

Report of the Section 151 Officer

Pension Fund Committee – 17 December 2015

THE LOCAL AUTHORITY PENSION FUND FORUM - MEMBERSHIP

Purpose:	To approve the membership and annual subscription to the Local Authority Pension Fund Forum.
Policy Framework:	None
Reason for Decision:	To assist the City & County of Swansea Pension Fund in delivering its responsibilities as a Responsible Investor.
Consultation:	Legal, Finance & Delivery and Access to Services.
Recommendations:	It is recommended that: 1) The City & County of Swansea Pension Fund takes out full annual membership to the Local Authority Pension Fund Forum.
Report Author:	Jeff Dong
Finance Officer:	Mike Hawes
Legal Officer:	Stephanie Williams
Access to Services Officer:	Sherill Hopkins

1 Background

1.1 It is now widely accepted that it is in all shareholders' interests to promote high standards of corporate governance and corporate social responsibility. The City & County of Swansea Pension Fund has for many years been supportive in promoting good corporate governance through its fund managers. Corporate governance can be defined *narrowly* as the relationship of a company with its shareholders and how it governs its activities, or more *broadly* as its relationship to society on environmental, social and governance (ESG) issues.

1.2 The Cadbury Report on Corporate Governance in 1992 defined corporate governance as

" the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies, while shareholders' role in governance is to appoint the directors and auditors and to satisfy themselves that a proper governance structure is in place. "

or as the Financial Times put it “*Corporate governance can be defined narrowly as the relationship of a company with its shareholders or more broadly, as its relationship to society*”

2 CIPFA Guidance

2.1 The Myners Principles were updated in 2008 when the original ten principles were distilled down to six principles. Principle 5 relates to Responsible Ownership and in this context the *CIPFA Guide to the application of the revised Myners Principles* says:-

“Authorities may wish to consider seeking alliances with either other pension funds in general, or a group of local authority pension funds, to benefit from collective size where there is a common interest to influence companies to take action on environmental, social and governance issues. For example, the Local Authority Pension Fund Forum (LAPFF) exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.”

3 The Local Authority Pension Fund Forum

3.1 The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of local authority pension funds and membership is open to all Local Government Pension Scheme (LGPS) funds. The Forum

- Seeks to protect and enhance the value of members shareholdings by optimising LA pension funds’ influence as shareholders on ESG (environmental, social and governance issues) and thereby to promote Corporate Social Responsibility (CSR) and high standards of Corporate Governance
- Facilitates commissioning of research and policy analysis of issues more effectively than individual members
- Provides a forum for consultation on shareholder initiatives
- Provides a forum for information exchange and discussion about any investment issues
- Provides a forum to consider issues of common interest to all pension fund administrators and trustees.

3.2 The Forum has 4 business meetings a year plus an AGM and an annual conference with each member fund having one vote at meetings. LAPFF contracts PIRC (Pensions Investment Research Consultants) to supply technical research, advice and assistance on all matters relating to best practice in corporate governance and corporate social responsibility. It also employs a part-time Forum Officer (a former City/County Treasurer) to assist with the promotion of its activities.

3.3 The Forum currently has 66 local authority members including 25 English counties; 20 London authorities (including the City of London Corporation); 7 English metropolitan/ unitary authorities; **7 Welsh authorities**; 4 Scottish authorities; NILGOSC (the Northern Ireland Local Government Officers Superannuation Committee) and 2 passenger transport authorities. LAPFF member funds now control assets of around £165 billion. The annual cost of membership would be the annual subscription of £8,460 or £8,250 pa fixed for a three year membership. (This subscription has been held at the same level for the past six years as more funds have joined the Forum – LAPFF membership has increased by 160% since 2003. In view of the current date there would be no subscription payable for 2015/16 but the fund would secure all the benefits of membership immediately including the right to attend and vote at the next quarterly LAPFF meeting and AGM in January.

3.4 Benefits of membership would include:-

- Supporting shareholder value through engagement and activism on issues relating to ESG issues.
- Strength in numbers when engaging with companies at the highest level (i.e. Chairperson or other senior board members)
- Collective and more cost effective approach to research
- Saving of officer time and cost in researching issues
- Sharing research costs with 66 Forum member funds
- Providing a Forum for discussion of any related local government pension fund issue
- Quarterly newsletter
- Opportunities for networking with colleagues from all parts of UK and all types of authority
- Facilitating collaboration with other major institutional investor groups both nationally and internationally.
- The Forum's aims are to provide a customised, cost effective vehicle for local authority pension funds to make their compliance with Myners principle 5 (responsible ownership) more effective.

3.5 Membership of LAPFF would further demonstrate the Fund's commitment to socially responsible investment and the promotion of high standards of corporate social responsibility (on environmental, social and governance issues etc) and re-enforce our aim to maximise shareholder value.

5 Financial Implications

5.1 The cost of membership is currently £8,460 p.a.

6 Legal Implications

6.1 There are no legal implications arising from this report

7 Equality Impact Implications

7.1 An EIA Screening has been undertaken and no E&EIs have been identified

Background Papers: None.

Appendices: None.