and above those of scheme members.

From 2020 trustees of “relevant schemes” will have to produce an implementation report setting out how they acted on the principles set out in the Strategic Investment Plan (SIP) the previous year.

The Authority has published its own bespoke UK voting policy (1)
Voting records are published (1)
Direct Consultation with Scheme Members on issues including Carbon



Voting Policy

Without this policy development and active reporting, scheme members cannot see how their votes are being used. This is something that UNISON believes needs to change. Only four funds have published specific voting policies while the others appear to rely on their investment managers.

Voting Records

Proxy voting records are the only real evidence members have of how their property rights are being exercised on their behalf on issues such as runaway executive pay and accord with the Paris Agreement.

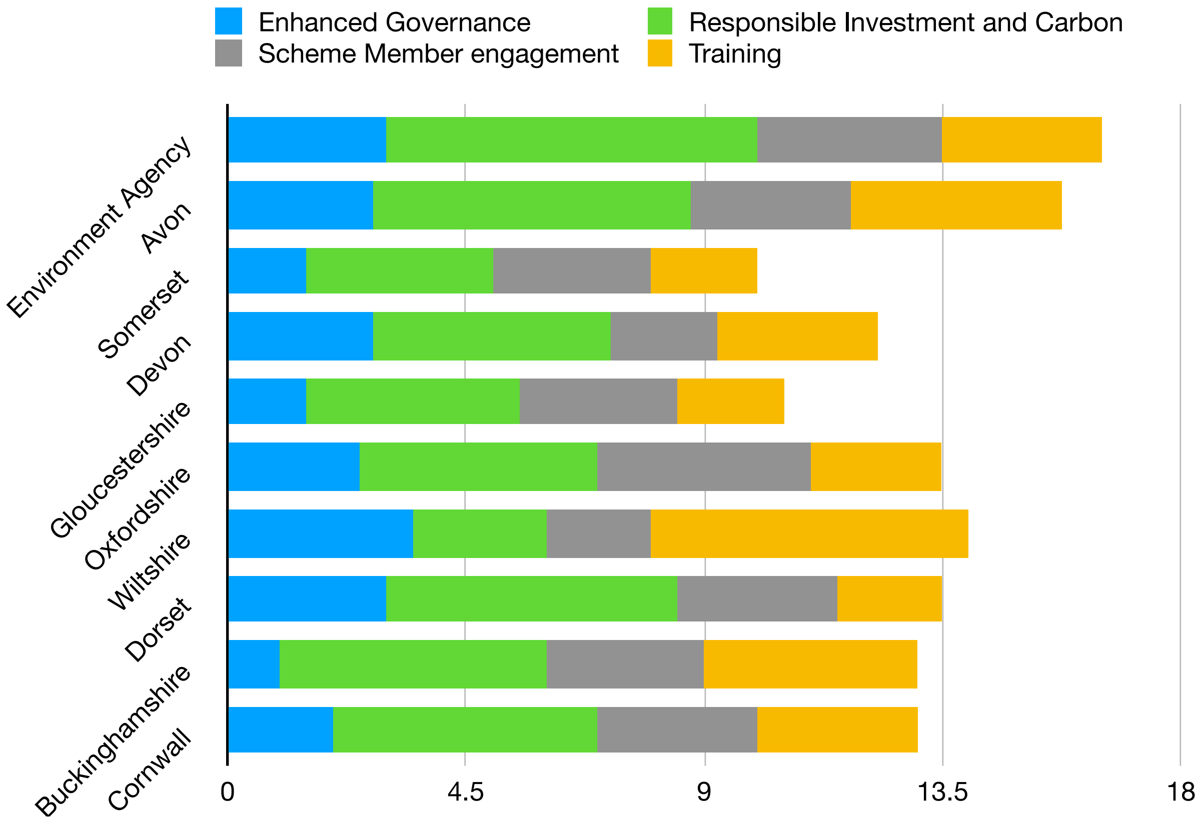
Direct Consultation with Scheme Members.

Only the Environment Agency and Oxfordshire have engaged directly with Scheme members on any issue , let alone Carbon outside of their Annual Consultative Meeting.

It would be hoped that the other funds will follow their lead and engage with their scheme members through both the Scheme member representatives on the Investment boards where they are present and more widely with the wider membership of the funds.

Survey Results – Enhanced Strategy and Governance.

As part of the survey, the opportunity was taken to extent it looking in more detail at some of the issues raised by the original survey into Responsible Investment in particular the areas of Governance and Strategy as well as Scheme member involvement and the training of Board and Committee members.



Enhanced Governance

This section looks at the governance of the funds as it relates to how they are structured and the timing of meetings. There were four points available in this category as the first two criteria were non-scoring. In relation to the first of the two non-scoring criteria.

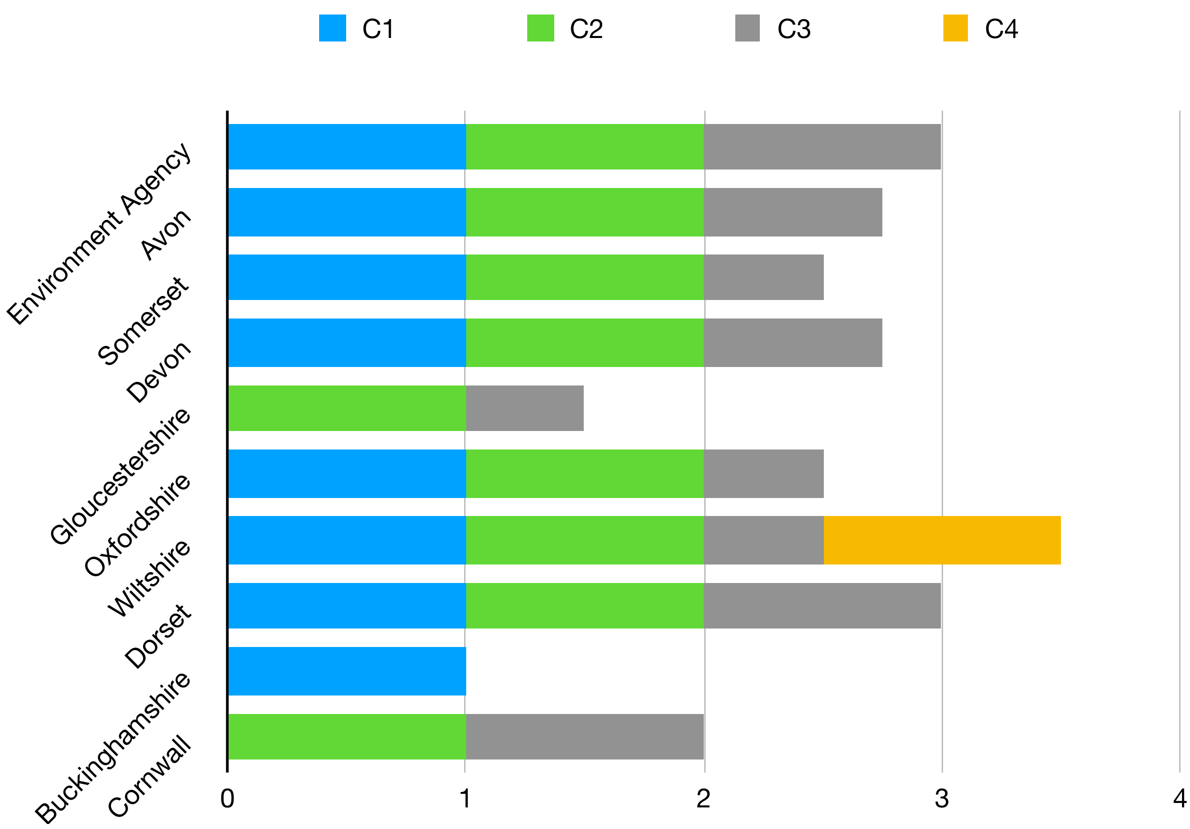
Separate Investment Panel from main committee (Not Scoring)
Independent Chair of Pension Board (Not Scoring)
C1 Number of Pension board meeting in sync with investment committee i.e. 4 a year
C2: Representation of Scheme members on Investment Committee
C3: Full Voting rights for all scheme member representatives on Investment Committee (0.5 for observers or 0.75 for a group vote)
C4: Committee members declaration that MiFID 2 compliant

Investment Panels

The Environment Agency, Wiltshire and Avon had separate investment panels, the remainder making the investment decisions at their main committee.

Chair of Pension Board

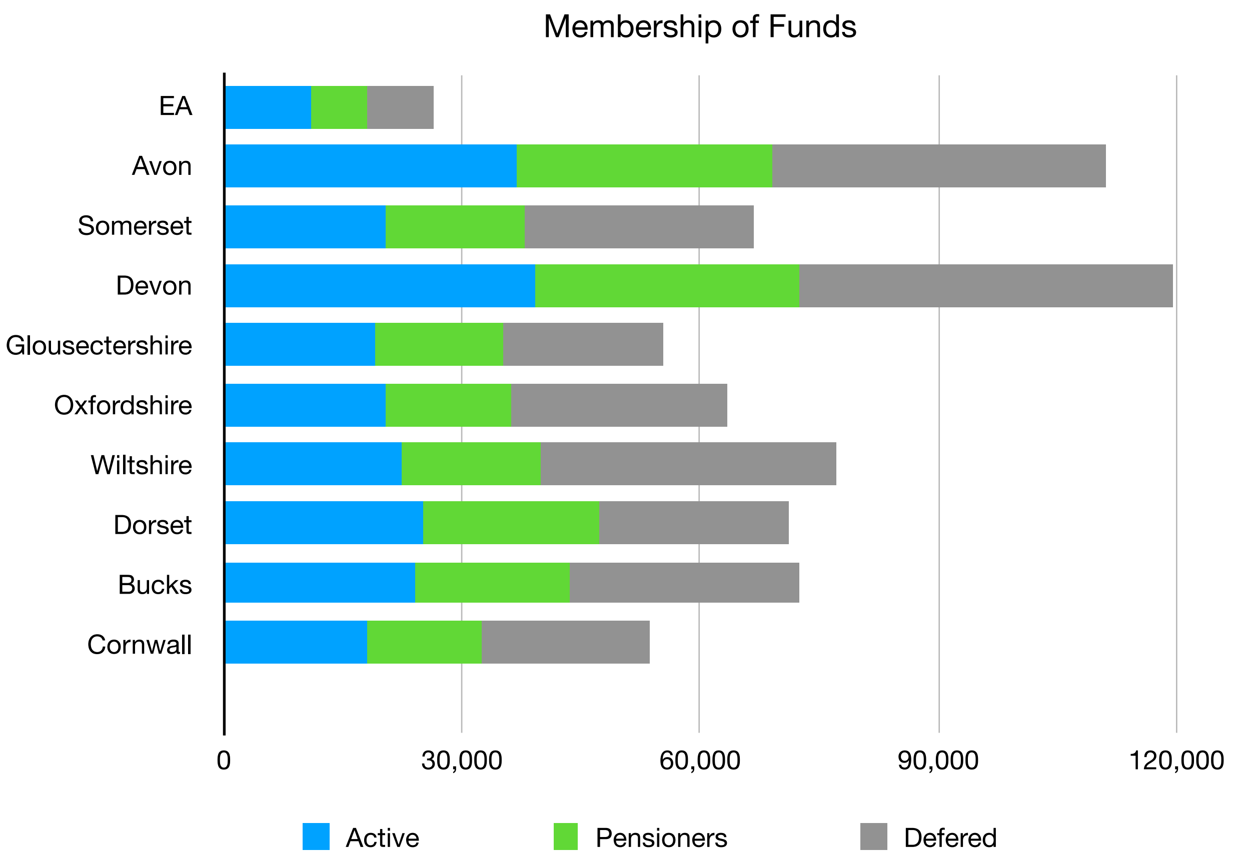
With regard to the Pension Board structure, five funds have an independent chair. These independent chairs are paid an allowance of up to £10,000. In some cases, they could be chair of more than one pension board.



Meeting Cycle

It is good practice as advised by both the LGPS Scheme Advisory Board and the Pension Regulator that the meetings of the Investment committee and the Pension Board are in sync, that is four meetings a year for each body. However, the survey has highlighted that two of the funds do not follow this guidance with the Pension Board meeting less regularly. These being Gloucestershire (2) and Cornwall (2).

Scheme Member representation.



The total scheme membership of the ten funds in the Brunel Pension Partnership is 717,253. Of these 236,616 are active contributing members, 194,580 are pensioners and 286,057 are deferred members. These scheme members are represented on the Brunel Oversight Board by two representatives who act as observers elected from the scheme member representatives in the 10 funds.

All of funds with the exception of Buckinghamshire, allowed representatives of the Scheme members to attend their committee either as observers with speaking rights or with voting rights. Where there are more than one Scheme Member representatives several funds have allocated one vote for the group.

This is in contrast to the other employer representatives, who are allowed individual votes on the committee

The Environment Agency is unique in the Local Government Pension Scheme due to its structure as an Agency rather than an elected body; having an equal number of Board members and Scheme members representatives who all have a vote.

Oxfordshire does not allow a scheme member to vote on its investment committee as employees of the council are barred from voting on its committees due to its constitution. This has however not stopped other authorities similarly constituted from allowing one or more scheme member representatives to vote

	Board members, Councillors	Other employers *non-voting	Scheme Members (Voting Rights)
Environment Agency	6	1	7 (7)
Avon	11	1*	3 (1)
Devon	6	4	3 (1)
Somerset	4	3	1
Gloucestershire	6	1	1 (-)
Oxfordshire	9	2	1
Buckinghamshire	7	2	0
Wiltshire	5	3	2 (-)
Cornwall	10	2	2 (2)
Dorset	5	3	1 (1)

MiFID2

It is a requirement of the MIFID 2 directive that if pension funds wish to carry out direct consultation with investment managers etc, that the funds must be compliant with the requirements; in respect of the knowledge and skills of those persons responsible for the investment decisions otherwise they will be treated as retail customers.

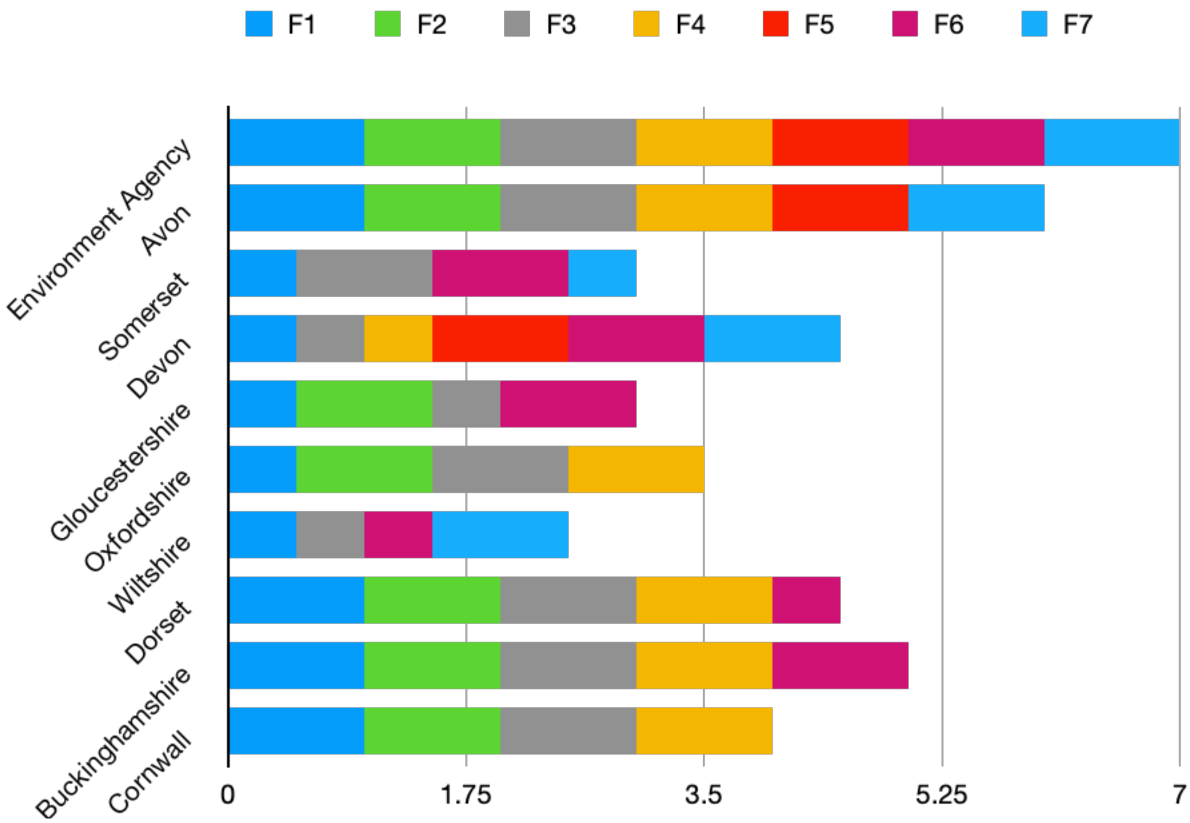
Only one fund, Wiltshire, has certified that it is compliant in this respect in that each member of the committee must sign a declaration that they have the requisite Knowledge and Skills. Other funds may have this status but this information is not published in their Investment strategy or Annual report and members are not required to sign an individual declaration.

Responsible Investment and Carbon

Following on from the original survey carried out by UNISON /ShareAction in 2018, the opportunity was taken to look further into the policies of the ten funds as to how their positions had developed since then.

The Brunel Pension Partnership is a leading investment vehicle in relation to Responsible investment and the question was raised as to if the individual funds which it represents are as forward in their thinking and actions. The survey looked at the following criteria:

F1: Published Responsible Investment policy (0.5 if no separate policy only reference in SEG). (1)
F2: Is the Brunel pools Responsible Investment policy directed to for further information?
F3: Voting and engagement delegated to funds external managers
F4: Adopts Brunel Climate Change Policy (0.5 if only supports)
F5: Published Annual Carbon Exposure monitor (1)
F6: Statement of Investment principles (Myners) (0.5 point if not fully compliant)
F7: Stewardship Code FRC Tier 1 Status (0.5 Tier 2)



Published Responsible Investment Policy

In recent years due to pressure from others the pension industry has began to publish more information and move towards Responsible Investment. The Brunel fund has been a leader in this pushing companies to take steps to improve their performance. The funds within the BPP are moving to catch up and beginning to focus on this.

Voting and Engagement

Some funds are more active than others in engaging in companies in which they invest such as the Environment Agency. The majority of funds have delegated this engagement to their managers or pools. Some of the funds are members of LAPPF which does engage with companies on behalf of the wider local government field.

Carbon Exposure

As is expected the Environment Agency Pension fund is leading the way, with Avon not far behind. However, the other funds clearly have some work to do in this respect. It may be the case as previously that they have adopted Annual Carbon Exposure monitors but these had not been published at the time of the survey. Any change will be picked up in subsequent surveys.at which time the detail of the Carbon exposure will be reviewed.

Investment Principles

The Myners Report (2001) looked at institutional investment in the UK and established a best practice approach to investment decision making for pension funds. It put forward a code of practice setting out the standards of conduct and practice that is expected of trustee boards to meet in complying with their duties in legislation. The code assumes that trustee boards have a good level of knowledge of the legislation with which they are required to comply, so while often referring to legislative requirements, it does not seek to set out in detail all the requirements of the law.

Stewardship Code

Of the ten funds in the survey, four are recorded as Tier 1 and one as Tier 2 in complying with the 2012 FRC Stewardship Code. The other five funds do not appear in either tier on the FRC listing. The Brunel Pension Partnership do not appear on the list although other pools do.

Tier 1	Avon, Devon, Environment Agency and Wiltshire
Tier 2	Somerset
Not Listed	Gloucestershire, Buckinghamshire, Cornwall, Oxfordshire, Dorset

(Source FRC website August 2020)

The responsibility for monitoring company performance rests not only with fund managers but also Pension fund trustees and other asset-owners. They can do this either directly or indirectly through the mandates given to fund managers. Their actions can have a significant impact on the quality and quantity of engagement with UK companies.

The Financial Reporting Council (FRC) encourages all institutional investors to report if and how they have complied with the Code:

- Publishing a statement on their website of the extent to which they have complied with the Code,
- Notifying the FRC when they have done so and whenever the statement is updated.
- Providing a name in the statement of the individual who can be contacted for further information and by those interested in collective engagement.

The Code also allows service providers such as Brunel to disclose how they carry out the wishes of their clients with respect to each principle of the Code that is relevant to their activities.

Since December 2010, all UK-authorised Asset Managers were required under the FCA's Conduct of Business Rules to produce a statement of commitment to the UK Stewardship Code or explain why it is not appropriate to their business model.

The Code indicates that so as to protect and enhance the value that accrues to the ultimate beneficiary, institutional investors should:

1. publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
3. monitor their investee companies.
4. establish clear guidelines on when and how they will escalate their stewardship activities.
5. be willing to act collectively with other investors where appropriate.
6. have a clear policy on voting and disclosure of voting activity.
7. report periodically on their stewardship and voting activities.

On the 1st January 2020 a new code, The UK Stewardship Code 2020 took effect.

The new Code sets high expectations of those investing money on behalf of UK savers and pensioners. In particular, the new Code establishes a clear benchmark for stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

There is a strong focus on the activities and outcomes of stewardship, not just policy statements. There are new expectations about how investment and stewardship is integrated, including environmental, social and governance (ESG) issues.

The Code asks investors to explain how they have exercised stewardship across asset classes. For example, for listed equity, fixed income, private equity, infrastructure investments, and in investments outside the UK.

The Code consists of twelve principles for asset managers and asset owners, and six principles for service providers. These are supported by reporting expectations which indicate the information that should be publicly reported in order to become a signatory.

Organisations wanting to become signatories to the Code will be required to produce an annual Stewardship Report explaining how they have applied the Code in the previous 12 months. The

FRC will evaluate the reports against their assessment framework, and those that meet the reporting expectations will be listed as signatories to the Code. To be included in the first list of signatories, organisations must have submitted a ***final*** report to the FRC by 31 March 2021.

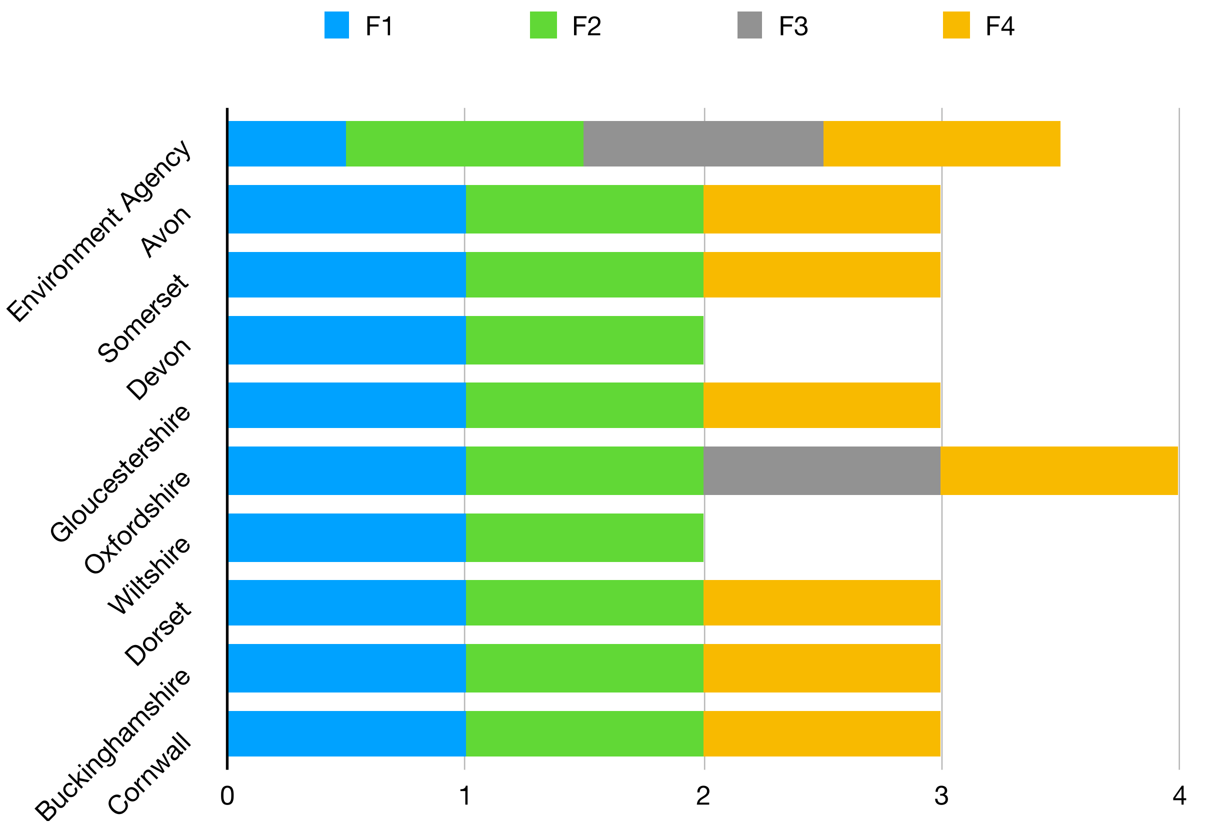
Survey Results – Consultation with Scheme Members

Consultation with Scheme Members

This looks at the issues around decision making process and the involvement of, and consultation with scheme members and other parties. The issue of representation was considered previously

The criteria examined were as below:

F1: Annual Consultative Meeting
F2: Website with dedicated access for scheme members
F3: Active discussions with Scheme members and third-party groups relating to climate change.
F4: Published scheme for appointment of scheme member reps to Pension Board



Annual Consultative meetings

All the funds have an annual consultative meeting at which all scheme members can attend to ask questions with the exception of the Environment Agency who hold a meeting for deferred/Retired members. Attendance at these is varied, both by Scheme members and the elected members of the respective investment committees.

Further work needs to be undertaken by the funds involved as to how they can improve attendance. The majority of these meetings tend to be held during the day at which time the

Active members are working. Not all employers allow their staff to attend such meetings in work time.

Given the latest issues around Corvid 19, it should be considered that such meetings move partially on line and during the evening to consider the attendance issue and the ability of scheme members to attend given that they may have to travel considerable distance to reach the meeting point.

Websites

All funds have a website but these vary in their usability and quality. Doing the survey, it was commented that some funds managed to hide the relevant information across their website and it was not all accessible from one point.

Climate Change consultations

The Environment Agency undertakes regular surveys of their scheme members on issues such as Climate Change so that this can be considered when making investment decisions. Only one other fund, Oxfordshire, has taken steps to actively discuss the investment principles with scheme members and outside bodies.

Appointment of Board Members

There are varying methods for electing Scheme member representatives to Pension Boards. Some have defined seats for the various unions, while others select their membership from applications and appoint members based upon their status, i.e. retired, deferred member and active scheme member.

Comments have been made that this disadvantages younger active scheme members as it assumes a prior knowledge of pensions. Diversity and gender equality have also been raised and these will be looked at in the future both at board level but also at investment member level.

Knowledge and skills

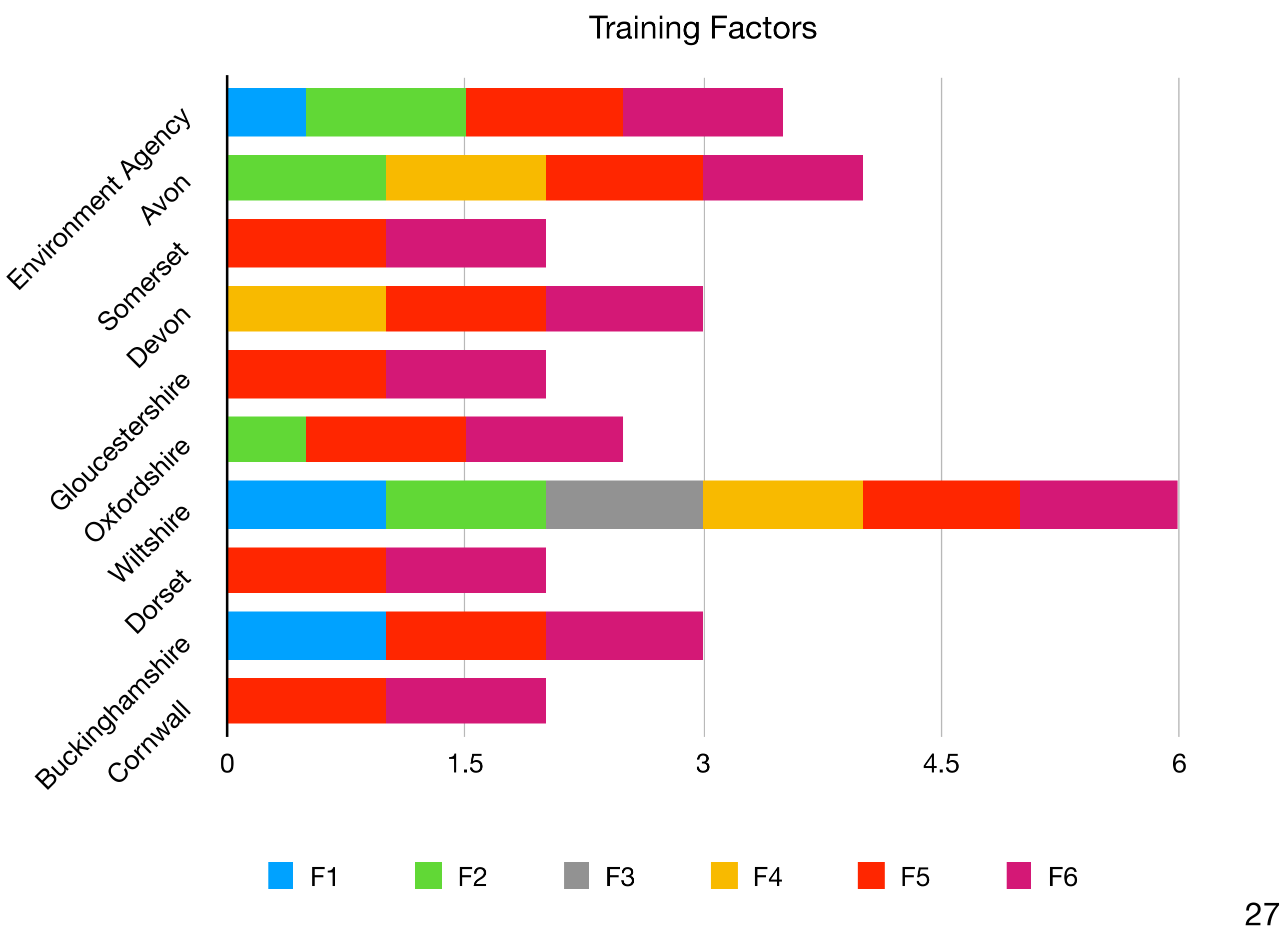
The recent Hymans Roberts report looked into the knowledge and skills of Pension Board and Investment committee members. It was based upon a survey of responses from individual members from 20 funds on how they considered their level of knowledge in relation both to the administration of the funds but also its investment decisions.

This report looks at what the training requirements are based upon the published Training Plan available on the website and the expected knowledge and skills required.

Several funds such as Cornwall (for their Board) and the EA (across committee and boards) have devised a training Matrix of varying complexity which allocates points for both each training activity be it completion of TPR modules, attendance at Conferences and Training Days.

F1: Committee and Board members Handbook
F2: Committee and Board members to attend LGPs fundamentals course
F3: Complete TPR toolkit within six months of membership of investment committee
F4: Complete TPR toolkit within six months of membership of Pension Board
F5: Attend Officer lead induction course
F6: Attend Ongoing Training

The need for training feeds back in to the Myners Principles and the requirements of the MiFID2 Directive that trustees and those making the decisions are appropriately trained.



In January 2010, CIPFA launched technical guidance for Elected Representatives on S101 pension committees in the public sector within a knowledge and skills framework. The framework covers six areas of knowledge identified as the core requirements:

- pensions legislative and governance context;
- pension accounting and auditing standards;
- financial services procurement and relationship development;
- investment performance and risk management;
- financial markets and products knowledge; and
- actuarial methods, standards and practice.

The Knowledge and Skills Framework sets the skills required for those responsible for pension scheme financial management and decision making under each of the above areas in relation to understanding and awareness of regulations, workings and risk in managing LGPS funds.

Unlike the Pension Board there is no legal requirement for members of the S101 committee to have a knowledge and understanding.

Committee and Board members Handbook

Two funds (Wiltshire and Buckinghamshire) have developed a specific Handbook for their members and pension boards. Others such as the Environment Agency have developed a specific web-based portal for associated documents. These are internet based thereby allowing for frequent updating in addition to training.

Committee and Board members to attend LGPs fundamentals course

Only four funds require their Investment committee members and their Pension Board to attend the LGPS Fundamentals course. Other funds only send the Chair of the Committee and the Pension Board but this is very fluid. There is no formal assessment of the knowledge gained at these courses unlike the TPR eLearning course.

Complete TPR toolkit within six months of membership of investment committee

The Pension Regulator’s Code of Practice No 7 applies to trustees; investment committee members could be considered quasi trustees. This code requires that these trustees demonstrate a degree of knowledge to be able to carry out their responsibilities.

The TPR has developed a toolkit of online eLearning modules for Trustees so that they can keep abreast of developments in Pension administration and developments.

Only one fund requires its members of the investment committee to have undertaken the TPR e-learning. This is in addition to attending the LGPS fundamentals course. In doing this it allows for the members to demonstrate their knowledge as the eLearning course contains assessment questionnaires after each module.

Complete TPR toolkit within six months of membership of Pension Board

The Pension Regulator's Code of Practice No 14 indicates that Schemes should keep appropriate records of the leaning activities of individual pension board members and the board as a whole. This will help Pension Board members to demonstrate that they have taken steps to comply with the legal requirements and how they have mitigated the risks associated with knowledge gaps.

The TPR has developed a toolkit of online eLearning modules for Pension Board members so that they can keep abreast of developments in Pension administration and developments.

Only three of the funds identify that this should be completed within six months of taking up membership of the pension board although others do encourage the pension board members to take this course.

The Cornish LGPS fund, allocates points for attendance at courses both physical and e-learning. The members are required to maintain a certain level over a two-year period. This does mean that members do have to undertake Continued Professional Development and retake certain modules to maintain their credits.

Attend Officer lead induction course

All funds provide induction opportunities for new members of their committees and boards

Attend Ongoing Training

All funds record attendance at Training events for members and Board Members. The detail of the subject matter attached to these records varies across the funds.

Some indicate the subjects covered on the training days, while others just record attendance but give no information as to what topics were covered.

Appendix 1 - Scoring checklist

Governance	**Score/5**
Knowledge –RI training for trustees (1)	
Knowledge - Advice from Advisors on ESG and or Climate Change	
Climate risk stated as financial risk (1)	
Oversight of asset managers and/or pool on ESG (1)	
Understanding of the law commission’s financial vs non-financial factors	
Strategy	**Score /4**
Climate risk management - E.g. Scenario analysis, carbon foot printing, stranded assets (1)	
Collaborations - E.g. LAPFF, CDP, Climate Action 100+, IIGCC (1)	
Reference to voting decision or supporting resolutions (1)	
Reference to engagement with companies (1/2 point if engagement is through LAPFF)	
Risk Management	**Score /4**
Integrating ESG (1/2 point if it is only an expectation of asset managers)	
Allocating low carbon (1)	
Reducing coal/tar sands holdings (1)	
Reducing oil/gas holdings (1)	
Metrics and Targets	**Score 6**
Low carbon asset allocation target (1)	
Time frame for engagement and/or divestment (1)	
Voting	**Score /3**
The Authority has published its own bespoke UK voting policy (1)	
Voting records are published (1)	
Bonus Point Scheme member engagement	
Is pools RI policy directed to for further information?	Yes /No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