



Don't Bank on the Bomb Scotland briefing sheet: Lothian Pension Fund

Lothian Pension Fund is one of the largest in the UK with over 78,000 members. It manages the contributions of employees of the following councils: City of Edinburgh, East Lothian, Midlothian, West Lothian.

Lothian Pension Fund has *more money invested in nuclear weapons companies* than any other Scottish local authority pension fund:

Company	Contracts related to UK's nuclear weapons programme?	Involved in developing new types of nuclear weapons?	Value of Shareholdings at 30 Sept 2018
Babcock International	✓		£1,696,744
General Dynamics	✓		£22,597,122
Lockheed Martin	✓	✓	£75,013,743
Northrop Grumman	✓		£8,275,188
Raytheon		✓	£7,987,165
United Technologies			£6,880,641
		Total:	£122,450,603

Source: List of investments held by Lothian Pension Fund, Lothian Buses and Scottish Homes as at 30 September 2018: http://www.edinburgh.gov.uk/lpf1/downloads/download/15/investment_portfolio

Babcock International has nine contracts with the Ministry of Defence worth £4 billion related to the maintenance of Britain's nuclear-armed submarines. **General Dynamics**, **Lockheed Martin** and **Northrop Grumman** each have contracts related to the Trident D5 missiles deployed by the UK and the US.

Lockheed is further involved in the UK's nuclear weapons programme through its 51% stake in AWE Ltd, which runs the Atomic Weapons Establishment. The company is working on the development of new weapons for the US, including the air-launched Long Range Standoff Weapon, along with **Raytheon**.

Lockheed, **Northrop** and **Raytheon** were awarded 94 contracts between them worth US\$807 million in the three months after the US announced its withdrawal from the Intermediate-Range Nuclear Forces Treaty in October 2018. As such they are deeply involved in a dangerous new international arms race.

For information about how each of these companies is involved in nuclear weapons see, *Producing Mass Destruction: Private companies and the nuclear weapons industry*: <https://www.paxforpeace.nl/publications/all-publications/producing-mass-destruction>

Why divest?

Nuclear weapons are uniquely destructive

- Nuclear weapons are designed to destroy cities and kill indiscriminately.
- Any use of nuclear weapons would have devastating environmental consequences. Even a “limited” nuclear war would trigger a nuclear winter, making food production impossible in some regions and putting millions at risk of starvation.
- Companies that make nuclear weapons are contributing to a new nuclear arms race which has raised the threat of nuclear conflict to its highest level since the Cold War.

Nuclear weapons programmes have a huge opportunity cost to taxpayers

- The world’s nuclear armed states spend an average of US\$300 million a day on their nuclear weapons programmes.
- Latest predictions suggest that the UK’s Trident renewal programme will cost at least £172 billion over its lifetime, or £3.4 bn a year.
- Scotland pays £187 million a year towards Trident, money that could instead fund the training of 750 nurses, 370 police officers, 1,500 teachers and 235 doctors.

Nuclear weapons are prohibited by international treaty

- The 2017 Treaty on the Prohibition of Nuclear Weapons prohibits the development, production, testing, possession and use of nuclear weapons. It also prohibits assistance with these activities.
- Financing is a recognised form of assistance so when the treaty enters into force, most likely in 2020, financing nuclear weapons producers will contravene international humanitarian law.
- The treaty has increased the stigma associated with nuclear weapons. Companies which continue to produce them face damage to their reputation which could affect their value, making them a poor investment choice. At least 30 financial institutions have divested since the treaty was signed.

Divestment promotes nuclear disarmament

- A decision to divest would set an example to other organisations in Scotland that profiting from weapons of mass destruction is unacceptable.
- Widespread divestment could persuade companies to stop producing nuclear weapons, as was the case with the cluster munitions divestment campaign.
- Divestment will further delegitimise nuclear weapons and increase the pressure on states to abandon them.

Scots support divestment from unethical industries

- In March 2018, a Survation poll found that nearly three quarters of Scots believe that the Scottish Parliamentary Pension Scheme should divest from arms companies, including Trident contractor Rolls Royce, and from tobacco and fossil fuel companies.

Is nuclear weapons divestment possible?

Fiduciary duty

Local authority pension funds often say that divestment on the basis of non-financial considerations is not possible because this would conflict with the fund's fiduciary duty to its members.

However, a legal opinion commissioned by the Scottish local government pension scheme's advisory board states that pension committees *can* take into account non-financial factors in their investment decisions, "so long as that does not risk material financial detriment to the Fund": <http://lgpsab.scot/wp-content/uploads/2016/06/Letter-to-Funds-on-Fiduciary-Duty.pdf>

Pension funds do have a duty to act in the best interests of their members and there is a strong case that those interests will be best served by a fund which helps to limit the threat of nuclear war by divesting from nuclear weapons producers.

Examples

The London Boroughs of **Waltham Forest** and **Southwark** are showing that it is possible to divest local authority pension funds from certain classes of assets.

In 2016, the pension committee of the **Waltham Forest** became the first UK public authority to announce that it would divest its £735 million pension fund from fossil fuels. Waltham Forest's investment strategy can be found here:

<https://democracy.walthamforest.gov.uk/documents/s59084/Investment%20Strategy%20-%2028%2011%2017.pdf>

Waltham Forest's announcement was closely followed by a commitment from **Southwark** to divest its pension fund from fossil fuels. The fund is worth £1.49 bn and provides pensions for 22,292 members. Southwark's investment strategy states that "The Fund commits to transferring over time any current investments in these traditional energy sources in a way that is both structured and affordable and also meets the Fund's fiduciary duties": <https://www.southwark.gov.uk/assets/attach/3507/Southwark%20Investment%20Strategy%20Statement%20-%20Fossil%20Fuel%20Appendix.pdf>

Both Waltham Forest and Southwark are working to reinvest in positive, "green" focussed assets.

In the United States, **Cambridge City Council**, Massachusetts, unanimously decided to divest its city pension fund, worth US\$1 billion, from nuclear weapons companies in 2016. The policy order noted the catastrophic consequences of nuclear weapons use and the harm caused by diverting money from socially beneficial programs to the production of WMD: http://cambridgema.iqm2.com/Citizens/Detail_LegiFile.aspx?Frame=&MeetingID=1557&MediaPosition=&ID=2104&CssClass

Many international examples of pension funds that have divested from nuclear weapons producers can be found in the "Hall of Fame" contained in the 2018 *Don't Bank on the Bomb Report*: https://www.dontbankonthebomb.com/2018_report/.

How can nuclear weapons divestment be achieved?

Councils can pass a resolution supporting divestment

Don't Bank on the Bomb Scotland and Nuclear Free Local Authorities UK have created a model resolution on nuclear weapons divestment:



Draft model divestment resolution



- Council is a member of the Mayors for Peace, the global international body of Councils working for over 3 decades to promote multilateral nuclear disarmament and a more peaceful world. [If applicable] Council passed [name of resolution] on [date] calling on the UK government to cancel Trident replacement plans and support the 2017 Treaty on the Prohibition of Nuclear Weapons (TPNW).
- [Name of pension fund] manages the pension contributions of Council employees. [Name of pension fund] is known to hold shares in companies that are involved in the production or maintenance of nuclear weapons or their delivery systems, [if applicable] including some that undertake work on the UK's nuclear weapons programme.
- Any investments in nuclear weapons producers are at odds with Council's support for the TPNW and Council's opposition to Trident renewal. Such investments also present a growing risk to [name of pension fund]. The TPNW has increased the stigma associated with nuclear weapons and companies which continue to produce nuclear weapons after the treaty enters into force will face damage to their reputation which could affect their value.
- Council calls on [name of pension fund] to:
 1. Work towards eliminating current and future financial exposure to companies that are involved in the production or maintenance of nuclear weapons and their delivery systems, giving due regard to fiduciary duty.
 2. Council asks the Chief Executive to write to the convenor of [name of pension fund]'s pension committee to urge them to take full consideration of this resolution.

In May 2019, Renfrewshire Council became the first in the UK to pass this resolution. Council resolutions do not bind local government pension funds but they are an important statement of support for nuclear weapons divestment from councillors, who are fund members. The more councils that adopt resolutions, the greater the pressure will be on funds to divest.

Influencing pension committees

Local authority pension funds are governed by pension committees, which are generally comprised of councillors and sometimes union representatives. Pension committees act in a quasi-trustee capacity and are responsible for setting the pension fund's investment strategy. Pension boards scrutinise the decisions of pension committees.

Pension committees can change their fund's investment strategy to exclude nuclear weapons producers, providing there is no financial detriment to the fund. It is therefore important that pension committee members hear from other fund members and constituents about why nuclear weapons divestment is so important.

Don't Bank on the Bomb Scotland's website provides links to the list of members for each pension committee and pension board in Scotland:

<https://nukedivestmentscotland.org/contact-your-local-councillor-about-the-local-government-pension-schemes-investments-nuclear-weapons/>