

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
11 November 2021

RESPONSIBLE INVESTMENT UPDATE REPORT

Purpose of the Report

1. The purpose of this report is to update members on responsible investment issues.

Key Considerations for the Board

2. At the Board meeting on 20 May 2021, members were informed that officers would be developing a Responsible Investment Plan for approval by the Committee. This was produced, approved, and has been published on the Fund's website for full transparency. The plan can be found here:
https://www.wiltshirepensionfund.org.uk/media/6790/Responsible-Investment-Plan/pdf/Responsible_Investment_Plan_2021-22.pdf?m=637607587909400000

Progress against actions in the Responsible Investment Plan 2021/22

3. The road map from the Responsible Investment Plan 2021/22 is shown on the following page. Progress against actions for Q2 & Q3 2021 is as follows:
4. **Investments and strategy:**
 - The decision on sustainable equities has been made, and the transition was completed in September 2021.
 - Proposals for protection assets were considered at the 2 September 2021 Investment Sub-Committee, and approved by full Committee on 30 September 2021. The Fund has now made specific allocations to renewable infrastructure and impact affordable housing, of 5% each. Implementation options are currently being considered.
 - The Responsible Investment Policy has been approved and published – more info further later in this report.
 - Mercer's work on a "net zero by 2050" road map has been completed, and is included in a climate statement and action plan as part of the Responsible Investment Policy. This work has included setting interim decarbonisation targets.
5. **Reporting and disclosure:**
 - The TCFD reporting has been published online and in the Annual Report 2020/21. This sets out how the Fund manages climate change risk, from the perspective of governance, strategy, risk management and metrics.
 - Officers are developing plans for reporting in line with the 2020 Stewardship Code. This requirement will be met by an annual Stewardship Policy and Outcomes Report, which will be published for the first time in early 2022.
 - The Fund has signed up to the wider initiatives as set out in the Responsible Investment Plan, and is developing an approach to engaging with these resources.

6. Training and engagement:

- A Committee training session on impact investing and affordable housing was held on 8 July 2021. Officers have collected feedback from attendees via an online survey. Feedback was positive – members reported that they found the training very useful, particularly on impact investing, and that both sessions were pitched at the right level.
- One attendee fed back that they felt the Committee would benefit from the follow-on session on impact investing which had been mentioned in the training. This was supported at the Investment Sub-Committee on 2 September 2021, and the training has been scheduled for 29 November 2021.
- A Committee training session was held on 14 September 2021, for Mercer to represent their climate scenario modelling findings. Feedback was collected via an online survey. Members were very positive about the training, apart from one member who was very negative. Overall, members were happy with the level training was pitched at, and felt that they better understood the Fund's strategic direction. Several members felt that regular updates and refreshes of this training would be helpful.
- Brunel help two virtual investor days via Teams (27th September & 4th October) which were attended by Board and Committee members. These sessions covered a range of topics including high level market overview, investment examples and responsible investment progress.

7. **Responsible Investment Plan 2021/22 progress summary:** The Plan is on track to be achieved – all actions scheduled for Q2 & Q3 2021 have been completed. Some preparatory work has begun on actions for Q4 2021.

Responsible Investment Road Map

Q2 2021 -

Investments and strategy: decision on sustainable equities

Reporting and disclosure: TCFD reporting

Training and engagement: Training on impact investing and affordable housing

Q3 2021 -

Investments and strategy: proposals for protection assets, develop and publish Responsible Investment Policy, including climate statement and action plan

Reporting and disclosure: Develop plan for Stewardship Code reporting

Q4 2021 -

Investments and strategy: begin work to implement proposals for protection assets, begin reviewing potential work on other asset classes with respect to climate change and sustainability

Reporting and disclosure: sign up to wider initiatives

Training and engagement: hold membership webinars and develop the information shared on the Fund's website

Q1 2022 -

Investments and strategy: update Investment Strategy Statement

Reporting and disclosure: develop plans for reporting the year's progress in the Annual Report

Responsible Investment (RI) Policy

8. As mentioned above, the RI Policy has now been approved and published. The policy contains information which was previously contained in the Investment Strategy Statement (ISS), the RI Plan 2021/22, and some other new material, including the recommendations from Mercer's work on setting a pathway to net zero. The RI Policy can be found here on the Fund's website:
<https://www.wiltshirepensionfund.org.uk/media/7330/Wiltshire-Pension-Fund-Responsible-Investment-Policy-2021/pdf/Wiltshire-Pension-Fund-Responsible-Investment-Policy-2021.pdf?m=637696372542870000>
9. The RI Policy is to be considered as an integral part of the ISS. The ISS has been updated to remove duplicate information which is now included in the RI Policy, and is elsewhere on this agenda for review.

Training

10. The next training session will be held in person on 29 November 2021. Officers will circulate details of timings and venue. This training will include a follow-on session on impact investing with Pensions for Purpose. This session will take the format of an investment beliefs workshop, to review the UN sustainable development goals (SDGs) in more detail, and focus on SDGs which the Fund could incorporate in the investment strategy.
11. There will also be a session with Brunel on the new Paris-aligned benchmarks, which will explain more about how they are constructed, with examples. All members of the Committee and Local Pension Board are strongly encouraged to attend the training.

Member and Employer Engagement Activity

Annual Report

12. Following the publication of the Annual Report 2020/21, officers publicised the report in a variety of different ways:
 - Producing a one-page summary of the Annual Report, "Our Year in Review", which contains key facts and figures about the Fund. This can be found on the Fund's website: <https://www.wiltshirepensionfund.org.uk/Annual-report-and-accounts>
 - Circulating the Annual Report to all employers, along with the one-page summary, for onward distribution to scheme members.
 - Creating a publicity campaign to email all members who have signed up to MSS (the online self-service tool), as well as all pensioners who have signed up for e-payslips. This reached 17.7k individuals, and generated 1.5k clicks through to download the Annual Report or one-page summary.

Employer engagement survey

13. Officers have been working with the scheme employer representatives on the Pension Fund Committee to begin improving the way that strategic issues (including responsible investment) are communicated to employers, as well as how their views are fed back to the Committee. There is already a very active engagement with employers on more operational issues.

14. The first step has been an employer survey, which has been targeted at heads of finance or heads of the organisation. A brief summary of the results follows:

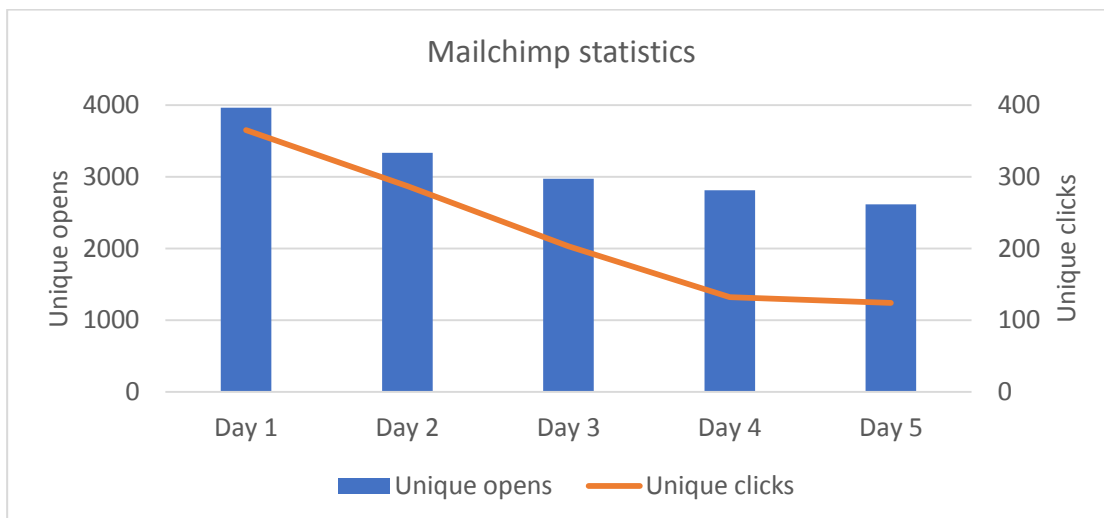
- Responses were received from 62 employer organisations (of approx. 180 total), representing just under 80% of all employers in terms of the value of employer contributions received. This shows a really strong level of engagement.
- Employers showed a strong interest in how the Fund is run, and gave a clear indication of the sorts of topics they would like to know more about, and how they would like to receive information.
- Several respondents said that they would be interested in being part of an employer focus group, so officers and the employer representatives will be looking into establishing this. This focus group will discuss and provide feedback on key relevant strategic and policy topics, such as the communication strategy, the investment strategy, and the actuarial valuation.
- Officers will be working alongside the employer representatives on the Committee to help facilitate the dialogue.

Pension Awareness Week (PAW)

15. 15 September 2021 was Pension Awareness Day. Officers developed a plan to use PAW to inform members about key facts on the benefits of the Pension Fund, how the money is managed, and to encourage members to visit our website and sign up to member self-service (MSS). A mini-factsheet was designed for each day of the week, as well as a single factsheet for employers who only wanted to send out a single communication to their eligible members of staff.

16. The factsheets were sent out to active members for whom we already hold email addresses via Mailchimp (7.7k members), and to all employers for onward distribution to eligible staff. A dedicated web page was also set up: <https://member.wiltshirepensionfund.org.uk/article/4608/Pension-Awareness-Week-13-17-September-2021>

17. In order to monitor the success of the PAW campaign, officers measured the number of visits to the dedicated webpage, clicks and opens through the Mailchimp mailing, and the increase in sign-ups to MSS. This data is not fully available at the current time, but some early measures are as follows:



18. The link within the Mailchimp email went through to the website where all the factsheets were stored, so it makes sense that clicks through to this page would decline over the week. The number of opens and clicks shows a high level of engagement.
19. From monitoring the number of members registered on MSS, a modest increase in sign-ups was noted across this week, but the full effect of this will take a while to filter through. Activity levels were also monitored, and these were up across the week by 58%, showing that more members were engaging with their pension.
20. Website stats have also shown an encouraging picture. Over the week the PAW page was the most popular on the website, and received 2,086 visits from 1,743 individuals. This represents over 1,000 extra visits than those generated from the Mailchimp campaign, so the majority of these are likely to have come from the emails sent out by the employers.

COP26 Engagement

21. In the run-up to COP26, the 2021 UN Climate Change Conference, officers developed a campaign to engage with the scheme membership. This involved the following:
 - Producing a one-page factsheet with key facts and figures on how the Fund is responding to climate change risk.
 - Using this factsheet as part of an email campaign to alert the scheme members to what action is being taken.
 - Developing a webpage to contain all the climate information in one place, so members can follow the link through from the one-page factsheet to learn more.
 - Working with Wiltshire comms and our employers, as well as using Mailchimp to send out the campaign.
 - Working with Wiltshire comms externally to ensure that we tie in our work with the Council's carbon reduction team, by putting out a press release and social media posts.
 - Joining in with Brunel's publicity work, specifically around our collaborative work to develop a new Paris-aligned benchmark, and invest £600m in this passive portfolio at its launch.
22. Members can view the factsheet and climate webpage here:
<https://www.wiltshirerensionfund.org.uk/climate>

Environmental Impacts of the Proposals

23. This report includes information on actions and policies which directly deal with addressing climate change risk.

Safeguarding Considerations/Public Health Implications/Equalities Impact

24. There are no known implications at this time.

Proposals

25. The Board is asked to

- use the report as a basis for monitoring the progress that is being made towards implementing responsible investment policy;
- note the progress made against the Responsible Investment Plan 2021/22 actions and discuss whether any additional actions are needed at the current time;

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Unpublished documents relied upon in the production of this report: NONE