

Pension Fund Committee

Title:	Local Authority Pension Fund Forum
Date:	Monday 24 September 2018
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Local members affected:	N/A

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Summary

One of the areas of growing importance in the work of this Committee is how it fulfils its role as a responsible investor. Stakeholders, including both scheme employers and scheme members are becoming increasingly vocal in challenging the Committee to ensure it is carrying out its statutory duties with sufficient regard to concerns around environmental, social and corporate governance (ESG) issues. 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 issues and thereby to promote Corporate Social Responsibility 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.

Recommendation

The Committee is RECOMMENDED to agree membership of the Local Authority Pension Fund Forum, and instruct the Officers to make the necessary arrangements.

Introduction

1. One of the areas of growing importance in the work of this Committee is how it fulfils its role as a responsible investor. Stakeholders, including both scheme employers and scheme members are becoming increasingly vocal in challenging the Committee to ensure it is carrying out its statutory duties with sufficient regard to concerns around environmental, social and corporate governance (ESG) issues.
2. Across the Brunel Pension Partnership, 9 out of the 10 Pension Funds have joined the LAPFF as a means of supporting their role as a responsible investor. This report considers whether it is appropriate for the Buckinghamshire Pension Fund to now sign up as a member to the Forum.

Investment Strategy Statement

3. The Committee's Investment Strategy Statement includes sections on both ESG Policy and our Policy on the Exercise of our Rights. The Fund is mindful of its responsibilities as a long term shareholder.
4. The extent to which social, environmental and ethical considerations are taken into account in these decisions is left to the discretion of the fund managers. However, the Committee expects that the extent to which social, environmental and ethical issues may have a financial impact on the portfolio will be taken into account by the fund managers in the exercise of their delegated duties and reviewed by the Committee from time to time.
5. Under the section on the Policy on the Exercise of Rights, the Committee encourages compliance with best practice in corporate governance.

The Local Authority Pension Fund Forum (LAPFF)

6. A key question therefore is how the Committee fulfils its responsibilities as set out in the Investment Strategy Statement. Whilst many of the functions are delegated to the individual Fund Managers, and will be overseen by staff at Brunel, this does not mean that the Committee have fully met their responsibilities.
7. 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:
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 - Facilitates commissioning of research and policy analysis of issues more effectively than individual members
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- 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.
8. 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.
 9. The Forum currently has 78 local authority members including 29 English counties; 27 London authorities (including the City of London Corporation and the LPFA); 7 English metropolitan / unitary authorities; 8 Welsh authorities; 4 Scottish authorities; The Environment Agency and 2 passenger transport authorities.
 10. LAPFF member funds now control assets of around £230 billion. The annual cost of membership would be the annual subscription of **£9,000**.
 11. 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 75 Forum member funds
 - Providing a Forum for discussion of any related local government pension fund issue
 - 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.
 12. 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.

Resource implications

13. The annual cost of membership would be the annual subscription of £9,000.

Legal Issues

14. The Fund is required by legislation to consider any factors that are financially material to the performance of the Fund's investments. The LAPFF will provide the Fund with access to an improved information flow and intelligence about corporate governance issues.

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

N/A

Background Papers

None
