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UK pension funds fight government's Israel block

Madison Marriage



A Palestinian woman's home was demolished by Israeli bulldozers in a disputed military zone

More than 12,000 people have signed a petition calling on the UK government to abandon proposals that have been widely interpreted as political interference in how pension schemes invest.

The petition is in response to a statement from the ruling Conservative party last October outlining new rules designed to stop politically motivated divestment campaigns against UK defence companies and against Israel.

Senior pension officials and local councillors fear the new rules would block them from pulling money out of companies on legitimate ethical grounds around issues such as human rights, the arms trade or fossil fuels.

Newcastle city council last month unanimously approved a motion opposing the government's proposal, and a number of councils around the UK are considering similar action.

Mick Bowman, a Labour party councillor for the Newcastle suburb of North Heaton, said: "We are determined to do whatever we can to block this proposal."

Richard Kemp, leader of the Liberal Democrats on Liverpool city council, has begun lobbying politicians and members of the House of Lords to fight the rule change.

"The government is wrong. This is political interference on a huge scale," he said.

“There is no evidence anywhere that local authority pension trustees are making investment decisions that are in the worst interests of [their members].”

The new rules, which also state that local pension schemes should not pursue policies that run counter to UK foreign policy, would be brought in under the government’s planned overhaul of the £220bn Local Government Pension Scheme.

Ros Altmann, the UK pensions minister, said: “We do not believe it is appropriate for pension trustees to make their own political decisions on boycotting certain investments.”

The Department for Communities and Local Government is expected to finalise the rules in April. It would not comment on whether it had found evidence of local pension schemes pursuing inappropriate or politically motivated investment policies.

A spokesman for the DCLG said: “Councils should not be using pension policies to pursue their own boycotts and sanctions against foreign nations. We are reminding councils of the rules to ensure taxpayers’ and the UK’s interests are protected.”

Large institutional investors elsewhere in Europe, including the Norwegian oil fund and PGGM, the Dutch pension scheme, have blacklisted some Israeli companies over concerns they have broken international human rights laws.

The fear is that the new rules would prevent local pension funds from making similar decisions, and place an onerous requirement on them to monitor shifts in foreign policy.

War on Want, the charity that launched the petition, said the rule change would give the government “the power to veto investment decisions made by democratically elected local authorities”. “This is an attack on local democracy,” it said.

Kieran Quinn, chairman of the Local Authority Pension Fund Forum, a group of 64 public pension funds with combined assets of £160bn, said: “There is significant annoyance [that] the government is pursuing this agenda and anger [that] it does not appear to be listening.

“If we have to check every week what the government’s foreign policy is, it will limit the nimbleness of [pension] plans to make speedy investment decisions. It is not just the principle of it, but the practical impact. This is a daft [policy].”