

Question

Is the IW Council aware that a significant part of its Pension Fund is invested in Fossil Fuels and how does this fit with an Island where environment is a key part of our identity and ethos?

Other local authorities have found the need to have synergy with its environment policy on climate change and its investment policy which has resulted in disinvesting its pension funds from investment in fossil fuels. Is it possible for IW Council to consider a request to disinvest in Fossil fuels as part of its commitment to combat climate change?

Answer

Further to recent local press coverage, and emails which some of you may have received, please see below a briefing note for your information.

The Isle of Wight Council, is administering authority for the Isle of Wight Pension Fund, part of the Local Government Pension Scheme (LGPS).

At 31 March 2017, there were over 15,000 members of the pension fund (currently employed, formerly employed but not retired, and retired). Those 15,000 members come from 30 separate island employers, in addition to the Council.

The Council invests the contributions from employees and the employer, which make up the total employees' pension entitlement, on behalf of its members. They are not investments of and for the Council, rather they are investments of the members in order to provide for their future pension.

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. Pensions and benefits will be met by contributions, asset returns and income.

The Pension Fund has a fiduciary duty is to ensure it has sufficient funds available to pay pensions. In light of that obligation, and in order to maximise investment return, the Fund has a diverse range of investments and does not restrict investment managers from choosing certain stocks including oil/gas/coal companies as well as renewable energy opportunities.

In the year ended 31 March 2017, over £20 million was paid out in pension benefits.

As at 31 March 2017, the Pension Fund had a total investment asset portfolio of £559.6 million, which is invested through four investment managers, in accordance with its published Investment Strategy Statement. The total amount invested in fossil fuels was approximately £27 million (4.8% of the fund)

At 30 September 2017, total assets were £574.2 million, of which fossil fuels were approximately £26 million (4.5%)

The Fund's current Environmental, Social and Governance (ESG) policy, included within the Investment Strategy Statement, is to delegate to Investment Managers to act within their own published ESG guidelines. This is monitored periodically by the pension fund committee.

The Committee's work plan for the next 12 months includes a review of its Environmental, Social and Governance policy, including a comparison against the UK Stewardship Code and draft guidance on Responsible Investment from the National LGPS Scheme Advisory Board.