

Response to Pension Chair 03/06/20

Dear Councillor Perkins

Thanks for your response of 28 May below to our joint email on divestment and transparency of the Derbyshire Pension Fund.

We would like to come back on a few points as follows.

Divestment

1. We are seriously concerned at the fact that the committee and its advisors think that pension funds will have any relevance in a 4C 'scenario'. A 1.5C warming scenario has already very severe impacts (70-90% coral reefs will be lost), while 2C warming is extreme. As we pointed out in our original letter, in a 2°C scenario all the UK's major ports will be below sea level in 2050!

A [report by the World Bank](#) describes heating of 4C as “a frightening world of increased risks and global instability” while others have suggested it is the ‘[stuff of nightmares](#)’. With all respect we would like to suggest that all members of the committee and its advisors undergo carbon literacy training so that they are fully briefed on the likely consequences of climate change.

We agree that other investments are also at risk from climate change, not just fossil fuels, but the risks of climate change are on an existential scale, which the tone of your letter does not seem to appreciate.

2. We do not understand your statement "*the energy sector is expected to play a significant role in the long term decarbonisation of the global economy*". The fossil fuel companies have certainly played a significant role in the contribution to climate change, and have consistently lobbied and undermined efforts to address climate change. All the evidence suggests that the fossil fuel industry have no intention of changing their fundamental business model with many continuing to explore and extract fossil fuels. Our original email points out even more progressive companies like BP still continues to invest only 3% of capex in renewables. This is 2020, over twenty years since the Kyoto protocol, 5 years after the Paris climate agreement. There is no longer any reason to make excuses for the fossil fuel industry.

3. We take issue with your statement "*There is considerable uncertainty in the crystallisation pathway for climate risk and considerable difficulties in estimating the exact timing and severity of the physical effects of climate change*". There is uncertainty in all areas of investment but this doesn't stop the Committee making an informed decision based on the best possible evidence. There is overwhelming evidence from scientists about the risks of climate change which are already upon us, and mounting evidence from financial experts about the continued risks of fossil fuel investments.

4. We welcome the news that the Fund has around £100 million invested in renewable energy companies with a further £50 million to be invested. We look forward to the removal

of £200 million in fossil fuels to enable you to make further investments in renewables or other climate friendly investments.

Transparency

5. Your email states that the Fund will consult with members on the Climate Strategy “*as they are consulted on any material change to the Fund’s Investment Strategy Statement (ISS)*”. We take issue with the term ‘consultation’ in this context as simply advertising the consultation on the Fund’s webpage, buried deep on the Council’s website, does not constitute meaningful consultation. When the Fund consulted on the ISS in 2017 we recall there was only one response (our own response was submitted too late to be considered). At that point we offered to help promote the next consultation. At the next consultation on the ISS, in 2018, there were a handful of responses – most of them from our own members. Those responses were ignored. The Derbyshire Pensioners Action Group suggested at a meeting in November 2019 that the Fund could send out a consultation with its annual statement. This was ignored. In three years the Pension Fund has had plenty of time to give members a proper say on divestment and its investment strategy but has chosen not to do so.

6. Your email notes that it will set up a member self service portal in October. It is not clear why there is such a delay given that it is three years since the Fund was made aware of its failed consultation process. Similarly it is not clear why you are not going to consider the Climate Strategy and Climate Stewardship Plan until September, for a report which was due in September 2019, and which was made available to you in early 2020? Surely this should be a high priority in view of the current situation and climate emergency?

7. The Derbyshire Pension Scheme has shown a serious lack of transparency and communication with members of the fund, which we believe is in breach of their responsibilities. The Derbyshire Pension Fund and the Local Government Pension Scheme Central are both signed up to the Myners Principles. Principle 6 on Transparency and Reporting states clearly that pension funds should give clear and relevant communication to members :

- Trustees should act in a transparent manner, communication with stakeholders on issues relating to their management of investment, it’s governance and risks

8. The Law Commission has also urged communication with members of pension funds. The current website does not address our concerns about transparency, communication and consultation with members, as no meaningful consultation has ever taken place.

We hope that you will reconsider the timing of the portal and discussion of the climate strategy and give due regard to the need for carbon literacy training.

Thank you

Best regards

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On behalf of the Derbyshire Pensioners Action Group

Lisa Hopkinson
On behalf of the Divest Derbyshire campaign