COUNTY COUNCIL – 11 JULY 2017

QUESTION FROM MEMBERS OF THE PUBLIC

1. Question from Gabriel Carlyle, St Leonards on Sea, East Sussex

According to figures presented by Hymans Robertson at the East Sussex Pension Committee's 13 June training day, the East Sussex Pension Fund currently has roughly £150m of local people's pension monies invested in oil and gas companies. Of these, only about £6m are invested directly with the remainder invested indirectly through pooled funds such as Legal & General's Equity Index Fund. Which oil and gas companies is the Fund currently exposed to through these indirect investments and at what levels?

Response by the Chair of the Pension Committee

The East Sussex Pension Fund currently has indirect equity exposure with its passive investments with Legal and General and State Street Global Advisors. These investments track market indices and hold all the stocks within the index and at a commensurate level to its representation in the index. The indication is that the Pension Fund currently holds around 9% of its current equity exposure in oil and gas companies.

2. Question from Patricia Patterson-Vanegas, Ashurst Wood

According to the latest data, the East Sussex Pension Fund currently has £2m of local people's pension monies in Imperial Oil. Is the East Sussex Pension Committee aware of the recent report produced by Legal & General, Carbon Tracker, UN Principles for Responsible Investment (PRI) and other leading institutional investors ('2 degrees of separation: Transition risk for oil and gas in a low carbon world') which estimates that 50 – 60% of Imperial Oil's capital expenditure for the period 2017 – 2035 'may fail to deliver an acceptable return in the scenario of a world limited to 2 degrees Celsius global warming'?

Response by the Chair of the Pension Committee

The East Sussex Pension Committee members and the Pension Board representatives are aware of the previous report on why a 2°C business model is less risky than 'business-as-usual' for oil companies, and 'Engaging for a Low Carbon Transition', launched by LAPFF and Carbon Tracker. The June 2017 report from Carbon Tracker titled '2 degrees of separation: Transition risk for oil and gas in a low carbon world' report is scheduled to be circulated to the Pension Committee and Board before their July 2017 and August 2017 meetings respectively.

3. Question from Dirk Campbell, Lewes East Sussex

According to figures provided by East Sussex County Council, as at 30 April 2017 the East Sussex Pension Fund had £3.2 billion of local people's pension monies invested in pooled funds such as MPF Fundamental Index Global Equity. What is the Pension Fund's exposure to coal companies through these indirect investments?

Response by the Chair of the Pension Committee

As at 31 March 2017 the total value of the East Sussex Pension Fund was £3.3bn of which £1.5bn is invested in our passive pooled funds. These investments track market indices and hold all the stocks within the index and at a commensurate level to its representation in the index. The indication is that the Pension Fund currently holding less than 0.09% of its current equity exposure in coal companies.

4. Question from Christina Letanka, Heathfield, East Sussex

In view of the economic uncertainty and potential environmental risks associated with fracking, is the Pension Committee prepared to withdraw its investments from companies involved in this industry

Response by the Chair of the Pension Committee

The East Sussex Pension Fund does have concerns on the investment implications of climate change and other environmental risks. At this point in time, the Fund believes active engagement with investee companies is the preferred option to bring about change whilst managing overall investment risk issues. The approach of direct and collaborative engagement contrasts with blanket divestment. Once an asset owner divests, their ability to influence both the short and long-term direction of individual companies within the national and international energy sector is severely curtailed.

Money from the fund is invested to secure the best realistic return over the long-term to meet pension commitments, within an acceptable level of risk, by ensuring there is diversification across all asset classes and to keep employer contribution rates stable. Investments are regularly reviewed taking into account a number of factors.