

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT**LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING****Purpose of the Report**

1. To report on the Local Authority Pension Fund Forum (LAPFF) business meeting held in London on 18 June 2014.

Information and Advice

2. The Local Authority Pension Fund Forum was formed in 1990 to provide an opportunity for the UK's local authority pension funds to discuss investment and shareholder engagement issues. LAPFF currently has 60 members with combined assets of well over £100 billion and is consequently able to exert significant influence over companies in which funds are invested.
3. LAPFF exists 'to promote the long-term investment interests of UK local authority pension funds, and in particular to maximise their influence as investors to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest'. It also:
 - a. Provides a forum for information exchange and discussion about investment issues.
 - b. Facilitates the commissioning of research and policy analysis of issues in a more effective manner than individual members could achieve.
 - c. Provides a forum for consultation on shareholder initiatives.
 - d. Provides a forum to consider issues of common interest to all pension fund administrators and councillors.
4. The June 2014 business meeting was attended on behalf of Nottinghamshire Pension Fund by Councillor John Wilkinson and Nigel Stevenson (Group Manager – Financial Strategy and Compliance) and included a presentation on the latest consultation on "*Opportunities for collaboration, cost savings and efficiencies*" within the Local Government Pension Scheme, issued by the Department for Communities and Local Government (DCLG).
5. The presentation session included speakers from the Greater Manchester Pension Fund, the LGA, East Riding Pension Fund, Pensions and Investment Research Consultants (PIRC) and the London Pensions Fund Authority (LPFA). All provided their views on the call for evidence work, the consultation, implications of change and the need the potential for collaboration.

6. This was then followed by the business meeting which received the 2013/14 budget outturn report together with progress and reports on the specific engagement work LAPFF had undertaken in recent months. This mainly comprised:

- International Financial Reporting standards (IFRS) – LAPFF members were updated on the developments with the Financial Reporting Council (FRC) regarding IFRS following LAPFF obtaining legal opinion from Bompas QC (specific to the banking sector, IFRS and Company Law). LAPFF and the FRC are to hold meetings to establish that the FRC agrees with the LAPFF opinion that the ‘true and fair view’ standard is still confusing (in that it is at odds with the Companies Act 2006) and that this confusion has created a risk of an illegal system.
- Leadership – LAPFF has continued to engage with companies on the issue of board diversity. LAPFF has written to Glencore Xstrata, the only FTSE 100 Company with an all-male board, on this issue and addressed a question directly to a board member at an investor meeting. [It was subsequently reported in the press (27 June 2014) that Glencore has appointed its first woman to the board, Patrice Merrin].
- Barclays pay and dividends – this concerned the high pay and bonuses paid to Barclays employees when compared to the dividends it has been able to pass to its shareholders, relative to other large banks. The LAPFF chair attended the Barclays AGM and LAPFF welcomed the replacement of Sir John Sunderland, chair of the remuneration committee, by Crawford Gillies.
- Employment standards – LAPFF has engaged with National Express since 2012 regarding the company’s approach to human capital management concerns and unionisation issues in the US. At the most recent meeting in 2014 with the chief executive, it was evident that the company had not implemented previous commitments. Some LAPFF member funds, including the Nottinghamshire Fund, co-filed a shareholder resolution, attended and spoke at the AGM, requesting the company to implement a mechanism to ensure appropriate board oversight and to develop and implement a comprehensive policy based on the International Labour Organisation Declaration.
- Intergovernmental Panel on Climate Change (IPCC) – LAPFF has engaged with companies since 2002 on reporting carbon emissions, setting reduction targets and on their business strategies relating to climate change. LAPFF members were informed of the latest developments from the IPCC who issued a report on assessing options for mitigating climate change with underlying economic, technological and institutional requirements. LAPFF will work with investors and groups to develop a strategic investor position on energy and climate change to guide public policy engagement, company stewardship and asset allocation. In so doing, LAPFF will consider the approach of *‘The Trillion*

Tonne Communiqué drawn up by the Prince of Wales Corporate Leaders Group.

- UK listing regime changes – LAPFF members were updated on the recent changes to the UK listing regime that are having an influence on decisions made by UK premium listed companies over changing their listing to standard. The transition from premium to standard listed status involves the loss of significant shareholder rights and protections, particularly over the publication of any decision of adherence or divergence from the UK Corporate Governance Code (disclosure regulations).
- Avoidance of new legal limits on executive pay – LAPFF members were updated on the new Capital Requirement Directive regulations which apply to employees of EU headquartered banks. These create limits on executive pay from early 2015. The directive provides for a limit on the ratio between fixed and variable pay for certain employees only. It also creates a shareholder voting right that allows companies to exceed the new limit up to a 200% maximum. While some banks have already turned to this option, others are going further and also reclassifying elements of executive pay to avoid application of the directive, in particular Barclays Bank plc.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That the report be noted

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