

MOTION ON NOTICE

Full Council | Tuesday, 26 September 2023

Pension Divestment

Background

- 1.** Oadby and Wigston Borough Council is a member of the Local Government Pension Scheme (LGPS) and members of staff are able to enrol into the scheme should they wish. Monies associated with the LGPS pension scheme are held within the Leicestershire County Council pension fund which administers the scheme in Leicestershire.
- 2.** This externally managed fund is reported to have fossil fuel investments of £154m on 31 March 2020 or 3.7% of the fund's total investments of £4.1bn.
- 3.** The United Nations Paris Agreement, reaffirmed at the COP27 Climate Summit in Egypt, commits governments to keep the global temperature increase to under 2.0 degrees and aim for 1.5 degrees. Carbon budgets produced by the Intergovernmental Panel on Climate Change, United Nations and the International Energy Agency show that preventing two degrees of warming relies on humanity not burning most of its proven fossil fuel reserves.
- 4.** Former bank of England governor, Mark Carney, has warned that fossil fuel investments risk becoming "enormous, stranded assets" as fund managers reevaluate the sector. Speaking on BBC Radio 4 in 2019 he said "a question for every company, every financial institution, every asset manager, pension fund or insurer – what's your plan?"
- 5.** Pension funds have a fiduciary duty to consider the material risks of continued investment in fossil fuels. Fiduciary duty is defined by the Law Commission as

“ensuring the pensions can be paid, ensuring that this is undertaken at the best possible value”.

6. Pension funds also have a legal duty to treat members “fairly as between them”. That means taking seriously the longer-term interests of younger members who may be affected more by the climate transition.

Motion(s):

This Council resolves to commit to:

1. Reaffirming its commitment to its Environment Strategy and Action Plan which sets out how the Council will contribute towards reducing carbon emissions both in terms of actions that it can take as an organisation in its own right and in terms of the Council’s role in influencing local residents and businesses and encouraging a partnership approach involving a range of stakeholders.
2. Calculate and publish the scale of that carbon footprint at a borough-wide level associated with pension investments in the Leicestershire scheme.
3. Calling on Leicestershire County Council Pension Fund to bring forward a transparent plan to divest from fossil fuels by 2030 through the development and adoption of responsible investment policies that:
 - a. Stop investment in energy companies actively exploiting new fossil fuel reserves;
 - b. Divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds unless the specific funds are being used exclusively to develop or support renewables, carbon capture, hydrogen or other decarbonisation technology; and
 - c. Instruct its fund managers to pursue an active investment strategy in companies with a verified commitment to, and track record of, reducing greenhouse gas emissions and minimise climate risk.

Councillor Garth (Bill) A Boulter

Proposer

The above motion was duly received by the Head of Law & Democracy on 8 August 2023 in accordance with Rule 14, Section 1 of Part 4 of the Constitution of the Council.