

Responsible Investment in Focus: How leading public pension funds are meeting the challenge



A reader's guide

Introduction

The report *Responsible Investment in Focus: How leading public pension funds are meeting the challenge* aims to inspire more pension funds worldwide to deepen their responsible investment practices and, building on this international experience, develop their own strategies and approaches. It provides detailed examples of some of the most advanced and creative approaches currently being adopted and demonstrates how responsible investment has moved forward in recent years.

Published in April 2007, the report is a snapshot of the current state of play rather than a comprehensive study of best practice or a benchmarking exercise. Fifteen in-depth case studies cover public pension funds across five continents, with assets ranging from \$33m to \$460bn (US dollars).

The report was produced jointly by the United Nations Environment Programme Finance Initiative (UNEP FI) Asset Management Working Group (AMWG) and the UK Social Investment Forum (UKSIF) Sustainable Pensions Project (SPP),

Methodology

The case studies in the report were compiled in telephone interviews and a review of related documentation, where available. The 15 case studies were selected from a sample group of 25 of the largest public pension funds with the aim of highlighting the range and originality of approaches being followed around the globe.

Each case study contains a description of the scheme, the scheme's rationale for pursuing responsible investment, and its strategy in this area.

Using the Report

The tables below have been provided to assist users of the report.

Table 1: List of Case Studies

This table describes each pension fund profiled and gives the page number in the report on which their case study appears.

Table 2: Index to Case Study Sections

This table gives the page number for the sections of each case study.

Table 3: Index to Responsible Investment Strategies and Techniques Used

This table gives a cross-reference to the responsible investment strategies and techniques used, identifying which case studies include descriptions of each strategy and the page on which the description appears.

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Table 1: List of Case Studies

	Name of Pension Fund	Country	Page
1	<p>ABP – Stichting Pensioenfonds</p> <p>The Pension Fund for employers and employees in the service of the Dutch government and the education sector. The second-largest pension fund in the world, its assets are worth c.\$265 billion.</p>	Netherlands	p. 10
2	<p>Swedish National Pension Fund AP Funds Family (AP2)</p> <p>Sweden's system is a publicly financed pay-as-you-go system. To help smooth out periods of surplus and deficit, five "buffer funds" have been set up, one of them the Second AP Fund (AP2) with assets worth c.\$27 billion.</p>	Sweden	p. 14
3	<p>Australian Reward Investment Alliance (ARIA)</p> <p>ARIA provides superannuation services and products to employees of the Australian Government through three schemes, which have combined assets of c.\$13.5 billion.</p>	Australia	p. 17
4	<p>Caisse de dépôt et placement du Québec</p> <p>Caisse is the largest institutional fund manager in Canada and one of Québec's leading financial institutions, with assets worth c.\$143.5 billion. It manages the funds of the Québec Pension Plan and many other public-sector organizations.</p>	Canada	p. 21
5	<p>California Public Employees Retirement (CalPERS)</p> <p>The largest pension plan in the USA and the third largest in the world in terms of assets under management (c.\$230 billion), CalPERS provides retirement and health benefits programmes and services to the State of California's employees, retirees and their families.</p>	USA	p. 24
6	<p>Caisse de Prévoyance du Personnel Enseignant de l'Instruction Publique et des Fonctionnaires du Canton du Genève (CIA)</p> <p>CIA is the largest contingency fund of the Swiss canton of Geneva, covering all public education and civil servants of the central administration of the State. It has assets worth c.\$5 billion.</p>	Switzerland	p. 31
7	<p>Environment Agency Pension Fund (EAPF)</p> <p>The EAPF is the 20th largest member of the UK's Local Government Pension Schemes and one of the largest 100 pension funds in the UK, with assets worth c.\$2.7 billion.</p>	United Kingdom	p. 34
8	<p>Etablissement de Retraite Additionnelle de la Fonction Publique (ERAFP)</p> <p>ERAFP is the compulsory French civil service employees pension scheme, supplementing the state pay-as-you-go pension. It has assets worth c.\$4 billion.</p>	France	p. 39

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9	<p>Fonds de Réserve pour les Retraites (FRR)</p> <p>The FRR is a publicly-owned, state-funded agency that was set up to supplement pay-as-you-go pension schemes where needed from 2020 onwards. It holds assets worth c.\$42 billion.</p>	France	p. 42
10	<p>Government Pension Fund Global (Norway)</p> <p>The Government Pension Fund - Global is part of the Government Pension Fund. It is a continuation of the Petroleum Fund, which was set up to support long-term management of Norway's petroleum reserves. The fund holds assets worth c.\$280 billion.</p>	Norway	p. 46
11	<p>Government Pension Fund (Thailand)</p> <p>The Government Pension Fund supplements the defined benefit pay-as-you-go system for officials of the Royal Thai Government. One of the largest institutional investors in Thailand, it's assets are worth c.\$9 billion.</p>	Thailand	p. 50
12	<p>Metallrente</p> <p>Metallrente is the largest superannuation scheme in Germany and can be described as a distribution platform for the three major corporate pension products. This case study focuses on the third investment vehicle, the voluntary defined contribution pension fund, with assets worth over \$33 million.</p>	Germany	p. 53
13	<p>PGGM</p> <p>PGGM is the largest pension fund in the Netherlands, one of the five largest in Europe, and in the top 25 globally. It provides a compulsory, collective defined-benefit pension plan to former and current employees in the healthcare and social work sectors. It has total assets of c.\$97 billion.</p>	Netherlands	p. 56
14	<p>PREVI</p> <p>PREVI is the employees' pension fund of the state-owned Banco do Brasil and the largest pension fund in Latin America, with assets worth c.\$50 billion. It administers three different plans: a closed defined benefit plan; a defined contribution plan; and an annuity benefit plan.</p>	Brazil	p. 62
15	<p>Teachers Insurance and Annuity Association, College Retirement Equities Fund (TIAA-CREF)</p> <p>TIAA-CREF is one of the world's largest financial services organisations and leading provider of retirement savings products for the academic, research, medical and cultural fields. It holds assets worth c.\$406 billion.</p>	USA	p. 66

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Table 2: Index to Case Study Sections

	ABP	AP2	ARIA	Caisse de dépôt et placement du Québec	CalPERS	CIA	Environment Agency Pension Fund	ERAFFP	Fonds de Réserve pour les Retraites	Government Pension Fund Global (Norway)	Government Pension Fund (Thailand)	Metallrente	PGGM	PREVI	TIAA-CREF
Scheme Description	p. 10	p. 14	p. 17	p. 21	p. 24	p. 31	p. 34	p. 39	p. 42	p. 46	p. 50	p. 53	p. 56	p. 62	p. 66
Responsible Investment Rationale	p. 10	p. 14	p. 17	p. 21	p. 24	p. 31	p. 34	p. 39	p. 42	p. 46	p. 50	p. 53	p. 56	p. 62	p. 66
Responsible Investment Strategy	p. 11	p. 15	p. 17	p. 22	p. 25	p. 31	p. 35	p. 40	p. 43	p. 46	p. 51	p. 53	p. 57	p. 63	p. 67

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Table 3: Index to Responsible Investment Strategies and Techniques Used

	ABP	AP2	ARIA	Caisse de dépôt et placement du Québec	CaIPERS	CIA	Environment Agency Pension Fund	ERAFFP	Fonds de Réserve pour les Retraites	Government Pension Fund Global (Norway)	Government Pension Fund (Thailand)	Metallrente	PGGM	PREVI	TIAA-CREF	
Portfolio Management																
Investment manager selection				p. 22		p. 32	p. 35	p. 41							p. 64	
Responsible Ownership																
Exercising shareholder rights	p. 11		p. 17	p. 23	p. 25	p. 33			p. 42, 43	p. 47			p. 57			p. 67
Voting	p. 11	p. 16	p. 17	p. 23	p. 25	p. 33	p. 36		p. 43	p. 47	p. 52		p. 57/60	p. 63		p. 67
Engagement	p. 12	p. 15		p. 22	p. 25	p. 33	p. 36		p. 43	p. 47	p. 52		p. 58/60	p. 64		p. 66/68
Class actions / Legal actions	p. 12				p. 29					p. 47						
Corporate governance initiatives/assessment		p. 15	p. 19		p. 25 + 27			p. 40			p. 51, 52		p. 57	p. 63		p. 69
Collaborative initiatives	p. 13	p. 15/16	p. 20	p. 23	p. 30	p. 33	p. 37	p. 41	p. 45	p. 47	p. 52	p. 55	p. 58/60	p. 65		p. 70
Integration & Risk Assessment																
Monitoring ESG Risks / Engagement Strategy	p. 13		p. 18		p. 29/30			p. 41	p. 45				p. 58			
ESG research / integration of extra-financial factors	p. 12/13			p. 22		p. 32	p. 36/37	p. 41	p. 43-45		p. 52		p. 57/59			
Screening Strategies					p. 27											
Negative Screening / Exclusion Policy	p. 12	p. 15	p. 20		p. 27	p. 32	p. 36	p. 40	p. 43	p. 47	p. 51	p. 53/54	p. 57	p. 64		p. 69

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	ABP	AP2	ARIA	Caisse de dépôt et placement du Québec	CalPERS	CIA	Environment Agency Pension Fund	ERAFFP	Fonds de Réserve pour les Retraites	Government Pension Fund Global (Norway)	Government Pension Fund (Thailand)	Metallrente	PGGM	PREVI	TIAA-CREF	
Emerging Markets Exclusion					p. 27		p. 36									
Sudan Position Statement					p. 28											
Positive Screening / Best-in-class approach						p. 32	p. 36	p. 40/41	p. 44			p. 54	p. 57/59	p.64		
Specialist mandates																
Special sustainability mandates	p. 12	p. 16	p. 19		p. 29				p. 44				p. 59			
Real Estate Environmental Strategy					p.29	p. 32	p. 36									
Other																
Public policy involvement	p. 13	p. 16	p. 20		p. 28					p. 47	p. 52		p. 58			p. 69

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Appendix

About the UNEP FI Asset Management Working Group (AMWG)

The United Nations Environment Programme Finance Initiative (UNEP FI) is a global partnership between UNEP and the private financial sector. UNEP FI works closely with the 165 financial institutions that are signatories to the UNEP FI Statements, and a range of partner organisations, to develop and promote linkages between the environment, sustainability and financial performance.

Through regional activities, a comprehensive work programme, training programmes and research, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

For further information, visit: <http://www.unepfi.org/>

The asset management working group is an alliance of 14 investment managers from Brazil, France, Italy, Japan, North America, and the UK. Members collaborate to understand the ways that environmental, social and governance (ESG) issues can affect investment value, and the evolving techniques for their inclusion in portfolio investment decision-making and ownership practices.

Member institutions include:

ABN AMRO Banco Real Brasil	Eurizon Capital	Insight Investment Management
Acuity Investment Management	Groupama Asset Management	Mitsubishi UFJ Trust and Banking Corp
BNP Paribas Asset Management	Henderson Global Investors	Morley Fund Management
Calvert Group	Hermes Pensions Management	RCM (UK) (Allianz Global Investors)
Clearbridge Advisors,SAI	HSBC Investments	

For further information, visit: http://www.unepfi.org/work_streams/investment/amwg

About the UKSIF Sustainable Pensions Project (SPP)

The UK Social Investment Forum (UKSIF) is the membership network for sustainable and responsible financial services. It promotes finance that supports sustainable economic development, enhances quality of life and safeguards the environment. It also seeks to ensure that individual and institutional investors can reflect their values in their investments.

The Forum was launched in 1991 to bring together the different strands of sustainable and responsible financial services within the UK and to act as a focus and voice for the industry. UKSIF's 200+ members and affiliates include pension funds, investment consultants, institutional and retail fund managers, investment banks, retail banks and building societies, financial advisers, socially responsible investment (SRI) research providers, trade unions, community development finance institutions, non-governmental organizations and interested individuals.

The UKSIF Sustainable Pensions Project was launched in 2006 to assist UK occupational pension funds to adopt more sustainable and responsible investment strategies. It seeks to encourage the pension schemes of companies which are leading the way on corporate responsibility (CR) practices and local government pension funds to consider environmental and social issues also in their pension fund investment decisions. It believes that this should help to protect and enhance long-term shareholder value and financial returns for the scheme beneficiaries.

The project is overseen by an independent Sustainable Pensions Advisory Board, whose membership includes:

Michael Deakin (Chair)	Michael Deakin Consultancy Ltd	Paul Moody	Morley Fund Management
Tim Currell CFA	Hewitt Associates	Peter Montagnon	Association of British Insurers
Reg Hinkley	BP Pension Trustees Limited	Larry Stone	BT Pension Scheme
Emma Hunt	Mercer Investment Consulting	Mike Taylor	Local Authority Pension Fund Forum
Will Oulton	FTSE Group	Alex Van der Velden	FairPensions
Shaun McCarthy	Action Sustainability		

All members serve in a personal capacity. For further information, visit <http://www.uksif.org>