



**PSI Pensions London meeting Summary
07/09/2015**

Agenda

- *Brief introduction, the PSI mandate on pensions*
- *Controlling professional and investment fees, fighting attacks on our pension funds, including DB to DC conversion*
- *Pension funds and infrastructure : problems with investing public pension money in PPPs and developing alternatives for pro-public investments by pension funds*
- *PSI affiliates at the CWC and at UNPRI*
- *PSI's role going forward: a vehicle for mutual affiliate support; information sharing; dealing with emerging issues; coordination*

The meeting was convened for the half-day morning prior to the start of the meeting of the ITUC Committee on Workers' Capital – CWC. This report will serve as a brief summary of the PSI meeting, will provide some comments on the CWC meeting, and make recommendations for the way forward.

A few caveats: 1. Fiduciary duty is not the same in every jurisdiction, and is subject to various interpretations; 2. Workers and unions have different degrees of influence on their pension funds; 3. Unions have different perspectives on the role of workers' capital in the overall trade union agenda.

Infrastructure investments occupied the bulk of the discussion. This is a complex issue involving public finance; the 2008 financial crisis and subsequent austerity; corporate lobby and dominance; the power of the finance sector; economic and social development; industrial policy; attacks on trade unions and trade union responses; economic literacy, not to mention all of the pension-specific issues.

Two points were clear: first, we need to deepen our understanding, awareness and mobilization on the whole issue of privatisation, including as concerns global and specific infrastructure proposals, and second, we need to develop alternative proposals for financing public infrastructure and services.

On the critique of PPPs¹, there is a range of issues that confront pension funds. We need to assess the economic and political literacy of our trustees and union leaders and members. Pension fund investment decisions are driven by some of the most sophisticated actors of the global financial sector. These organisations obtain huge fees through managing pension money, and at the same time support policies that are anti-union and anti-public sector.

Final recommendations of the PSI meeting include:

1. Develop coherent analysis of the current international consensus on infrastructure investment (G20-OECD, World Bank)
2. Provide economic analysis of the dangers of PPPs for pension funds
3. Develop the alternatives to PPPs – see the climate issue as one approach
4. Support work seeking transparency on pension fund fees, charges and transaction costs
5. Help unions in specific pension fights
6. Provide material to integrate the global tax justice campaigns into pension fund activities
7. Support resistance to conversion from defined benefit to defined contribution
8. Support union and trustee education and economic literacy efforts

¹ PPPs is the short form used here to refer to the many different models of privatisation, which include asset sales, concession contracts, and newer models such as social impact bonds, etc.

Coherent analysis of the global international consensus on PPP investment

The specific proposals from the G20 and the OECD (now joined by the World Bank and others) are being analysed by NGO allies, including Nancy Alexander of Heinrich Böll Foundation, USA office, as well as some of those involved in the SDG and FFD negotiations.² We need to get updates of progress and to tailor some specific research questions to guide our work. This will also feed into the PSI Privatisation Summit in December in Washington, DC.

Develop the alternatives – see the climate issue as one approach

PSI's overall political position is weaker when we only oppose PPPs. We need to explore, understand and organise around alternatives. These will likely involve two distinct levels: one at national level concerning the creation of money and the role of debt, and the second focusing on the municipal level, to meet the needs of cities, which often don't have the ability to issue or guarantee their own debt. These two levels will also need to be engaged at regional and global levels. The global work on tax justice will also feed into alternatives.

Pension funds are accepting that they have to be active on the climate issue, including taking political positions. This is based on the understanding that climate change poses such massive and systemic risks to pension investments that it would be negligent of their fiduciary responsibilities if they did not engage sufficiently. The exact terms of the engagement vary by fund and jurisdiction.

PSI needs to figure out how to raise the level of concern about privatisation in a similar vein as climate. Thus, our intensified work on privatisation will feed into the pensions discourse. Our privatisation summit in December 2015 will help us chart a course for better analysis and visibility and, possibly, a global platform to bring in allies from outside the labour movement, etc.

A number of pension funds are developing active climate-friendly investment guidelines and portfolios. This is another area worth examining, as zero-carbon, green growth, green economy, etc., will become more important, including for public services. Note that just because there is the word 'green', does not mean that it is union or pension friendly.

Economic analysis of the dangers of PPPs to pension funds

PPPs pose specific dangers to pension funds, including: reducing the number of plan participants whose jobs are privatized; imposing a variety of hidden risks and costs; possible threats to the communities in which plan participants live and work, etc. PSI should determine how to best present these issues to trustees in ways that can be used in the appropriate pension fund committees.

Pension fund fees, charges and transaction costs

Pension funds are subjected to considerable hidden fees, transactions and charges. These have come to the forefront of concern for some large public pension funds. The Netherlands is the only jurisdiction to require funds to report their costs by asset class to their regulator and Central Bank.

UNISON has developed resources to assist affiliates to work on fee transparency and is attempting to do this with its own staff pension fund. We agreed to circulate this work to affiliates and ask that they start the process of investigating hidden costs in their staff funds and approach their pension trustees and regulators to implement the model adopted in the Netherlands.

Firefighting

Many pension funds are challenged by specific crises. One example given was the debt crisis in Puerto Rico. Another relates to specific PPP investment proposals. PSI should be in a position to assist solving such crises. At minimum, we should share requests for information. PSI can also help develop briefings on specific companies.

² Sustainable Development Goals and Financing for Development. PSI will identify these NGOs shortly.

Tax Justice

PSI is currently leading for labour on this global campaign, but results are likely to be years in the making, and we can't be certain that any recovered funds will be applied to public infrastructure. At minimum, pension funds should ensure that corporations in which they invest have responsible tax policies and practices. Trustees could include this in their investment guidelines and shareholder activism.

Protecting defined benefit plans

The attack against defined benefit will harm the individual workers (who will lose much more in final retirement benefits by having paid higher fees under defined contribution), and will destroy the collective protection and action that a defined benefit plan allows. Some unions are working on this and have materials which should be circulated.

Comments on CWC

The issue of infrastructure brings PSI affiliates at odds with the policies of CWC. Even recognizing the ring-fencing around health, education and water and sanitation, PSI affiliates were strongly opposed to the rationale of CWC for endorsing the G-20 and OECD infrastructure proposals.

The CWC is likely to support the ongoing work to address the excessive fees that pension funds pay to finance management corporations. This work is useful for PSI also because the finance corporations have a strong pro-privatisation influence.

Participants: Colin Meech, UNISON; Larry Brown, NUPGE; Paul Finch, BCGEU-NUPGE; Peter Chapman, NUPGE; Greg McLean, ASU; Jose Meijer, FNV; Vonda Brunstig, SEIU; Kevin Skerret, CUPE; David Wood, Initiative for Responsible Investment @ Harvard