



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	11 March 2021
Classification:	Public
Title:	DWP Pension Schemes Act 2021
Wards Affected:	None
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> pdriggs@westminster.gov.uk 020 7641 4136

1 Executive Summary

- 1.1 On 11 February 2021 the Pensions Schemes Act 2021 received Royal Assent, the act covers climate risk governance and reporting which may have a direct impact on the LGPS.
- 1.2 The proposed new measures will ensure that trustees are legally required to assess and report on the financial risks of climate change within their portfolios, in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

2 Recommendation

- 2.1 The Pension Fund Committee is requested to:
 - Note and comment on the Pensions Schemes Act 2021 climate risk reporting disclosures and the Deloitte paper (appendix 1) on The Financial Stability Board's TCFDs.

3 Background

- 3.1 Guy Opperman, Minister for Pensions and Financial Inclusion (DWP), has spoken about climate change and the proposed new requirements for UK Pension Schemes. While the DWP is a different department from the MHCLG (parent dept for the LGPS), its pronouncements have implications for the LGPS and the new requirements could be adopted by the LGPS Scheme Advisory Board.
- 3.2 Mr Opperman wants the UK to be a leader in Climate Change requirements for its pension schemes. The proposed new measures will ensure that trustees are legally required to assess and report on the financial risks of climate change within their portfolios. It sends a clear signal to UK pensions trustees that decisions on their response to the new requirements should be made sooner rather than later.
- 3.3 Large Schemes (£5bn+) will need to report by 2021. The 2021 deadline will allow government to identify best practice and extend the measures to smaller schemes by 2024. The Fund will need to work with Deloitte on the reporting requirements well in advance of 2024. The reporting requirements seem to be quite onerous and require planning.
- 3.4 Some of the reporting will be intensive, and the intention is that some form of annual review or response will be expected. Emission-based reporting against targets will be annual. Clarity will be required across the industry at all levels to ensure consistent and comparable data is available as a result of these requirements.
- 3.5 Mr Oppenheim has firmly stated that divestment is not the answer: "We are not mandating that schemes commit to specified emissions reductions, and we continue to believe that divestment would be the wrong approach." This area has now become challenging and more will need to be done to encourage asset managers to engage with the companies they invest in. LAPFF will take a leading role in further developing this.
- 3.6 To assist trustees with their assessment of investment consultants, on their climate competency, the Investment Consultants Sustainability Working Group (ICSWG) has developed a guide. It will set out 5 themes against which trustees should expect their consultant to demonstrate competency including:
 1. Firmwide climate expertise and commitment
 2. Individual consultant climate expertise
 3. Tools and software
 4. Thought leadership and policy advocacy
 5. Assessment of investment managers and engagement

4 Recommendations & Next Steps

4.1 The proposed action for the Fund is as follows:

1. Await the LGPS Scheme Advisory Board guidance;
2. Review the guidance and set out a road map for compliance;
3. Build the new requirements into the pension fund business plan;
4. Review investment strategy, and consider whether this strategy is likely to meet the future requirements on climate change and sustainability; and
5. Evaluate the way in which climate-related risks and opportunities may affect WCC's strategies.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Deloitte Paper: The Financial Stability Board's Taskforce on Climate-related Financial Disclosures