

HOW RESPONSIBLE IS YOUR PENSION?

EIRiS

ETHICAL INVESTMENT RESEARCH SERVICE

SRI: HOW RESPONSIBLE IS YOUR PENSION?

EIRIS was established in 1983 with the help of a group of churches and charities that wanted to put their principles into practice in relation to their investments. It was the first UK provider of ethical/socially responsible investment research and has grown significantly over the last 20 years.

EIRIS, along with its international research partners, provides social, environmental and ethical data on companies across the globe. Over the years, the organisation has produced a wealth of information on various aspects of SRI (see www.eiris.org).

EIRIS does not promote one particular view on social, environmental and ethical issues. Instead it provides independent research that allows investors to make their own responsible investment decisions.

During winter 2002/3, EIRIS undertook a study of the largest 250 UK occupational pension funds by capital value. It wanted to provide information for pension scheme members wishing to ascertain whether, and how, their fund is taking on ethical/socially responsible investment (SRI). This is the first study to publish specific responses from pension funds. For the first time pension scheme members can see how their fund has responded to questions related to SRI. The responses of the pension funds can be found at www.eiris.org

By using this guide in conjunction with the website, you will be able to build up a comprehensive picture of what is happening in the world of pensions and how you can play an active role in its evolution.

Throughout the guide you will see boxes highlighting some of the key findings of the study. If your pension fund falls within the top 250, look on www.eiris.org to see if it has responded to the EIRIS study. If it has not, consider using your influence as a scheme member to encourage the fund to disclose the information you need.

This guide focuses on socially responsible investment in relation to occupational pension schemes. It also refers to personal and stakeholder pensions and provides an update on developments since the UK pensions disclosure regulations were introduced in 2000. There is also a summary of the results of the EIRIS pensions study.

The guide explains what action you can take as a scheme member to encourage your pension fund to adopt or strengthen its SRI policy. This includes where to get relevant information and support, questions to ask to identify your pension fund's position on SRI, and action points to encourage your fund to pursue SRI strategies. A handy assessment form will help you establish your pension fund's commitment to SRI. The Basics offers a brief overview of the different types of pension options, and how you can get involved even if you do not belong to an occupational pension scheme. Finally, there are some useful references for further information.

EIRIS welcomes feedback on this guide and the website so we can continue to provide relevant, useful and objective information and advice. Please email pensions@eiris.org with your comments or write to **The Public Information & Advice Manager at EIRIS, 80-84 Bondway, London SW8 1SF**

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90% of the funds that responded said their **Statement of Investment Principles (SIP)** confirms that their investment strategy takes account of social, environmental or ethical considerations

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WHY SHOULD I CARE?

As a member of a pension scheme – whether occupational, stakeholder or personal – you are also a shareholder of the companies in which your scheme chooses to invest. Your pension scheme buys shares on your behalf with the contributions you (and your employer) make. There is growing recognition that the social and environmental performance of a company can affect its risk profile and reputation, and hence the value of its shares and business prospects. Influencing the investment policies of your scheme can therefore be a major opportunity to affect the behaviour of these companies.

Showing an interest in any aspect of your fund helps to ensure the trustees, investment managers and administrators are accountable to the pension scheme members. It can encourage attentive investment selection, reduce the risk of poor decisions and may improve the fund's chances of good investment growth in line with members' principles. This is an important consideration in a world where we are living longer, and where fears are already high that current pension provision might not be enough to cover our future needs.

The pensions industry is by far the biggest UK investment vehicle with around £1,100 billion invested in UK personal and occupational pension funds. Occupational pension funds are the largest group of shareowners, controlling an estimated £800 billion of the UK stock market. Currently there are 10.3 million members of occupational schemes and 11 million holders of personal pensions.*

This substantial share-ownership, and the power to buy and sell shares, gives pension funds a great deal of influence over companies. Owning even a small part of a company gives you a legal say in how that company should be run. Logically, the greater the part (or sum of parts) you (and others) own, the stronger your voice should be. So pension funds, with this influential "voice", have a unique opportunity to be leaders in encouraging greater corporate social responsibility. By adopting ethical/socially responsible investment practices, pension funds can make a significant contribution towards persuading companies to improve their social, environmental and ethical behaviour.

Since July 2000, all UK occupational pension funds have had to disclose in their Statement of Investment Principles (SIP) whether or not they incorporate any social, environmental or ethical assessment into their investment strategies – in other words, whether they operate some form of ethical or socially responsible investment policy.

The law says pension fund trustees must state:

- (a) "the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments", and
- (b) "their policy (if any) directing the exercise of rights (including voting rights) attached to investments".

SRI – POSSIBLE POLICY APPROACHES

Three main strategies are used, either individually or in combination:

i) Screening: negative screening rules out certain sectors or activities, such as the arms trade or tobacco. Positive screening involves the selection of companies for favourable conduct, such as good environmental management

ii) Preference: social, environmental and/or ethical investment guidelines are applied only when all other factors, such as financial criteria, are equal.

iii) Engagement and Shareholder activism: investment managers (or trustees) have constructive dialogue with companies to encourage improvements and best practice in their social, environmental and ethical performance. This could go as far as funds using their voting power at company annual general meetings to support (or put forward) shareholder resolutions on such topics. Engagement and shareholder activism can co-exist with preference and screening approaches.

* Sources: A simpler way to better pensions, Alan Pickering July 2002; Investment Education plc 2002

THE BACKGROUND

Before the government required pension funds to disclose any ethical investment policies they may have, EIRIS research showed that 77 per cent of pension scheme members thought their funds should follow some form of ethical criteria, if this could be done without reducing financial returns. More recently, 62 per cent of senior managers surveyed by the Ashridge Centre for Business and Society, thought their pension funds should use social and environmental criteria in forming investment decisions.

Members of Parliament are lobbying to get their own parliamentary pension fund trustees to set ethical criteria for investments. In April 2002, Dr Nick Palmer MP proposed an Early Day Motion in the House of Commons for MPs' pension fund trustees to look into applying ethical investment criteria, following news that MPs' pension funds included holdings in tobacco and arms exporters.

Soon after the disclosure regulation came into force, both the UK Social Investment Forum (UKSIF), which promotes socially responsible investment (SRI), and campaign group Friends of the Earth carried out separate surveys to gauge the response of occupational pension funds.

UKSIF, in its survey of the top 500 funds, concluded most respondents were incorporating SRI into their investment strategy, either by engagement or by specific request to the investment manager. Similarly, most of the FoE survey respondents said their SIPs referred to ethics or corporate social responsibility. However FoE, which surveyed 100 funds, concluded: "While most funds included SRI in their investment principles, many had few or no demonstrable accountability mechanisms for trustees to ensure that the investment managers were taking SRI considerations into account when making investment decisions". In other words, it is one thing to say you incorporate SRI into your fund's investment strategy, but quite another to implement this policy. Both surveys highlighted the lack of monitoring of investment managers' SRI performance.

Two years later Just Pensions, the project to encourage SRI in the pensions' industry, interviewed 14 top pension funds managing 20% (£170bn) by value of assets held in UK pension funds. It found that most good practice was concentrated in a small number of funds. However in January 2003, Just Pensions released the findings of a survey of 101 member-nominated pension fund trustees which explored their views on the social and environmental performance of companies. Eighty-five per cent of respondents believed pension fund activism will lead at least to some, if not a substantial, improvement in the way companies manage their social and environmental impacts and risks within ten years.

A GLOBAL PICTURE

Around the world, more and more governments have followed the UK example and passed laws and regulations that require pension schemes to disclose their position on ethical investment. Lobbying has taken place at the European level for the European Commission to include a requirement for disclosure of social, environmental and/or ethical considerations in the proposed Institutions of Occupational Retirement Provision directive.
www.eurosif.org

Some highlights:

August 2001 the Australian government passes an amendment to its Financial Services Reform Bill to require super funds (Australia's equivalent to pension schemes) and investment managers to disclose their policy on ethical investment.

July 2002 the Swedish AP-7 fund, the default pension fund for Swedish nationals who do not make a specific choice, hits the headlines when it drops 28 companies from its investment portfolio because it considers they have poor human rights and environmental practices. The Swedish National Pension Funds Government Bill goes a step further than the UK equivalent, stating "investment activities shall take environmental and ethical considerations into account without lowering the overall objective of a high return".

August 2002 disclosure regulations following the British example come into effect in Germany. They apply to both occupational pension funds and private pension schemes.

Nov/Dec 2002 Europe's largest pension fund, the ABP fund for Dutch civil servants, sets up its own SRI fund.

Two-thirds of those funds with a socially responsible investment principle in their SIP have included this principle in the investment management agreement with the fund's investment managers

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The top 250 UK pension funds

Towards the end of 2002, EIRIS carried out a study of the top 250 UK pension funds by capital value to provide fund information for scheme members as well as summary research data. It was explained that participants would be identified along with other pension funds in the study, and they could decide whether to respond or not.

At the time of publication, over 70 pension funds had provided a questionnaire response. Of the funds that did respond, 60 per cent were from the private sector and the rest from the public sector (local authorities and public agencies). The overall response rate from the public sector was 48 per cent, compared with 23 per cent for the private sector.

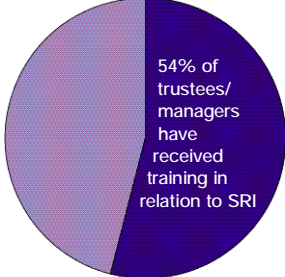
Seventy-seven per cent of responding funds had not consulted their members on incorporating social, environmental and/or ethical issues into the fund's investment strategy.

EIRIS asked questions designed to provide practical evidence of the extent to which funds have incorporated SRI into their investment strategy. The answers EIRIS has gathered could help you when using the self-assessment form on pages six to seven. Specific pension fund responses, investment manager details and fund values are at www.eiris.org

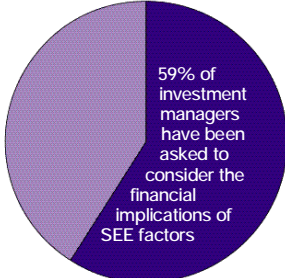
WHAT EIRIS FOUND

90% of funds state in their Statement of Investment Principles that they consider social, environmental or ethical (SEE) issues in their investment strategy.

Of these:

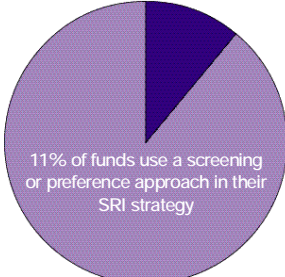


59% of funds consider SRI experience and performance when appointing or re-appointing investment managers



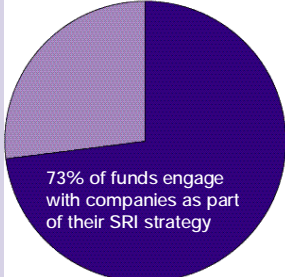
54% of the funds' pensions managers/trustees have received training on incorporating SEE issues into investment strategy

59% have asked their investment managers to consider the financial implications of SEE factors when assessing the risk and returns of each company



11% undertake some form of screening and/or preference weighting in relation to SEE issues

74% of public sector funds disclose voting practices compared to 47% in the private sector



73% engage with companies. Of these:
46% have written guidelines for engagement
80% ask for regular reports on engagement activities
87% exercise voting rights on SEE grounds

HOW COMMITTED IS MY PENSION FUND TO SOCIALLY RESPONSIBLE INVESTMENT?

These two pages will help you to assess your pension fund’s approach to SRI, assuming that the fund has stated in its Statement of Investment Principles that it takes account of social, environmental and/or ethical (SEE) factors. There are six sections. In each section we outline approaches that a pension fund might take. Where levels

are indicated, it is assumed that all previous levels have been addressed. So, for example, Level 3 assumes that your pension fund has already adopted all measures in Levels 1 to 2. If your pension fund is one of the UK’s biggest, you may find relevant information in EIRIS’s online database at www.eiris.org

Processes	
Asking questions about how your fund is carrying out its commitment to SRI is an important part of ensuring an SRI policy is being implemented. Some fundamentals are given here	Tick all levels that apply to your fund, adding comments where necessary
Investment management agreement: Has the fund’s Statement of Investment Principles on SRI been filtered down into the investment management agreement between the trustees and the investment managers?	
Disclosure 1: Are you as a member kept informed of SRI activity undertaken on your behalf? If so, how?	
Disclosure 2: Does the fund disclose how it votes on companies’ social or environmental shareholder resolutions?	
Consultation: Pension fund trustees act on behalf of the members – that is, you as a pension scheme member or beneficiary. As a stakeholder, have you been asked for your opinion with regards to SRI?	
Expertise: Do the trustees actively recruit professionals with experience of incorporating SEE issues into the normal investment selection process?	
Resources: To be able to undertake SRI, the fund must have access to research on the social, environmental and ethical behaviour of the companies it invests in (or is considering for investment). Does the fund have access to such research, either through internal resources or through external research providers? Do the relevant investment managers have access to such resources?	
Monitoring: A fund may have a substantial SRI policy that is severely weakened if there is no mechanism to monitor and report on the policy’s implementation and progress. For example, are there clear progress indicators on which the investment managers have to report regularly?	
SEE factors & financial assessment	
It is standard practice for trustees of a pension fund to delegate the day-to-day management and investment dealings of the fund to actuaries, investment managers, consultants and other professionals. A pension fund that is committed to SRI would then instruct these professionals, who may work in-house, to incorporate SRI into their management and investment processes	Tick the level that applies to your fund, adding comments where necessary
Level 1 Trustees request the investment managers take social, environmental and/or ethical factors into account when making financial assessments of companies for investment, but may not check how this is done or indeed whether it actually takes place	
Level 2 Trustees request regular reports from the investment managers outlining how they are incorporating SEE factors into the normal investment selection process	

Engagement	
An engagement strategy identifies areas where companies can improve their record on social, environmental and ethical (SEE) issues and encourages them, in various ways, to make and sustain improvements in those areas. There are various levels of engagement that a pension fund might incorporate into its investment strategy. For example:	Tick the level that applies to your fund, adding comments where necessary
Level 1 Trustees outline a commitment in principle and request the investment manager to adopt the principle but there are no guidelines outlining priorities and objectives	
Level 2 There is support for the principle of engagement with some clear guidelines about the issues to focus on, and what the fund wants to achieve through its contact with companies	
Level 3 Engagement activity is monitored and reported on, with implementation across ALL the fund's holdings (including non-UK companies)	
Voting & Shareholder Resolutions	
As a tool of engagement a fund might use its voting rights at a company's AGM to encourage better social, environmental and ethical behaviour. The Association of British Insurers has recognised the importance of SEE factors in the overall governance and risk management of companies	Tick the level that applies to your fund, adding comments where necessary
Level 1 The fund has a corporate governance policy which incorporates SEE factors	
Level 2 The fund uses its votes in favour of improved behaviour. E.g., the fund may vote against adopting the company's annual report if certain ethical standards have not been met	
Level 3 The fund files shareholder resolutions that ask a company to improve its social, environmental or ethical performance	
Screening	
A fund with an SRI policy may refer to screening out certain types of companies on ethical grounds (for example, because they make weapons), or require an investment to meet conditions before investment is considered. Implementation of a screening policy may take a number of forms. For example, a fund may allocate a proportion of its assets to a specific ethical/SRI fund, or it may offer its members an ethical investing option through Additional Voluntary Contributions (see page ten)	Tick the level that applies to your fund, adding comments where necessary
Level 1 There is a screening policy. The "screening" references may be with or without conditions, financial or otherwise. (The policy applies to part or all of the fund)	
Level 2 There is clarity about the criteria that determine what types of companies will be avoided (negative screening) and/or what is required before an investment can be made (positive screening). At this level, the policy may also apply to part or all of the fund	
Level 3 The screening policy applies to all of the fund	
Preference	
As well as – or instead of – screening, a pension fund can adopt SEE standards that they would prefer companies to meet when all other things are equal	Tick the level that applies to your fund, adding comments where necessary.
Level 1 There is a reference in principle that the fund would prefer to invest in stocks which perform better on SEE grounds, when this can be done either without affecting financial prospects or where it might benefit the fund financially	
Level 2 There is clarity about a) how the ethical performance of companies is assessed and b) how these "preference" conditions are applied when investment managers select the stocks	

QUESTIONS TO ASK PENSION FUNDS WITH AN SRI POLICY

- | How do they monitor companies' ethical conduct?
- | If the fund engages with companies over social, environmental or ethical conduct, how does this take place? How regularly?
- | How often do the investment managers report to trustees on SRI progress, if indeed they do?
- | How do the trustees monitor the fund's adherence to its SRI policy?
- | Will the fund divest from companies that fail its SRI standards?
- | What social or environmental shareholder resolutions has the fund supported or initiated?
- | How might the current SRI policy develop over time?
- | If the fund is a pension scheme of a company with social, environmental and ethical policies, are the same criteria applied to the fund's investment selections? If not, might this be considered?
- | If the fund has an AVC scheme (see page ten), does its ethical or SRI policy also apply to investments made in that scheme, or does it offer an ethical AVC option?
- | Encourage other scheme members that you know at work, or can reach through a newsletter or your union, to ask these questions.

77% of the responding funds **did not consult** their scheme members on incorporating SEE issues into the funds' investment strategies

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TAKING ACTION

ONE: Identify your concerns

Before investigating where your pension scheme/provider stands on socially responsible investment (SRI), it is a good idea to identify your ethical concerns – they could be socially and/or environmentally orientated. A survey carried out for EIRIS by NOP Solutions in June 1999 found that the main areas of corporate activity that pension scheme members would object to their fund investing in were: operations in oppressive regimes, breaking environmental regulations, and testing products on animals.

TWO: Get information and ask questions

As a member of a pension scheme, whether as a contributor or as a beneficiary, you have a right to know what policies are being pursued and to question trustees about the decisions they make on your behalf. Here are things you can do:

- | Get a copy of the Statement of Investment Principles to establish the fund's policy intention with regards to SRI
- | If you belong to one of the biggest UK pension funds, look at www.eiris.org to see if your fund participated in the EIRIS study. Even if your fund did not respond, www.eiris.org lists the investment managers for the top 250 funds by capital value
- | If the fund does not incorporate SRI into its investment strategy, contact the trustees and find out why not. Refer them to organisations such as EIRIS, Just Pensions and UKSIF which can help pension funds develop SRI strategies
- | Find out who the investment managers are and check their SRI credentials. What SRI experience do they have (including on engagement)? Do they manage SRI funds? What is the organisation's approach to corporate social responsibility? Look at their websites and marketing literature and talk to them directly
- | If the fund does incorporate SRI into its investment strategy, ascertain the depth and breadth of the policy; see pages six and seven to help you establish how committed your pension fund is to SRI
- | Ask questions of the trustees and pension managers. Some suggestions of questions you could ask are shown in the box (left).

59% of the responding funds have asked their investment managers to consider the **financial implications of SEE factors** when assessing risk and returns of each company. Over **60%** of these receive **regular reports** on how this assessment/selection process is undertaken

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THREE: Combine your efforts

Sometimes pension fund members are invited by independent campaigns to lobby their funds for support in applying shareholder influence to improve companies' conduct. For example:

- | Fair Share helps pension scheme members (individuals and groups) to lobby their funds. This campaign organisation seeks to convince pension funds to develop SRI policies that reflect the concerns of their members. Fair Share builds on the work of People and Planet's Ethics for USS campaign (see www.ethicsforuss.org) and War on Want's Invest in Freedom campaign (see below). Fair Share is a recent addition to the SRI world. www.fair-share.org.uk
- | Amnesty International, the human rights group, seeks to persuade pension funds to pursue investment policies that also support human rights. It encourages pension fund members to join them in lobbying the trustees and investment managers. Its booklet *Pensions, Protecting your Future ... and Theirs?* tells you how. It also publishes *Human Rights Guidelines for Pension Fund Trustees*. www.amnesty.org.uk/business/campaigns/sri.shtml 020 7413 5500
- | The Campaign against the Arms Trade seeks the reduction and ultimate abolition of the international arms trade and the UK's role as an arms exporter. Its Clean Investment Campaign challenges selected organisations including pension funds, local authority funds, trade unions and even charities that have shareholdings in arms exporters, to divest these holdings. Each year CAAT publishes lists of organisations to lobby. www.caat.org.uk 020 7281 0297
- | Friends of the Earth as part of its campaign work asks people to use their "investor power" to influence companies. 020 7490 1555, www.foe.org.uk/campaigns/corporates/resources/investors.html
- | War on Want's Invest in Freedom campaign targets multinationals and their labour standards in developing countries. WoW urges people to lobby their pension funds to use their significant shareholder influence to ensure these multinationals address the issues. In 2002, the campaign began working with the Communications Workers Union to persuade the communications firms BT and Consignia to review their pension funds' investment strategies and help alleviate poverty in developing countries. www.waronwant.org 020 7620 1111

FOUR: Become a pension fund trustee

Trustees are legally responsible for the pension scheme and how well it is administered. Their task includes ensuring that the "sponsoring" company pays in employees' and employer contributions on time; and that pensions are also paid out on time. They do not tend to make investment choices, but employ investment managers and other experts to look after the fund and its investments. Trustees must also take other appropriate advice where relevant. However, they are required to draw up the Statement of Investment Principles that the fund managers must follow. They are "joint and severally" liable for the decisions made by all the trustees, including past ones. Trustees have a duty to act prudently, conscientiously and in good faith. Their duty is to the scheme, and not to the employer, trade union or to a particular group of employees. They must act in the interests of everyone who may benefit from the fund, including past employees, future beneficiaries and currently contributing members – and their dependants.

Three-quarters of the pension funds engage with companies (73%). Just under half (46%) of these have written guidelines outlining the scope, aims and objectives of engagement activity

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Can I be a trustee of my scheme?

Yes. Trustees are usually a mix of senior managers of the employer "sponsoring" the scheme (or councillors, for local authority schemes), and scheme members nominated to the board of trustees. Funds looking after the pension interests of more than 100 people must have at least two member-nominated trustees or directors (or at least one for smaller schemes). Up to a third of the trustees of a scheme can be member-nominated. There is a growing trend to appoint more member trustees to pension funds.

Ethical/Socially Responsible Investment

UKSIF

The UK Social Investment Forum promotes and encourages socially responsible investment, in which it includes: ethical investment, green investment, shareholder activism, social banking and community finance. EIRIS is a member of UKSIF. www.uksif.org

Eurosif

The European Sustainable and Responsible Investment Forum is a non-profit membership organisation promoting the concept, practice and development of sustainable and responsible investment. EIRIS is a member of Eurosif www.eurosif.org

Just Pensions

Initiated by Traidcraft and War on Want, Just Pensions is now managed by UKSIF and encourages pension funds to adopt a socially responsible approach within their investment strategies. www.justpensions.org

THE BASICS

The UK pension regime is complicated, with numerous options and legal and taxation structures to negotiate. This guide does not cover the financial or legal aspects of pensions, but there are many sources of advice and information covering pension planning that are in the public domain. Some useful sources are listed on page 11.

The largest occupational pension schemes in 2002 were

Pension Fund	Value (£bn)
British Telecommunications (BT)	28.9
Coal Pension Trustee Services	26.4
Electricity Pension Services	21.4
Universities Superannuation Scheme	20
Consignia	16
Railways Pension Management	15
BP	12.5
Lattice Group	12.2
Scottish Public Pensions Agency	12
Lloyds TSB Group	11.7

source: AP Info, Pension Funds & Their Advisers 2002

The largest providers of long-term life and pension schemes in 2001 were

company	Net premium income (£bn)
Halifax	9
CGNU	8.7
Barclays*	8.4
Prudential	8.1
Standard Life	7.7
Lloyds TSB	5
Legal & General	4.4
AXA	3.9
AEGON	3.6
Zurich Financial Services	3.4

* The premium income from this company largely consists of the management of institutional pension funds

source: Association of British Insurers
www.abi.org.uk

Getting independent financial advice

As with other types of investment, EIRIS does not and cannot provide financial advice and recommends that you seek independent professional advice. There are a number of independent financial advisers who have expertise in ethical investment. See our website www.eiris.org for a searchable directory of such IFAs or call 020 7840 5700

Occupational schemes

There are several variations but the two main ones are the final-salary scheme (also known as defined benefit) and the money-purchase scheme (also known as defined contribution). The final-salary scheme links your pension, by a particular mathematical formula, to your salary and length of service. Money-purchase scheme pensions depend on how much has been accrued for you up until the time you retire (through employer and your own contributions and investment returns), and what "annuity" it will buy you at that point. An annuity is a guaranteed annual income for as long as you live.

AVCs and FSAVCs

Many occupational schemes also offer a separate Additional Voluntary Contributions (AVCs) scheme, which allows you to top up your contributions within the legal earnings limit. AVCs can be made with lump sums, or by extra regular monthly payments. Some companies offer an ethical AVC option. If your company does not have an AVC scheme you could make Free Standing Additional Voluntary Contributions (FSAVCs) which are paid into an independent scheme, such as one offered by an insurance company. Consider the ethical credentials of these insurance companies when choosing your provider.

Whether a final-salary or money-purchase scheme, pension funds invest in companies. To decide which companies to invest in, they (or more likely investment managers) assess companies' financial prospects. Socially responsible investment also considers companies' social, environmental and/or ethical performance as part of the selection process.

Local Authority pension schemes

Local authority pension schemes also come under the disclosure regulations as they are a type of occupational pension. Assets valued at around £90 billion are held in pension plans provided by local authorities for their employees. The Local Authority Pension Fund Forum promotes the investment interests of local authority pension funds, and seeks "to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest". www.lapfforum.org

40% of funds offer an ethical AVC option to their members

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11% of funds include either **screening** (in or out), a **preference** approach or both in their socially responsible investment policies

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Personal/private pensions

These are schemes that you choose yourself, typically from the huge range offered by insurance groups, high street banks, and even some retailers, including supermarkets. They are money-purchase plans (see Occupational Schemes), although your employer may not contribute. There are a number of ethical retail funds that you can invest in to provide a personal pension. EIRIS's Guide to Ethical Funds details these and other UK ethical funds available to the UK investor. To purchase a copy, email ethics@eiris.org or call 020 7840 5700. In the case of non-ethical funds, you can seek further information and ask questions about the fund's attitude to socially responsible investment. If more and more people make similar enquiries, it will help to influence fund providers and reinforce the growing importance of SRI. An additional approach would be, as with FSAVCs, to assess the actual providers of private pensions and see whether they have adopted SRI across their businesses. For example, providers such as ISIS, Hendersons, Morley and CIS have committed themselves to adopting some form of SRI policy across the whole of their business, not just to the ethical/SRI funds that they provide. As with other financial service providers you can ask questions about a pension provider's position with respect to issues such as human rights, the environment, labour rights, supply chains.

Stakeholder pensions

Introduced in April 2001, the stakeholder pension was introduced to encourage low-earners and adults not in employment to save for retirement. Children, too, can have a stakeholder pension.

Stakeholder pensions work in the same way as personal pensions, but with conditions. Management charges are capped at 1 per cent a year and you can transfer your plan to a different manager without charge. Employers must offer their employees access to a stakeholder pension scheme unless they have fewer than five employees, or already contribute to a staff scheme. As with personal pensions there are ethical fund options for stakeholder pensions, albeit somewhat limited (see www.eiris.org). If you decide not to take an ethical fund option, you could always ask your scheme provider about their stance on SRI and their policies associated with your concerns.

If you do not want to approach the pension provider directly you can ask your financial adviser (if you have one) to pursue matters on your behalf

Most of the funds that engage with companies **exercise voting rights on SEE grounds** as part of their engagement strategy **(87%)**

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FURTHER INFORMATION ON PENSIONS

Pensions

OPAS

The Pensions Advisory Service (OPAS) is a non-profit organisation that seeks to help any member of the public who has a problem, complaint or dispute with their occupational or private pension arrangement. It will also help you trace "old" pensions from past jobs. All of the volunteers are people who work or have worked in the pensions industry and do their OPAS work in their own free time. www.opas.org.uk or 0845 601 2923

FSA

The Financial Services Authority (FSA) deals with regulatory information, and has basic consumer guides on various aspects of financial services. www.fsa.gov.uk or 0845 606 1234

Opra

The Occupational Pensions Regulatory Authority was established by the Pensions Act 1995 and supervises a range of legal requirements to protect people's occupational pensions. Opra looks into and can take action where there is carelessness or negligence that could put pension schemes at risk. www.opra.co.uk or 01273 627 600

Financial Ombudsman Service

Set up by law to help resolve individual disputes (including personal pension disputes) between consumers and financial firms. www.financial-ombudsman.org.uk or 0845 080 1800

Department for Work and Pensions

www.thepensionservice.gov.uk

Inland Revenue

www.inlandrevenue.gov.uk

Further reading

Planning your pension: a TUC guide for everyone at work, by Sue Ward

