

learning to transform the investment system

# MISSION: PENSION POWER

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Welcome to ShareAction's easy to use Pension Power toolkit. This guide will enable you to use the power of your pension to create change through the investment system.

**ShareAction**»

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September 2016

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# INTRODUCTION

## What is ShareAction?

ShareAction is a charity which exists to promote responsible investment by major investors including pension funds, and to build the power of savers to change the UK investment system.

## What is The ShareAction Leadership Academy?

The Leadership Academy is a learning programme designed to support more savers to get involved. It includes toolkits, trainings and tailored support to help you demand change at your pension scheme.

This toolkit, *Mission: Pension Power*, is our first. It contains the information you need to secure change in your pension fund's activities. The toolkit has three sections:

- Level 1: Understanding your pension fund  
The core knowledge and understanding of the pension system you'll need to get started
- Level 2: Preparing for action  
How you can build a team and effectively influence your pension scheme
- Level 3: The issues you can influence  
An overview of some of the things you can change by taking action with your pension scheme

We've also developed a simple checklist you can use to help you get started (pg 4).

Along the way, you'll be supported by ShareAction's Education and Organising Team who you can contact whenever you need.

We hope you find it useful and look forward to working with you to change your pension and the investment system.



Photos, top to bottom: (1) Pension Power training, 2014; (2) members of the NEST Pension Power team in action, Good Money Week, October 2015; (3) members of the Legal & General Pension Power team at the L&G offices, November 2015

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- Which issues you can address by taking action with your pension scheme
- Specific asks you can negotiate on with your pension scheme

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- Plan for action
- Template letter to your pension fund
- Example agenda for meeting your pension fund
- Helpful pointers for negotiation

## Your campaign checklist

I understand my pension fund and who the key decision-makers are

I've built a team of savers in my pension fund who want to take action together

We know what action we want our pension fund to take

We've written to our pension fund to ask for a meeting

We've secured a meeting with our fund and prepared our arguments

We've developed a strategy to increase the pressure

We've secured a change in our pension fund's activities

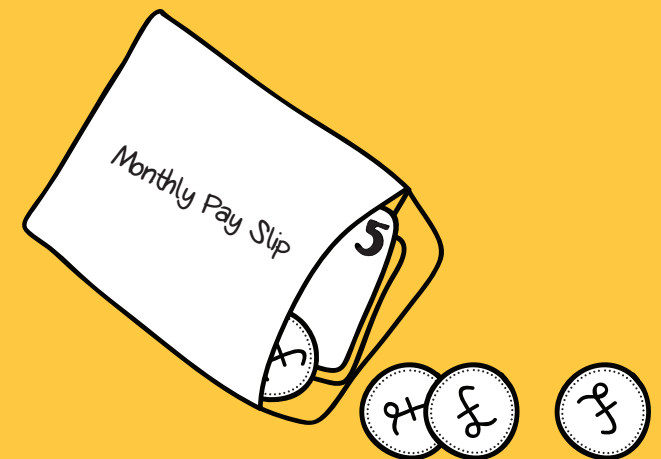
We've shared our Pension Power story

## Level 1

# UNDERSTANDING YOUR PENSION FUND

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How would you use £3 trillion to save the world? The money we set aside as retirement savings every month is part of £3 trillion that is invested and managed by private pension schemes in the UK. Because we all have a stake in that money, we can influence the investments made on our behalf.



# HOW CAN MY PENSION MAKE A DIFFERENCE?

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ShareAction's campaigns use the power of investments made on behalf of pension savers to change corporate behaviour and tackle social and environmental problems. Your money may be part of a big and complex financial system, but you can have a say in the practices that it funds.

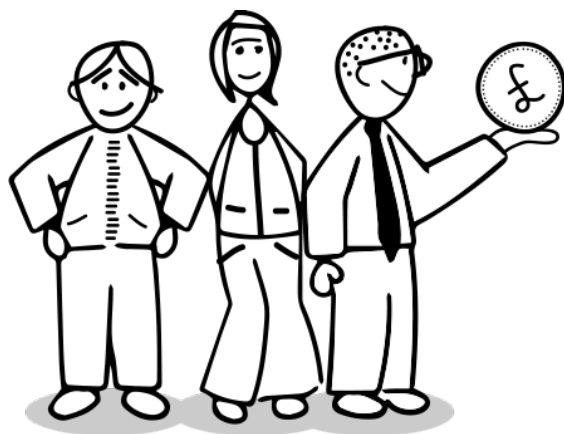
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## How is my pension invested?

This is a simple question but it may be surprisingly difficult to get a satisfactory answer. Most UK pension funds don't share much information with their savers about where their money is invested. To get information about your specific investments you'll need to do some digging on your pension fund's website, email them to ask or enlist ShareAction's help.

## STEP 1: Your money

Every month when you get your payslip, a small portion of your money is probably being set aside for your future in a pension fund.

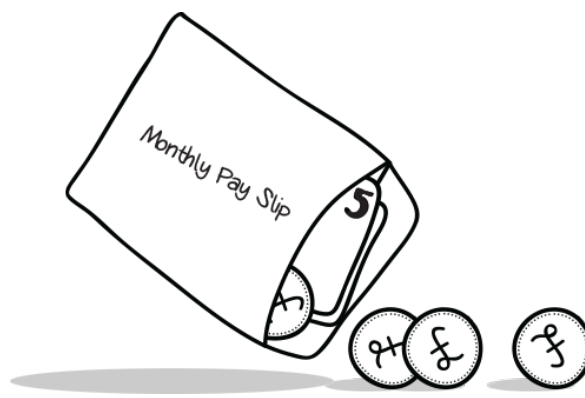


## STEP 2: Your pension fund

First stop on the investment chain is your pension provider. They are responsible for looking after your savings until your retirement. Broadly speaking, this is called their 'fiduciary duty' to you - they should carefully consider how to invest your savings, and protect your long-term best interests.

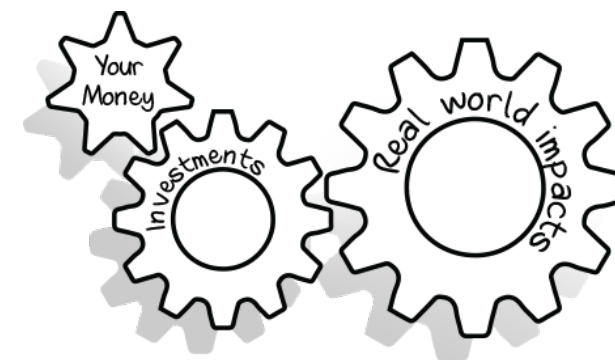
## STEP 3: Investment managers

Your pension fund probably doesn't invest your savings themselves, but will hire investment managers who manage it on a day-to-day basis. The investment managers make a lot of important decisions about how your money is invested, even though you may not know who they are.



## STEP 4: Investments

Your pension fund and their investment managers will invest in a range of different types of investments, also known as asset classes. The main asset classes are bonds (government or corporate), property and equities (shares in publicly listed companies). The balance between different asset classes may depend on what you selected when you joined the scheme, how near you are to retirement, and the decisions of your pension fund and its investment managers.



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## Equities & the power of shareholders

Typically, the largest proportion of your pension savings will be invested in equities, also known as shares. And this is where it gets really interesting - by holding shares in these companies on our behalf, our pension funds are the major owners in the world's largest corporations.

I'm invested in what? Yes, that's right, you're an investor in the world's largest corporations. As major shareholders, our pension funds can exercise a powerful voice in the company boardroom. There are certain rights and privileges associated with being a shareholder which our pension funds have:

- Voting and attending the company Annual General Meeting (AGM)
- Filing shareholder resolutions
- Engaging directly with company management on ESG issues

## What are 'ESG issues'?

'ESG' is investment jargon – it refers to environmental, social and governance issues. Environmental issues include things like the carbon emissions of a company. Social issues could be the wage it pays its employees. Governance issues involve how the company itself is run, for example how much it pays its top staff in bonuses.

A responsible investor will take ESG issues into account because they recognise that they have an impact on the success of the company and their financial performance in the long-run.



# WHAT TYPE OF PENSION FUND AM I IN?

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Pension funds don't need to be confusing. Here's all the key information you need to make sense of your pension fund.

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## Invested or not?

The state pension is a basic allowance that the government pays you when you reach state pension age (currently between 61 and 68). This pension is not invested anywhere, it comes directly out of tax income when you retire, so you can't lobby the government about where it is invested. The NHS pension, civil service pension and Teachers' Pension Scheme are also not invested - they are drawn directly from taxes too.

## A personal pension or a workplace pension?

A workplace pension (also known as an occupational or company pension) is a pension that's organised by your employer. Usually, an employer will arrange one scheme for all its employees to join. You and your employer each pay in a certain amount each month and the pension provider will invest the money on your behalf. You and your colleagues will all be in the same scheme, so you can engage with your pension fund collectively.

A personal pension is one you arrange yourself with a pension provider. You, and possibly your employer, give the pension provider a bit of your salary each month and they invest it on your behalf.

## Defined benefit or defined contribution?

This distinction relates to how much money you will receive once you've retired. A defined benefit pension (DB) promises to pay you a certain income when you retire. The amount usually depends on your salary and how long you've worked for your employer. It doesn't depend on how the provider chooses to invest your money. Defined benefit pensions are rarer now, and most new savers will have a defined contribution pension.

In a defined contribution scheme (DC) you are not guaranteed a set income on retirement. You know how much you put in each month but there's no guarantee about how much you will eventually get out. This is because the amount of money

you get when you retire depends on how well the investments have done – so you bear a lot more of the risk in a DC arrangement.

## Contract-based or trust-based?

There's another distinction between types of pension savings (stay with us, we are nearly there). A trust-based pension is one which is looked after by trustees. A contract-based pension is one which is provided by a pension provider, like an insurance company. The distinction matters because the legal rules around how they operate are different; trust-based schemes are bound by a fiduciary duty to their savers – read on to find out more....

# WHY IS THE LAW IMPORTANT?

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Fiduciary duty is a legal obligation that covers several professions and societal roles including lawyers, guardians of children and pension funds. The term “fiduciary” comes from the Latin “fiduciarius”, which means, “of something held in trust.” In the context of pensions and investments, fiduciary duty means that people whose money is managed by others must be able to trust them to manage it on their behalf. Investors must only ever invest their clients’ money in a way that is in those clients’ best interests.

Fiduciary duty requires a very high standard of behaviour - higher than is expected in an ordinary contract. Fiduciaries are expected to be loyal; to treat each beneficiary equally and to act prudently in their protection of savers’ interests.

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## What’s the problem?

These duties aren’t clearly defined in law, and there’s a lot of debate about what they actually require fiduciary investors to do in practice. This has led to some pension funds interpreting their duties in a limited and restrictive way. For many trustees, it has led to a focus on short-term profits when making investment decisions and a failure to consider the wider, long-term factors that matter to the value of the fund in the long run, like climate change. And it doesn’t give any scope for trustees to consider beneficiaries’ ethical views, such as on products like tobacco.

But if you’re a pension saver who’d like your concerns to be listened to, help is at hand. In July 2014, the Law Commission published a report on

the fiduciary duties of pension trustees. It has little time for the outdated interpretation of fiduciary duties. The Law Commission confirmed:

- Pension fund trustees do not have to “maximise returns” in the short-term at the expense of risks over the longer term;
- Trustees should take into account factors which are financially material to the performance of an investment. Where trustees think ethical or environmental, social or governance (ESG) issues are financially material they should take them into account;
- The law permits trustees to make investment decisions that are based on non-financial factors (such as members’ views or quality of life), provided that there is no risk of significant financial detriment to the fund.

Feeling a bit confused?

We know the feeling! Give us a call, +44 (0)20 7403 7800, and together we can:

- Check what type of pension fund you are in;
- Find out where and how your savings are being used;
- Answer any other questions.



Level 2

# PREPARING FOR ACTION

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Putting your pension power into action can change the behaviour of the world's biggest companies on the key environmental, social and governance issues you care about. This level will help you make sure you are ready to take action and showcase stories from savers who have used their pension power.



# PREPARING FOR ACTION

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As you'll have come to understand during level 1, taking action to change the behaviour of your pension scheme has serious potential to change the world. Real change doesn't always come easily, especially when you're challenging a powerful financial system.

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So to help you prepare this level looks at:

1. How to build a Pension Power team;
2. How to set up a meeting with your pension scheme;
3. How to run an effective meeting with decision-makers in your fund;
4. How to learn from other Pension Power leaders who have taken action.

ShareAction's experience campaigning for change within the pensions system is that we have to organise powerful teams before we can address issues we want to change, like poverty pay or climate change. That's why we've left understanding the issues you can change until level 3. Of course, many groups establish themselves because they do care about a particular issue, so do move between the two levels as you find most useful.

Good luck team building! Remember the Education and Organising Team are here to support you.

Call the Education and Organising Team on: +44 (0)20 7403 7800 and [info@shareaction.org](mailto:info@shareaction.org).

# HOW CAN I BUILD A PENSION POWER TEAM?

ShareAction has four, sure-fire steps to success. Below is a short section on each of these steps. You can follow the steps, or, as is likely, you'll move between them as you grow, develop and shape your team.

## Step 1: Identify who you want in your team

Think carefully about who you can recruit. You may already be aware of colleagues with an interest in environmental or social issues that your pension has the power to influence. If not, you could advertise for interest by email, posters or word of mouth. If you want some support and advice, our Education and Organising Team is on hand to support team building.

## Step 2: Build relationships by having one-to-one conversations

As you know well, we live in a fast-paced and increasingly complex world. Emails and social media are useful forms of communication, but they don't tend to build or sustain relationships well.

So, can you take the time to meet someone face to face, or at the very least, pick up the phone?

The aim of your one-to-one conversation:

- Build a relationship
- Understand what motivates others
- Find out who they know. Can they help you and your pension power work?

## Step 3: Bring the team together to get to know each other

Building a strong team means getting to know each other and understanding each other's motivation for getting involved. A first meeting is an opportunity to share common ideas and concerns, think about how you can work together in practice, and share knowledge on investment and the changes you'd like to achieve. You could also combine this with a training session from the ShareAction Education and Organising Team to develop knowledge and skills.

## Step 4: Develop a plan

You've identified your team, you've brought them together, and now how will you sustain them? Our experience is that a team needs to get into action fast, and in this case, that's getting in front of your pension scheme to start negotiating. Our Plan of Action (see Appendix 1) asks you some questions that can support you to develop a clear approach. You'll also want to start thinking about the issues you want to negotiate on which you can find out about in level 3.

## YOUR TEAM: The roles to keep in mind when building your team

**THE GATE KEEPER:** Makes decisions and has the power to say yes!

**THE DO-ER:** Gets on and does what they say they'll do

**THE EXPERT:** Knows their stuff; gives you essential background & credibility

**THE CONNECTOR:** Knows many people and groups within the workplace

**THE BROADCASTER:** Tells other people what's going on

**THE SELLER:** Persuades other people to get involved

# HOW CAN I SET UP A MEETING WITH MY PENSION FUND?

Getting face-to-face with decision makers at your pension scheme is vital to success. Here's how to get your foot in the door and make sure you are meeting the right people at your pension scheme.

Once you've got a team of interested people, it's time to approach your pension scheme. As a rule, we recommend you approach the Chair of Trustees for your pension scheme. As you get started, it is also useful to think about who the other powerful employees at your pension scheme are, and who will be important to have on side to support your work. The boxed text on this page is a starter for ten and our Education and Organising Team can happily work with you to develop your own power analysis, tailored to your situation.

Once you're clear about who you want to meet with, you can adapt the template letter (see Appendix 2). We're happy to review before you send, or if you're confident, just go for it!



Photo: Members of the Pearson Pension Power team in action, Good Money Week, October 2015

## WHO HAS THE POWER? WHO DO I WANT TO MEET WITH?

- Members of the scheme: a powerful team will enable you to gain reaction
- Press: can you tell your story to build your power?
- Responsible Investment Officers at your pension fund: these people work closely with asset managers when making decisions about investing your savings
- Asset managers: these people make key decisions and will engage investee companies directly
- Trustees: these are people appointed by your company to advise your pension fund
- Member nominated trustees: these people are voted on to the Board of Trustees by members of the pension fund
- Unions: there are often union members serving as trustees of your pension fund
- Directors or Operations Managers at your pension scheme: the people lead day-to-day decision making
- Directors of your company: these people could have a relationship with your pension fund already

# HOW DO I PREPARE FOR A MEETING WITH MY PENSION FUND?

You've got to get organised before sitting down with your scheme. You need to know what you want from the meeting so that you can make sure the people representing your pension fund can help you. Here's how we recommend you get ready.

Ok, so the date's agreed, your team are on board and you're getting ready to meet with your pension scheme. It's time to get ready to negotiate.

1. These resources will help you prepare: top tips for a successful negotiation – including an example agenda (see Appendix 3)
2. Useful tips and pointers on how to respond to some of the arguments that your pension scheme might make in its defence (see Appendix 4)
3. Stories from pension power leaders

You'll also want to move to level 3 which outlines the key issues you can influence by negotiating with your pension scheme.



## TOP TIPS FOR A SUCCESSFUL NEGOTIATION

1. Work out who has power at your scheme
2. Have a plan, and maybe two back-up plans – the aim being to keep talking and negotiating
3. What motivates the people you are working with? What is their self-interest? Put yourself in their shoes
4. Allocate roles: chair, timekeeper, note taker, tough negotiator, soft negotiator
5. Develop relationships – introduce yourselves; explain who you are and who you are negotiating for
6. Work together and ensure that everyone agrees at key stages of the negotiation
7. Be prepared to compromise to stay in negotiation; compromise your terms but not your values
8. Always set a time limit; don't run out of time before agreement. Always schedule a next meeting if you can
9. Achieving a deal is vital if you want to build a better world. The more power you have, the more ambitious you can be in your deals and objectives
10. Evaluate your negotiation, learn and think about how you could improve

# HOW ARE OTHER PENSION POWER LEADERS TAKING ACTION?

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There are hundreds of savers just like you who are taking action to influence their pension fund on the issues they care about. Here are some of those stories.

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## VIDEO

Staff at the Guardian have been seizing their pension power. Check out their reactions after meeting their pension fund trustees:

[https://youtu.be/6llhWk\\_SrhU](https://youtu.be/6llhWk_SrhU)

And the reactions of these savers with Scottish Widows: <http://bit.ly/1Fu37aN>



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## James and Kavin attended their pension fund's Annual General Meeting

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Blog by James Brass, member of the West Yorkshire Pension Fund, November 2014

When I heard the West Yorkshire Pension Fund were taking open questions at their Annual General Meeting in November, I thought I'd go along and ask them why they invest so much in fossil fuel companies.

I've worked at Bradford Council for 10 years and have contributed to my pension throughout. My job involves helping Bradford Council tackle climate change and cut its greenhouse gas emissions. We set a really challenging target back in 2010 to cut emissions by 40% in 2020. So we'd been working hard to reduce our demand and switch the Council to cleaner energy, but the pension fund was tying members' money up in stuff that would counteract our achievements many times over. It would be pretty mindless to exploit fossil fuel reserves when the best scientific advice suggests it would cause dangerous and irreversible climate change.

When the time came I never did get the microphone, instead I was asked to submit my question beforehand. With a week to prepare, Councillor Ian Greenwood, Trustee of the WYPF,

spoke of the funds' 'engagement' with multinational fossil fuel companies. He mentioned a meeting with BP and their 'value over volume' mission, a letter from Shell dismissing fears of a carbon bubble and reassurance from Rio Tinto that coal would eventually be phased out. This all sounded like lip-service to me, but it was encouraging to hear independent advisor Mark Stevens talking about their investment in renewable energy projects and a £35 million investment in an off-shore wind farm.

It's been a few weeks since the AGM and a good time for me to reflect on what we heard from the speakers. I think the fossil fuel corporations realised long ago that their commodities will be a thing of the past but they are intent on convincing the rest of us otherwise. Of course they will always tell us that they are a safe bet, but surely given all the scientific and economic indications we should begin to divest our interests now and not rely on the inertia of past economies. Otherwise I fear that when I do retire, it will be to see the world we know come crashing down around us.

Given the chance, I'll be back at the WYPF AGM next year looking for signs of progress and ready to ask another question about the fund's attitude to climate change.



Share James' story: <https://shareaction.org/challenging-my-pension-fund-about-climate-change-at-their-annual-general-meeting/>

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## Listen to USS! A story of grit and determination

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### Blog by Tim Valentine, Chair of the USS: Step Up committee, August 2015

Hi I'm Tim Valentine, an academic psychologist based at Goldsmiths University. I've always been interested in environmental issues and I joined the USS campaign after experiencing the power of shareholder activism.

I was working at Durham University and living close to a cement works run by the then Blue Circle group (since bought by the French industrial company Lafarge). Blue Circle wanted to start burning recycled liquid fuel at the site, something that would have been very damaging to the environment. I got involved in the campaign to oppose this and a key part of our success involved becoming shareholders of Blue Circle and encouraging other shareholders to support our campaign. At the company AGM we raised the issue and there was mass support to oppose the burning of recycled liquid fuel.

As an academic wanting to make a positive contribution to society I joined the USS campaign in the early 2000s along with many others who wanted to see the values we held mirrored in how

our pensions are invested. Having had the Blue Circle experience I thought if I and a relatively small number of others could influence a company for the better, the power of pension funds to shape corporate behaviour could be seriously significant!

Changing our pension scheme's approach has been no easy task and it has required lots and lots of persistence, grit, constant team building and continued follow-up to hold them to account. USS took quite a long time to take us seriously - we had to genuinely build our member power in order to get them to take notice! This has involved being prepared to take action: face-to-face negotiations; mass email campaigns, and seeking press attention to keep our work well publicised.

We've now gained USS' commitment to survey all its members to ensure our views can be taken on board when it comes to investments and we're keeping up the pressure to ensure this really does lead to change in our investments.

For me, it's just so clear we've got to act to change our approach to fossil fuels in order to respond to climate change! My pension fund taking action is an important part of the response and I'll be campaigning hard until USS sees sense!



Find out more: <https://shareaction.org/uss/>



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# Members of the Pearson Pension Scheme are ensuring their fund is always learning

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## Blog by Deborah Hargreaves, August 2015

I worked for the Financial Times, a paper owned by education publishing company Pearson, where I was news editor and financial editor. During my time as a journalist I began to cover and understand the issue of executive remuneration and the excessive pay that many of our corporate leaders receive. Too often executive pay is poorly aligned with company performance, meaning that shareholders are being short-changed and unfairly treated. Excessive executive pay is also damaging to wider society as it exacerbates inequality.

I therefore became involved in work with my pension scheme to do something more about this – I want to see them establish a clear approach to corporate governance linked to the investments that are taken on savers' behalf.

To get the work going we started by bringing members together to discuss our concerns and interest. We then attended a really helpful Pension

Power training session with ShareAction to talk about how to build a relationship with our pension scheme and get prepared with the knowledge required for a face-to-face meeting.

We approached the Trustees of the scheme with a request to meet, and gained a positive response. We chose to spend the first meeting building a relationship and then set up a second meeting to take the work forward. During the follow-up meeting - early this year - we were able to put in place a clear plan for this year's work. The plan focuses on three areas: educating and engaging scheme members, sharing more information about the fund's investments, and aligning the values of the business and the scheme.

On member engagement, we got the scheme to commit to working with its members to run a series of lunchtime sessions to involve more members. These involved educating people about the current issues they face with their pensions – an easy step for a learning company!

Looking at information disclosure, the scheme has committed to disclose at least the names of the top 10 companies that the fund is invested in, and is hoping to do this by March. The scheme is also keen to learn about best practice and ShareAction staff will be providing support on transparency, accessibility of information and Responsible Investment policy.

Lastly, to align business and scheme values, a meeting between members of the scheme, the Director of the scheme and Pearson's Director of CSR is being arranged to discuss how an approach to responsible investment can be implemented.

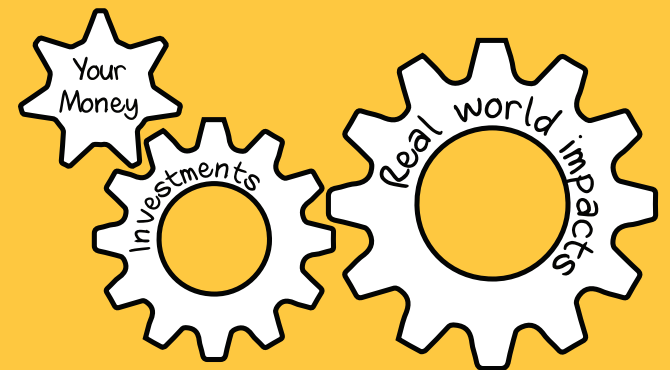
So, there's going to be lots to do and lots more for Pearson to learn in 2015! We're making good progress, though we're going to have to keep up the pressure!

## Level 3

# THE ISSUES YOU CAN INFLUENCE

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Your savings are part of £3 trillion of pensions managed through the investment system. When you influence the people within that system who manage your savings, you can create systemic change on a range of issues.



# ISSUE BRIEFING: ENGAGING SAVERS

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You've got all the power you need, now it's time to decide how best to use it. A first step might be to make sure your scheme is listening to its members.

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## I WANT MY PENSION FUND TO... LISTEN TO ITS MEMBERS

ShareAction has always championed the rights of savers. At the heart of our work is the belief that the people investing your money should be accountable to you. Rather than sending you an incomprehensible statement once a year and filling their websites with jargon, they should work to include and engage their savers at every level.

In the past, most people felt that their pensions were difficult to understand and best trusted to experts. Now, leading pension providers are recognising that being transparent about where your money is going, and what it is doing in the world, is the best way to hold on to your business. New technology also makes this more possible than ever before.

Better yet, empowering and involving savers in the investment process through techniques such as holding an annual general meeting for savers, having member-nominated trustees on pension boards, or surveying members on their non-financial investment views, are emerging as leading ways to ensure that pension savers feel truly engaged in their financial future.

There's more on this subject in our Our Money, Our Business report: <http://shareaction.org/wp-content/uploads/2016/01/OMOB.pdf>

### Recommendations for pension funds

- Tell savers where their money is invested - disclose a list of their major holdings on an annual basis and give savers the right to more information on request
- Tell savers why it is invested there and how they are taking environmental and social issues into account - disclose their investment policy, their annual voting records and company engagement reports
- Communicate this information effectively to savers
- Take members' views into account by actively seeking member views and using them to inform the development of investment policies – i.e. survey their views, set up a focus group and ensure that members are represented in their governance structures
- Hold an annual meeting for members to meet and question their trustees

## CASE STUDY: WYPF

The West Yorkshire Pension Fund (WYPF) is a good example of a pension fund which is making efforts to engage and involve its members. Firstly, it is open and transparent with its membership about where their money is being invested. It publishes a Responsible Investment policy, a list of the 100 top equity holdings, full voting records at company AGMs (with rationales for controversial votes) and detailed reports on company engagement.

The WYPF also provides opportunities for members to engage with its trustees and the key decision-makers. It holds an Annual Member Forum at which savers can ask questions and directly address the trustees on the issues that they are concerned about. In a final small but significant effort to engage members, the WYPF has a Facebook and Twitter page where members can read daily updates and get in touch.

# ISSUE BRIEFING: CLIMATE CHANGE

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This one's a hot topic. Members of many schemes have taken action on climate change, achieving considerable success along the way.

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## I WANT MY PENSION FUND TO... TAKE ACTION ON CLIMATE CHANGE

Many of us care deeply about the future of the planet, and want to live in a sustainable way that doesn't contribute to irreversible climate change. However, many of our pensions are invested in fossil fuel companies and other large corporations that do exactly that. Not only is this putting the planet at risk – there's also growing evidence that it's a risky investment practice, too.

ShareAction's Green Light campaign helps you unlock the power of your pension savings to tackle climate change and support the transition to a low carbon future. We also have a list of 21 things you can ask your pension fund to do around the Green Light campaign.

You can read in our Green Light report here: <http://shareaction.org/wp-content/uploads/2016/01/GreenLightReportSavers.pdf>

Key recommendations for pension funds:

- **Disclose:** Develop a climate policy, which might involve conducting an audit of the climate risk facing its portfolio, develop a climate action plan and communicate it to members.
- **Divert:** Set a target for increased investment in low carbon industries and disclose current investments.
- **Disrupt:** Challenge fossil fuel companies who are conducting exploration or expansion into new fossil fuel reserves
- **Divest:** divest from coal companies and offer savers a fossil-free fund.
- **Demand:** use their influence to lobby the government for ambitious climate regulation.

## CASE STUDY: EAPF

The Environment Agency Pension Fund (EAPF) is a great example of a pension fund taking climate change seriously and addressing the risk it poses to members' savings. The EAPF has an environmentally responsible investment strategy with a mission to use its investments to tackle climate change without damaging financial returns.

It has taken the following steps – and you could ask your pension fund to do something similar:

- It is one of the few funds in the UK to regularly undertake a carbon footprint of its portfolio. Portfolio footprints help investors to understand how exposed their holdings are to carbon risk, as well as identifying where carbon risk is concentrated. The EAPF is now working to reduce its carbon footprint and is annually assessing its progress.

# ISSUE BRIEFING: THE LIVING WAGE

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A fair day's work deserves a fair day's pay. We want to see companies pay their workers a wage they can live on with dignity. Here's how you can make sure they do just that.

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## I WANT MY PENSION FUND TO... SUPPORT FAIR PAY

Large publicly listed companies in the UK – such as retailers, supermarkets, banks, energy companies and transport companies – employ hundreds of thousands of people. Many of them are employed at the minimum wage rate, which in the UK today, often means people struggling to make ends meet and relying on benefits. For those of us that believe in a fair day's pay for a fair day's work, this isn't the kind of business practice we want our savings to support.

But companies listen to their major shareholders. And in the UK, that means pension funds. ShareAction set up a Living Wage Investor Collaborative which helps major pension funds combine their power and ask FTSE 100 companies to pay the Living Wage.

The Living Wage is calculated by independent analysts as the amount required to afford basic essentials such as food, clothes, and a place to live. It's currently set at £9.40 an hour in London, and at £8.25 in the rest of the UK. These rates were set in November 2015 and are updated annually.

It's higher than the official minimum wage, because it's calculated by how much people need to live on, not by how much the market can 'afford' to pay. But the Living Wage makes good business sense: companies that accredit as Living Wage employers see improved retention of staff, better morale and staff engagement, which leads to increased productivity, and they also reduce the business risk associated with negative headlines.

Since ShareAction began campaigning on the Living Wage in 2011, we've influenced 30 of the FTSE 100 companies—the biggest companies in Britain—to accredit as Living Wage employers. If you're interested to learn more about the Living Wage, we've created an in-depth investor briefing on the issue on our website: <http://shareaction.org/living-wage/>

Recommendations for pension funds:

- Sign up to Living Wage Investor Collaborative and engage with FTSE100 companies about becoming accredited Living Wage employers

## CASE STUDY: COLLABORATION

ShareAction brings together a number of individual pension funds – along with other investors – to encourage the largest publicly listed companies to adopt the UK Living Wage standard, ensuring that all their staff take home enough to make ends meet.

This initiative is an example of how powerful pension funds can be in pushing for change in corporate behaviour. Together, the pension funds have gotten 50 of the FTSE 100 to apply the Living Wage standard, including 30 fully accredited with the Living Wage Foundation. Many of the pensions are small investors in companies themselves, but when they are brought together they can have a powerful voice. It's also very simple to ask a pension fund to do as a member of the scheme. All they have to do is put their name down to a private letter - so it takes very little resource but has a big impact!

# APPENDICES

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# APPENDIX 1: ACTION PLAN

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Influencing the policies and practices of your pension fund is a big goal. A good plan will help you get there. These are some key questions for your Pension Power team to answer.

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1 | My title / role

5 | The important players involved

9 | The first person for me to have a meeting with is...

2 | Other people in my team

6 | Our logical plan...

10 | How we will communicate...

3 | Our purpose

7 | Our key arguments...

11 | How we will communicate with ShareAction...

4 | Our specific aim

8 | The next thing I need to do is...

12 | We are aiming to meet our pension scheme on...

# APPENDIX 2: TEMPLATE LETTER TO YOUR PENSION FUND

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Yes, some people still like to receive a letter. It's an amazing thing. Sharpen those quills! This is a template letter that you and your Pension Power team can send to the people managing your retirement savings.

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[Name]  
[Title]  
[Pension fund name]  
[Address]

[Date]

Dear [Name],

As members of the X pension fund, we are writing to request a meeting with you to discuss the scheme's policy on responsible investment and on communicating with members about the stewardship of companies in the scheme's portfolios.

We are aware of the value that meetings between trustees and members can have and hope you will be willing to meet with us. Members of a number of other pension schemes have recently held meetings with trustees and senior investment officers of their schemes to discuss similar themes, and this has encouraged us to get in contact with you for the same purpose. The charity, ShareAction, helped to facilitate those meetings and is similarly supporting us as members of the X scheme with a shared interest in responsible investment.

We look forward to hearing from you.

Yours sincerely,

[Your name, description of pension e.g. Member of the X Group Pension Plan]

[Your professional role]



# APPENDIX 3: EXAMPLE AGENDA FOR MEETING

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An hour can seem like an eternity if it's filled with awkward silences. The best way to avoid that and make sure you get what you and your Pension Power team want out of the meeting is to plan ahead. Here's a sample agenda. Make sure you and your team get through it all in that hour!

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Attending from pension fund:

- Head of Investment Strategy; Provider representative on Independent Governance Committee, Senior Fund Development Manager

Customers:

- Names

ShareAction:

- Names

1. Introductions – 3:30pm - Chair
  - Thank them for this meeting
  - Outline agenda: climate change and customer engagement.
  - Start by getting to know each other: Share one thing you're proud of in your career
2. Climate change – 3:45pm – Lead, Back-up
  - Key ask: Will they agree to deliver a 'climate risk assessment' and a corresponding climate action plan? Timescale.
3. Customer engagement – 4:10pm – Lead, Back-up
  - Key ask: Can we establish the principle that this pension fund should engage consistently and meaningfully with customers? Suggestions include an Annual Member Meeting, a survey and a member representative on the governance committee
4. Close and next steps – 4:25pm - Chair
  - Key ask: secure next meeting
  - Summarise any action points
  - Confirm next six monthly meeting

# APPENDIX 4: HELPFUL POINTERS FOR NEGOTIATION

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The people managing your retirement savings are used to speaking with other people who work in the investment system. They're not used to hearing from ordinary savers. They can easily slip into using excuses and language that they think will go over your head. Let's make sure that doesn't happen and everyone gets what they came for.

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Excuse... "all the power regarding specific investment decisions is with the investment managers"

"The investment of your pension savings is managed by our investment managers who have the discretion to manage these funds on our behalf. We expect our investment managers to make investment decisions taking into account all relevant factors. We run two ethical funds if you are interested in moving to one of those."

How you can respond:

Yes, we respect that our investment managers should have responsibility and control on day-to-day decisions. However, you get to appoint the investment managers and decide the framework in which they operate. You have the power to set the strategy that they follow.

Excuse... "we're already doing so much to address climate change risk"

"We are signatories to the UNPRI, signatories to the Carbon Disclosure Project, members of the Institutional Investors Group on Climate Change and our new building has LED lighting. Our CEO has spoken at 3 climate change conferences this year and takes this issue very seriously."

How you can respond:

It's great that you've made progress on this issue and are taking it seriously. It would be great to see specific action in terms of our investments to reduce their impact on climate change. Can you set positive targets to reduce our fossil fuel holdings, divest from coal, invest in renewable technologies?

Excuse... "we have to act in the interests of all our members"

"The trustees have considered our policy on investing ethically a number of times in recent years. The conclusion from our legal advice was that there is an obligation on pension funds to act in the interests of all their members. The range of views among our members would make it impossible for us to take action on any one moral viewpoint."

How you can respond:

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Yes, it's important that all members' views are considered. An increasing number of pension schemes have committed to survey their members on their key views, in order to give them a basis for making such decisions. Would you be happy to do the same?

### Excuse... "we have to ensure a financial return by law"

"Our primary aim must be to ensure full retirement income for all our members – so financial returns are primary and must be by law. We have worked with our investment managers to create a range of funds which have the necessary risk-return profile to fulfil our legal duty."

How you can respond:

The Law Commission's advice last year recommended that trustees of pension schemes are free to consider all factors which affect the financial performance of a fund, such as ESG and macroeconomic issues. In addition, investing in non-fossil fuel companies would have delivered a better return for us in recent years. Last year the Fossil Free Indexes US (FFIUS), a stock market index excluding top fossil fuel companies outperformed the S&P 500 by 1.5%.

### Excuse... "involving people would be very expensive"

"Surveying our members and holding an Annual Member Meeting sounds very expensive, we want to keep admin fees down, for the benefit of all our members. We pass on all information our members already raise to our investment managers and expect them to make an informed decision."

How you can respond:

From our experience with other schemes, better involving people isn't very expensive and really improves their relationship with pension scheme staff. This could improve the motivation and productivity of your staff, actually saving you money.

### Excuse... "responsible investment is very complicated"

"It's very complicated. We are in the process of reviewing our RI policy. We hope to have a final version available by early next year and can come back to you then."

How you can respond:

The Environment Agency have just released a guide for implementing responsible investment, we can share this with you and could offer more support from our expertise at ShareAction. Our experience is that once you get started it becomes much easier. How about a first step to support spreading progress on Living Wage?

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Visit <https://shareaction.org/pension-power/> for more resources on how to transform the investment system into a force for good, including on AGM (annual general meetings) activism and on the rules and regulations that govern the investment system.

**ShareAction»**

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