

LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: Climate Change funding impacts	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Board	DATE: 8 October 2020
SUMMARY OF REPORT: This report updated Pension Committee on the analysis of the actuary on the Fund's liabilities and funding level for differing climate change scenarios and demonstrates the significant impact climate change can have on the Fund. The Committee noted that the results of the modelling showed that the "green revolution" involving a rapid policy response from Government gave the best result of the three modelled and gave an outcome similar to the results of the triennial valuation. The Committee asked KPMG, the Fund's investment advisor, to look at the results.	
Local Government Act 1972 – Access to Information No documents requiring to be listed were used in the preparation of this report: Contact Officer: Nigel Mascarenhas Interim Director of Finance Finance & Procurement Treasury and Financial Services Corporate Services Dennis Geffen Annexe Camley St London. N1C 4DG Telephone 0207 974 1904 Email nigel.mascarenhas@camden.gov.uk	
RECOMMENDATIONS: The Pension Board is asked to note the contents of the report.	
Signed by Interim Director of Finance Agreed Date 29 September 2020	

1. SUMMARY

- 1.1. Climate change is one of the biggest risks facing the world in environmental and financial terms. Governments across the globe are reacting to the climate crisis and the impact of global warming will be felt in all regions and all climates.
- 1.2. Almost 200 countries recognise the need to reduce greenhouse gas emissions and the Paris agreement limits rises in temperatures well below 2°C and to aim for 1.5°C. In the UK the Government has recently committed to cut greenhouse gas emissions to net zero by 2050 recognising this would benefit public health.
- 1.3. The Bank of England has recognised the financial risks which threaten the economy and have considered how to support an orderly market transition. Closer to home, the Council recently declared a climate crisis and held a Citizens' Assembly. Many other Councils have recognised the urgency of the situation.
- 1.4. The Pension Fund recognises the risk that climate change poses in its risk register. In particular it identifies that fossil fuel linked investments may suffer losses due to stranded assets and reputational damage. However, climate change could have much broader impacts on funding and investment strategies. Not only are assets at risk but also factors such as inflation and longevity which affect the Fund's liabilities.
- 1.5. Our actuary, Hymans Robertson, has offered the Fund some analysis and modelling based on different climate related scenarios and this is set out in Appendix A. The scenarios tested were:

Green Revolution: Rapid policy response from government creates the absolute necessity for change which is matched by the deployment of green technologies and ongoing investment in adaptation;

Challenging times: Challenging times reflects delayed policy action. Change is likely to be intermittent at first but is assumed to become more severe in response to growing environmental feedbacks;

Head in the Sand: Policy responses do not prioritise environmental change with corporates largely continuing business as usual type approaches.

- 1.6. The results of the modelling show that the green revolution gives the best result of the three modelled and gives an outcome similar to the results of the triennial valuation. Challenging times gives the second best result but with a volatile trajectory. Head in the sand gives the worst outcome with funding levels not reaching 100% funding over the 20 year time horizon modelled.
- 1.7. The Hymans report sets out that the Fund should not just focus on assets and how they may be impacted but also to focus on impacts to the Fund's liabilities.

2. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES

2.1. There are no finance comments to add.

3. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

3.1. Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the administering authority must include in the investment strategy statement its policy on social, environmental and corporate governance when making decisions regarding investments. This report demonstrates that the administering authority is discharging its responsibility.

APPENDICES

APPENDIX A - Hymans Climate Emergency risk analysis