



Westmorland
& Furness
Council

**Cumbria
Pension
Fund**

Cumbria Pension Fund's Responsible Investment Policy

Survey Results



westmorlandandfurness.gov.uk
cumbriapensionfund.org



Introduction

Responsible investing involves considering environmental, social and governance - ESG - issues (such as climate change, biodiversity, and human rights) when making investment decisions to better manage investment risk and generate sustainable, long term investment returns.

Cumbria Pension Fund (“the Fund”) is committed to being a responsible asset owner and believes that responsible investment can help to improve the long term value for investors. The Fund believes that this will help to achieve its overall objective of managing a sustainable and solvent pension fund on behalf of its scheme members and employers.

As part of wider engagement to review the Fund’s Responsible Investment Policy, this survey was sent to 42,646 scheme members and made available on the Pension Fund website.

A total of 3,319 responses were collected through the online survey with a response rate of 7.8%.

Q1. Are you a member of the Cumbria Local Government Pension Scheme?

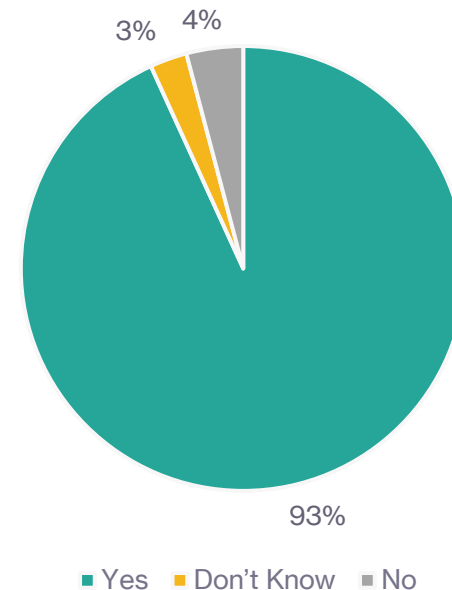


Figure 1. Respondents to survey by type
(Base size: 3301)



Investment Activity

66% of the respondents to the survey indicated that they are interested or very interested in the financial assets that their pension is invested in.



Scheme Member
Response:
*"Thank you for seeking
Members views."*

Scheme Member
Response:
*"I am glad you are
consulting members
and raising these
issues."*

Q3. How interested are you in the financial assets that your pension is invested in?

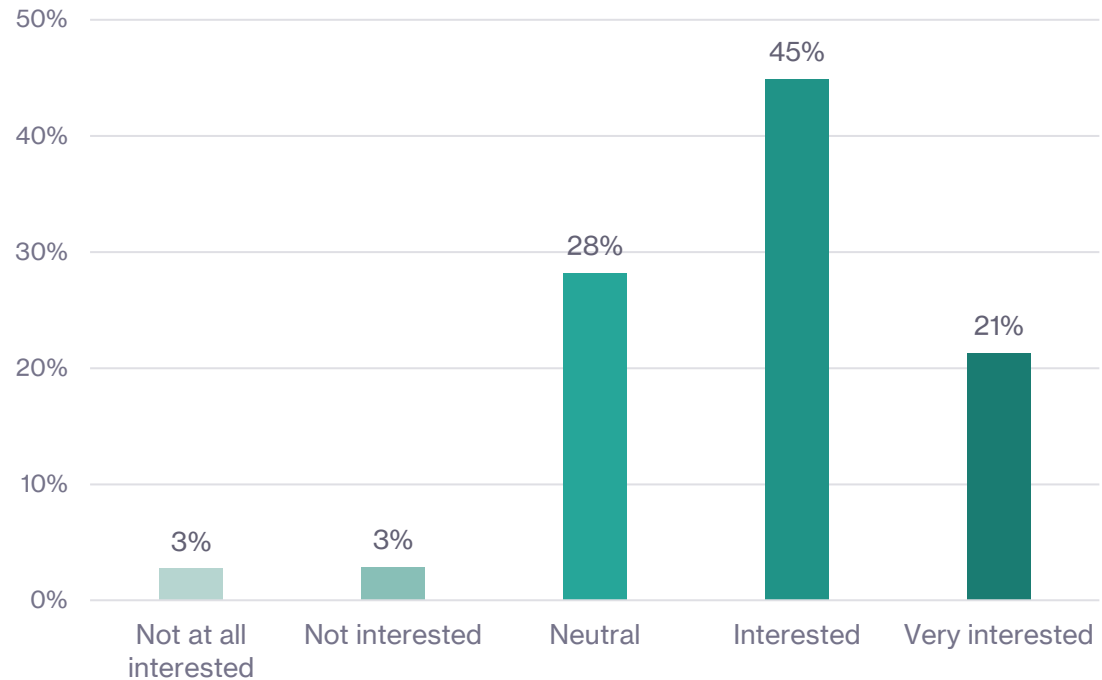


Figure 2. Scheme Member responses showing level of interest in financial assets held by the Fund (Base size: 2966)



Responsible Investment Priorities

“Delivering a well administered pension fund” was rated the highest priority by 73% of the scheme members who responded to the survey. This view is also shown through some of the additional comments:

Scheme Member Response:

“Investment decisions should by and large be made in the interests of scheme members, not normally for other reasons.”

Scheme Member Response:

“It is very hard for old men to have realistic opinions on this subject. It is important however to maintain the pension fund in good order for future generations of LG Officers.”

Scheme Member Response:

“I don’t know enough about the balanced decisions that have to be made when making enormous investments, but I’m reassured that the Fund appears to be taking their responsibilities very seriously.”

Scheme Member Response:

“I believe the best possible return should be the aim, while avoiding unnecessary risk. If this can be achieved through green investments, then so be it, but not at the cost of benefits to the members, long term.”

Scheme Member Response:

“I have some concerns about the time it takes to start receive pension benefits once retirement age is reached. Is prompt and timely payment a priority in the fund?”

Scheme Member Response:

“The Fund should continue to invest primarily in the financial interests of the members.”

Scheme Member Response:

“It is difficult to see how much I would receive, pension wise, each month. Please make it easier.”

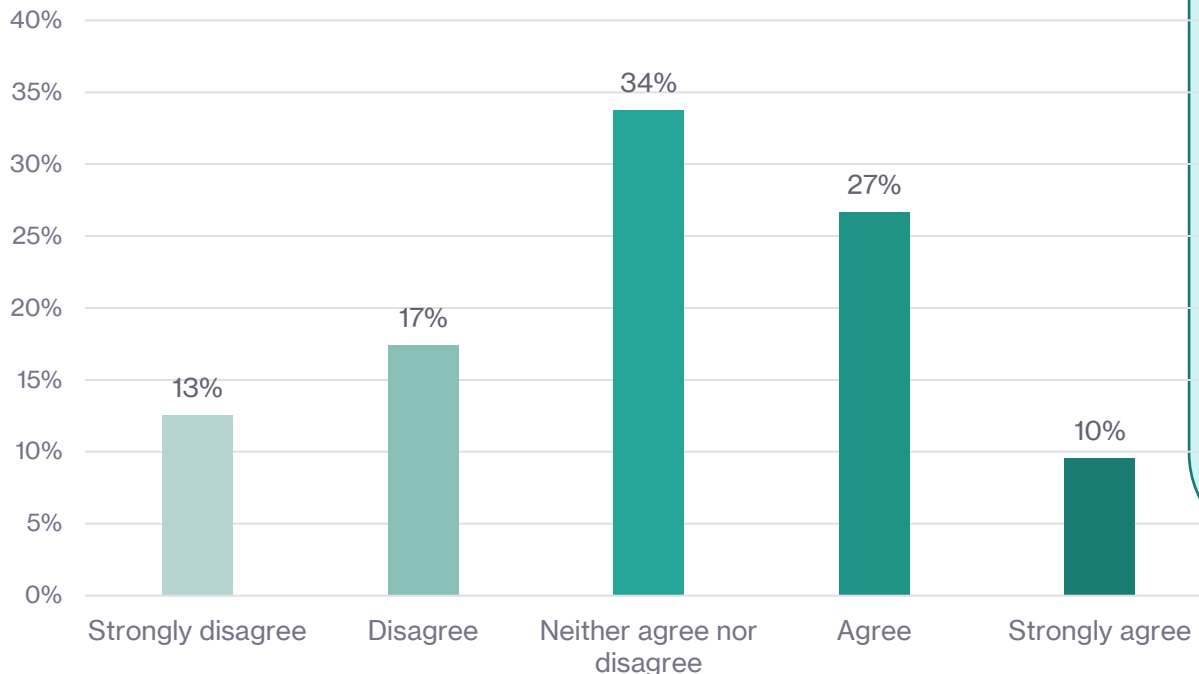


ESG Considerations

Environmental, social and governance (“ESG”) issues are key considerations for responsible investors.

Respondents to the survey were split as to whether the Fund should be willing to accept the risk of a lower return on its investments if this enabled the Fund to deliver on its ESG intentions. This reflects the complexity of this subject.

Q5. To what extent do you consider that the pension fund should be willing to accept the risk of a lower return on its investments if it were able to deliver on its ESG intentions?



Scheme Member Response:
“I accept that, particularly at a time of high cost of living and inadequate increases in incomes, whether earned or from pensions, it is important to maximise income for the fund. However, I don’t feel that this should be at the expense of ethical or moral considerations - a difficult balance for the trustees to maintain. I’m glad that it’s not my task to do this!”

Figure 3. Scheme Member responses regarding the risk of accepting lower investment returns to deliver on the Funds’ ESG intentions (Base size: 2294)



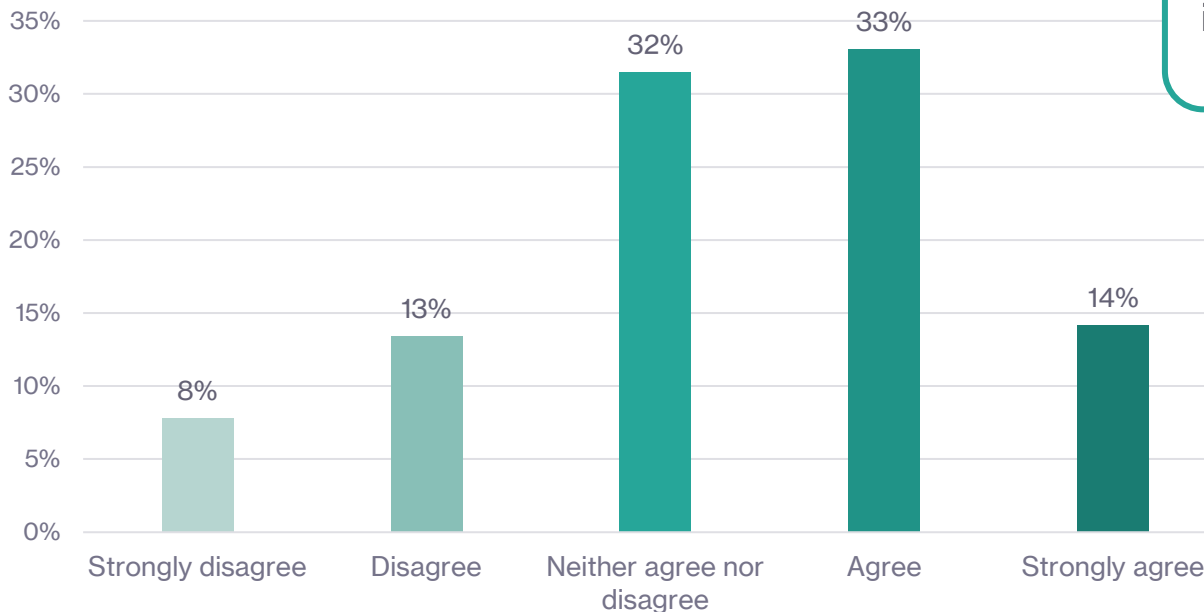
Responsible Investing v Ethical Investing

**Cumbria
Pension
Fund**

Responsible investing involves considering ESG issues when making investment decisions to better manage investment risk and generate sustainable, long term investment returns.

Ethical investment refers to an approach to investing in line with moral principles or beliefs, and most commonly includes the exclusion of certain products on ethical grounds.

Q6. To what extent do you agree that a responsible investing approach is more appropriate for the Fund than an ethical investing approach?



Only 21% of scheme members disagreed that a responsible investing approach was the correct approach for the Fund

Scheme Member Response:
"It's really important that we all use our investments to influence big business change - it's the only way to secure a sustainable future."

Figure 4. Scheme Member responses showing which investing approach they feel is most appropriate for the Fund (Base size: 2079)

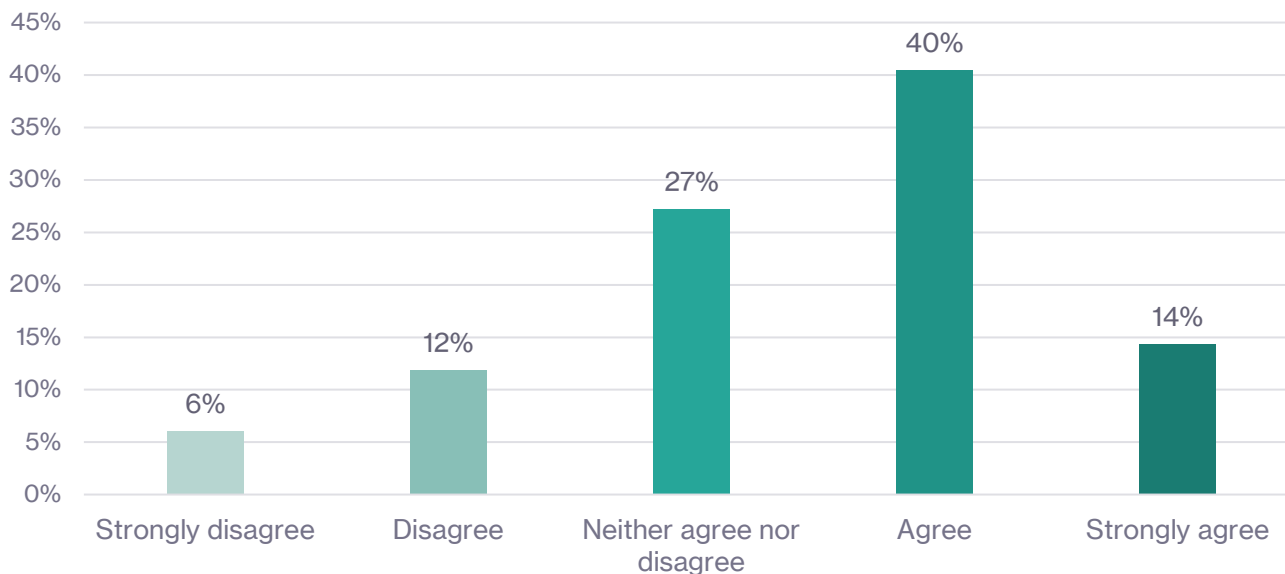


Engagement and Divestment

The Fund believes that where companies it invests in are considered to not be acting in a responsible manner, the Fund should not necessarily sell its investments in those companies (divest) immediately but should use shareholder engagement to influence the Boards of these companies and encourage continuous improvement.

54% of scheme members agreed or strongly agreed with this approach.

Q7. To what extent do you agree with the position that the Fund should use its shareholder responsibilities to engage and influence the Boards of companies that are considered to not be acting responsibly rather than selling its investments in those compa



Scheme Member Response:
"I agree that engagement with companies that aren't behaving responsibly should be the starting point, but there should be clear criteria given as to the level and pace of improvement needed and a firmly stated commitment to divest if these criteria aren't met quickly."

Figure 5. Scheme Member responses showing the level of agreement to the Fund's approach to engage with companies to encourage continuous improvement (Base size: 2060)



Engagement and Divestment

62% of scheme members agree or strongly agree that the Fund should consider divestment where companies do not respond appropriately to continuous engagement.

There were 29 comments from scheme members directly referred to divestment from fossil fuels industries.

Scheme Member Response:
“It's through the vast investment power than you and other pensions schemes have to positively influence change in large corporations and support new companies in making a brighter future for our children.”

Q8. To what extent do you agree with the position that the Fund should consider disinvesting from companies that do not respond to continual shareholder engagement and potentially sacrifice short term investment returns?

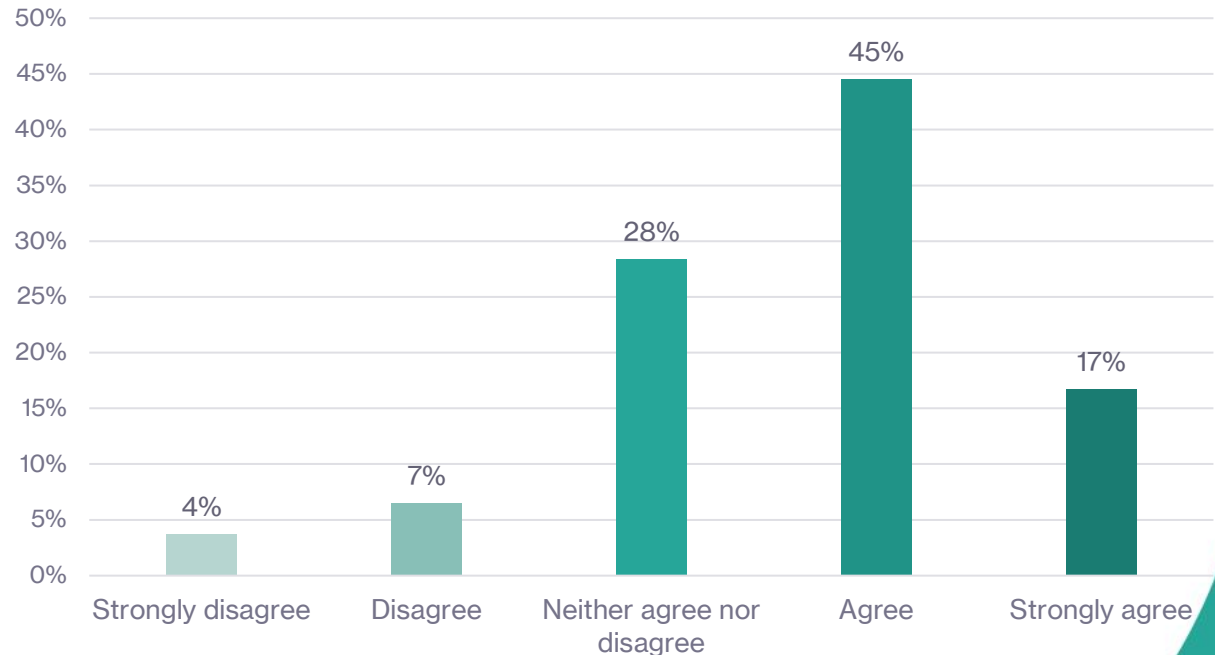


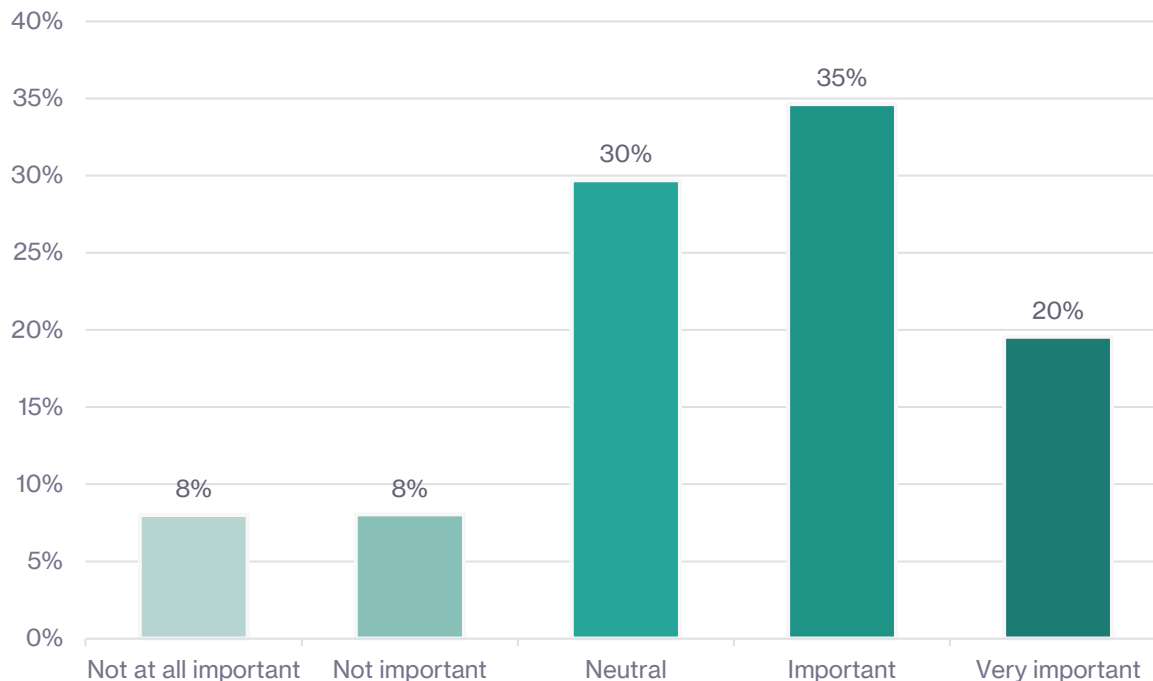
Figure 6. Scheme Member responses showing the level of agreement the Fund's approach to consider divestment and potentially sacrifice short term investment returns in line with the Fund's responsible investment beliefs (Base size: 2065)



Climate Change Policy

The Climate Change Policy would set out how the Fund will fulfil its commitment to managing the risks and opportunities associated with climate change and transitioning to a net zero position for the Fund and its investments.

Q9. How important is it to you that the Fund has a specific Climate Change Policy, in addition to its Responsible Investment Policy?



55% of scheme members felt that it was important or very important for the Fund to have a Climate Change Policy as well as a Responsible Investment Policy, highlighting the importance of climate change to our scheme members.

Scheme Member Response:
"I feel we are at a stage where the fight to avoid the worst effects of climate change has to be humanity's top priority."

Figure 7. Scheme member responses rating the importance of the Fund having a Climate Change Policy (Base size: 2050)

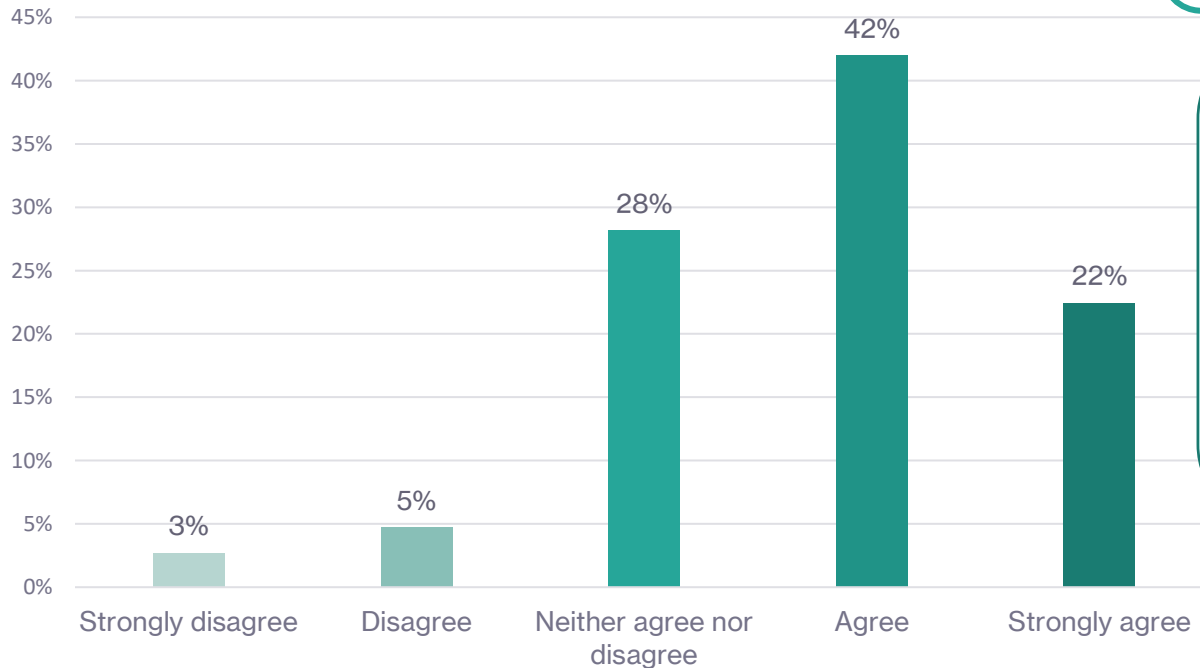


Infrastructure

**Cumbria
Pension
Fund**

Cumbria Pension Fund is currently invested in a range of infrastructure funds that include various green energy assets like onshore and offshore windfarms in the UK, Europe, the US and Latin America and solar power and battery storage projects in the US, Latin America and Japan.

Q10. Do you agree that if long term expected returns and risks on green energy assets are comparable to other potential infrastructure opportunities, then the pension fund should prioritise such investments?



64% of scheme members agreed or strongly agreed that the Fund should prioritise green energy assets with comparable long term expected returns.

Scheme Member Response:
"I believe investment of our fund should have ethical values and would like to see more investments made in UK companies who are involved in green energy and the reduction of carbon emissions building modern eco-friendly homes and protecting the environment."

Figure 8. Scheme member responses regarding prioritising green energy assets (Base size: 2040)



Working Collectively

Cumbria Pension Fund collaborates on active shareholder engagement with a number of organisations. For example, it is one of 11 LGPS pension funds within the Border to Coast Pensions Partnership (“BCPP”) and is also a member of the Local Authority Pension Fund Forum (LAPFF), who protect £350 billion of local authority pensions by promoting the highest standards of corporate governance and corporate responsibility.



75% of scheme members agreed or strongly agreed with the Fund’s approach to working collaboratively with other organisations on shareholder engagement.

Q11. To what extent do you agree with the Fund’s view that more can be achieved by working in collaboration with these organisations rather than by working alone?

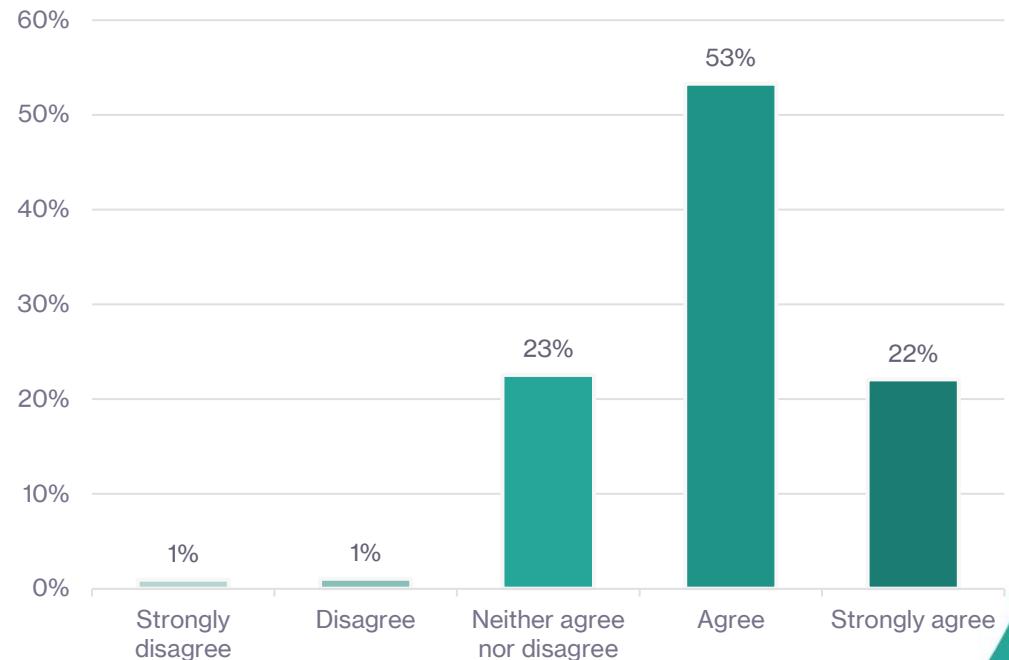


Figure 8. Scheme member responses showing the level of agreement to the approach of working collectively (Base size: 2011)



Your Views

**Cumbria
Pension
Fund**

The Fund received over 300 additional comments in response to the survey many of which highlighted the strong views of our scheme members and Cumbrian residents.

Scheme Member Response:
"It's encouraging to see that Cumbria Pension Fund is keen to take an active role in responsible investing."

Scheme Member Response:
"Maximum return should be the priority - as the money invested belong to members not the scheme - it is not the schemes place to judge companies - it is its place to get maximum profit for its members."

Cumbria Resident Response:
"I hope that the pension fund will rule out investments in companies linked to fossil fuel extraction and put funds into renewable energy and creating decent green jobs, as well as the care/social profit economy."

Scheme Member Response:
"Responsible investment is obviously key to decisions made and probably needs to be constantly reviewed and changed or negotiated with companies you work with... The above survey covers many good points."

Scheme Member Response:
"I would like Cumbria Pension Fund to specifically divest from fossil fuels and developments negatively impacting on wildlife - we are living in a climate & wildlife emergency and everything we do should be driven by that."

Cumbria Resident Response:
"Climate change is the most important challenge of our time, and we have to take all action to disinvest in fossil fuel activities - immediately."

Scheme Member Response:
"Really encouraged to see this we must move away from investing in fossil fuels."

Scheme Member Response:
"Keep up with the responsible administration of the fund."



Thank You

**Cumbria
Pension
Fund**

The Cumbria Pension Fund would like to sincerely thank everyone who took the time to complete our Responsible Investment Survey. Your opinion and views are really important to us.

The findings from the survey will be presented to the Cumbria Pensions Committee to help inform the decision making process associated with the review of the Fund's Responsible Investment policy.

