

## Hear the workers voice on their pensions

Public service workers call for ethical investments by pension funds

### Summary

**The Local Government Pension Scheme in Scotland holds assets worth over £46 billion.** “Fiduciary duty” requires that the primary purpose of investing those assets is to generate a return to pay the pensions of the workers. However, within that, pension funds have got wide scope to determine their investment strategy. Some investments will be low risk, with a low return. Some will be higher risk with potentially higher returns. There is a sound financial case for ethics to play a role in investments. Investments in ethically dubious companies can be at risk from regulatory change. Likewise, investments in fossil fuel-based companies are at risk of becoming “stranded assets”, if governments move to reduce reliance on carbon-based energy.

Pensions are workers’ deferred wages, and it is right that pension funds listen to those workers about their investments, and on other matters too. Workers currently have a limited voice in the LGPS through seats on the Scottish Scheme Advisory Board (SAB), and 11 local pension fund boards, on which half of the seats are reserved for trade union representatives. These local boards review their fund’s funding strategy, performance and administration, and monitor investments and investment principles. **But none of the 11 LGPS funds in Scotland have yet directly asked their members their views.** So, UNISON, the biggest trade union in Scotland, asked our members in the LGPS what they thought. Nearly **6,000 responded**, an astonishingly high number, and their views were stark.

- **88%** said that they wanted ethical issues taking into account in where their pensions were invested, and
- **47%** of these felt this strongly.
  
- **83%** said they wanted fossil fuel issues taken into account in where their pensions were invested, and
- **42%** of these felt this strongly
  
- **63%** wanted to be consulted by their pension fund about its investment principles, and only
- **10%** did not

**This survey is a call to action for Local Government Pension Funds to allow the voices of their 400,000-plus members to be heard, and to make a detailed assessment of the regulatory and climate risks to their investments.**

## Full survey results

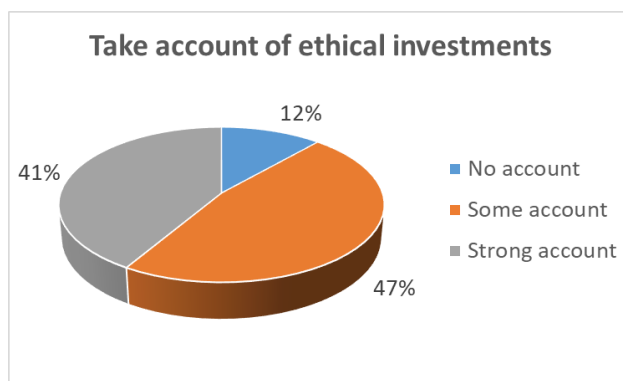
### Responses and methodology

The survey was online, with UNISON members in the LGPS (Scotland) contacted by email. 5,802 unique responses were received that were confirmed as UNISON members eligible to be in the LGPS.

### Your pension fund's investments

#### 1. Would you like your Pension Fund to take account of ethical issues in choosing how to invest?

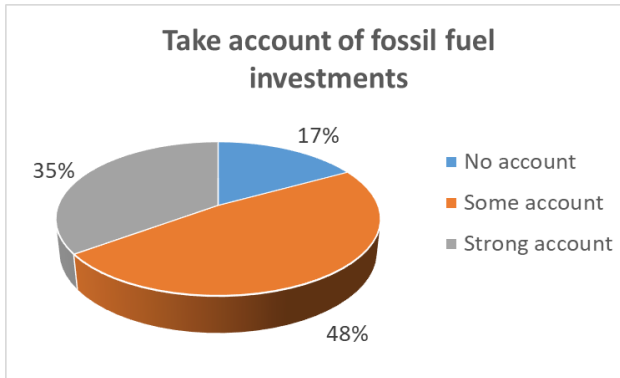
Take no account	12%
Take some account	47%
Take strong account	41%



It is clear that members of the Local Government Pension Scheme feel strongly about how the funds to pay their pension are invested. There will clearly be a range of views on what "ethical" means, but it is generally important to these workers who are employed providing services to the public. Some Pension Funds argue that "Fiduciary Duty" means that they cannot take ethics into account, but they just have to get the highest returns. However unethical investments are often at higher risk of regulatory changes, and the workers are saying that that the investment strategy should take this into account.

**2. Would you like your Pension Fund to take account of fossil fuel issues in choosing how to invest?**

Take no account	17%
Take some account	48%
Take strong account	35%



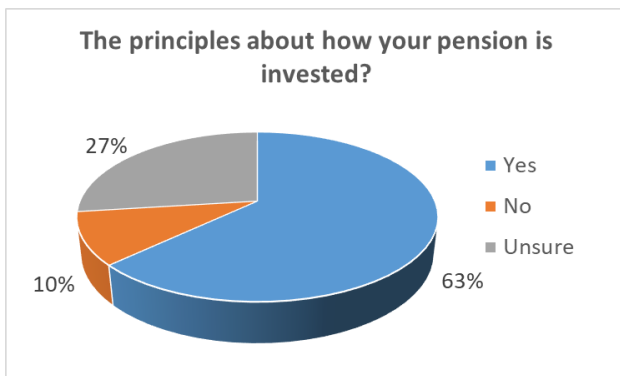
More than four-in-five workers also specifically feel that how their “deferred wages” (their pension contributions) are invested should take account of climate change issues. The Climate Change (Scotland) Act 2009 requires public bodies to have strategies for climate change mitigation, adaptation, and to act sustainably. The huge amounts of money that Pension Funds invest mean they can affect the attitude to climate friendly policies of companies they invest in. With governmental action on Climate Change being stepped up as part of the COP26 agreements, fossil fuel investments are at risk of becoming “stranded assets”.

**About workers having a voice**

**3. “Would you like to be consulted on ...?”**

The principles about how your pension is invested?

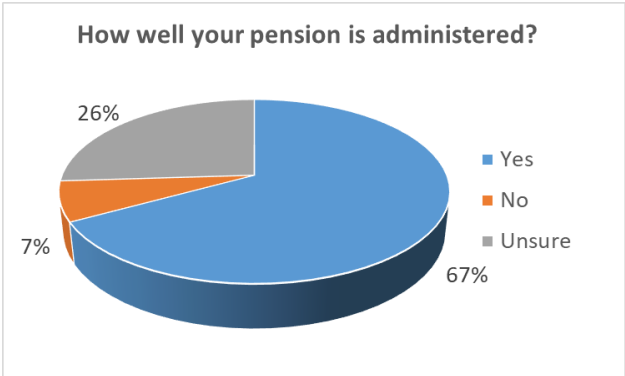
Yes	63%
No	10%
Unsure	27%



Currently, none of the eleven Local Government Pension Funds in Scotland consult the scheme members on how their funds are invested. It is clear that scheme members feel strongly about ethical and climate issues, and there is a desire to have their views taken into account. Only one-in-ten have no interest in this.

How well your pension is administered?

Yes	67%
No	7%
Unsure	26%



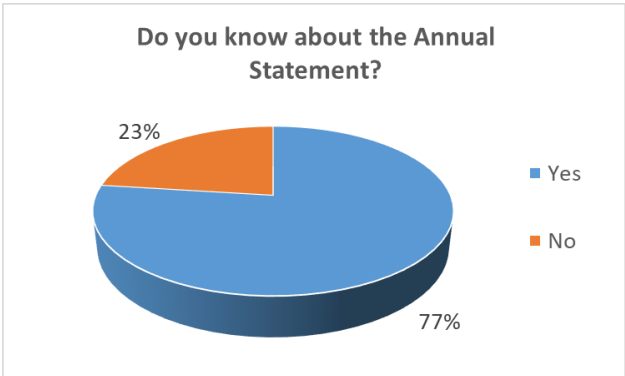
Pension Funds administer pension contributions and payments. They also (in conjunction with employers) provide advice on the impact of early retirement, ill-health retirement, and other issues affect workers' pensions. Although there are requirements about the payment of pensions and issuing of annual pension statements, there is a desire for more consultation on pension administration.

About basic information

**4. About your annual statement**

Do you know about the Annual Statement?

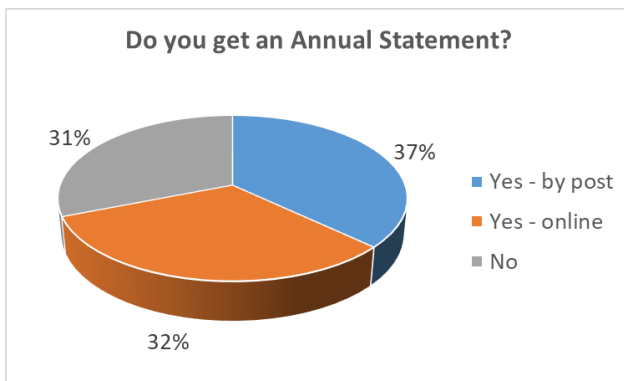
Yes	77%
No	23%



The pension statement shows the benefits built up and an idea of the pension which would be paid at the normal pension age. These are issued annually by Pension Funds. Given that pensions are a major benefit of working in public services, it is concerning that nearly a quarter of workers are unaware of them and might show a need for more education around pensions.

**Do you get an Annual Statement?**

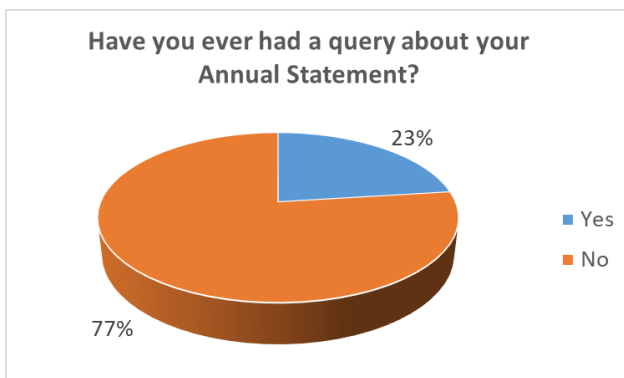
Yes - by post	37%
Yes - online	32%
No	31%



Previously, annual pensions statements would have been posted to all members. However, in recent years there has been a move to email them out, and even just make them available online. With this move to digital information, it is very concerning that over three-in-ten respondents say they don't get a statement. This indicates that the move to digital is disenfranchising some pension scheme members. Information held by Pension Funds may be out-of-date, or the digital delivery may have other problems.

**Have you ever had a query about your Annual Statement?**

Yes	23%
No	77%



Almost a quarter of members had a query about their annual statement. This highlights the importance of the information contained in these statements. The specific will vary, but we know questions have been asked about the information on statements, especially if workers change jobs and their pension is more complex, and about the estimated final pension as workers plan for retirement.

## About your representatives' priorities

### 5. What should your UNISON representatives on LGPS boards top priorities be?

(Weighted results)

Issue	Highest priority
Making sure your pension is properly invested	68%
Telling you about any changes to your pension	59%
Getting a quick reply to any queries you have	51%
Keep you in touch with what's happening	39%



Each of the eleven Local Government Pension Scheme Funds has a Board, which is made up of equal numbers of employer and trade union representatives. These hold Pension Funds to account, and scrutinise their strategies and the administration of pensions. Trade Union representatives are supported and advised by democratic structures from their own unions, but this survey also indicates priorities from scheme members.