

**5REPORT 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 8 October 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 61 members with combined assets of over £125 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 October 2014 business meeting was attended on behalf of Nottinghamshire Pension Fund by Councillor John Wilkinson and Neil Robinson (Group Manager – Financial Management) and included a training session - a half day refresher on the role of the board from a shareholder's perspective. The session was delivered by Jim O'Loughlin from the Pensions and Investment Research Consultants (PIRC).
5. This was preceded by the business meeting which received the 2013/14 audit report and audited financial statements, together with progress and reports on the specific engagement work LAPFF had undertaken in recent months. This mainly comprised:
  - Production and Sale of Cluster Munitions – LAPFF has engaged with nine aerospace and defence companies over the production and sale of cluster munitions. The concern is that these weapons kill people indiscriminately and that they continue to be dangerous after conflicts have ended. Four have responded to letters requesting confirmation that these companies do not produce or sell cluster munitions. At a

meeting with the Chairman of BAE, Sir Roger Carr, he provided assurances that the company is completely compliant with the international law that bans cluster munitions.

- Economic consequences of International Financial Reporting Standards (IFRS) – the issue here is that the IFRS Model provides the possibility of leaving out foreseeable losses and including (undisclosed) unrealised profits in sets of accounts. It is too early to say if the recent Tesco problem is IFRS related but the consequences of the defective Model were discussed, not least the retention of incompetent company managers.
- Executive Pay – LAPFF continues to push companies on their executive pay arrangements, especially in relation to rewards for sub-par performance and on complexity. At both the Vodafone and BT AGMs appropriate questions had been asked around bonuses / pay incentives and their relationship with performance / customer service.
- Palm Oil – LAPFF's continuing engagement with companies to encourage sustainable palm oil production and supplies has met some success. A group of palm oil growers released a 'Sustainable Palm Oil Manifesto' directed at ensuring future palm oil developments are subject to high standards of environmental protection and limit deforestation. This is a step forward but the Manifesto does not appear to set the same strong standards as those followed by the major industry leaders.
- Global Tax Transparency – LAPFF is seeking to enter the debate with a public statement of support for international taxation reform in the lead up to the annual G20 Summit due to take place in November in Brisbane, Australia. LAPFF is seeking to build a coalition of like-minded organisations with endorsement of the statement to be sought from mutual based pension funds, governance bodies and representative organisations in the UK, US and Australia to maximise potential impact.
- Shale Gas Development – LAPFF is to continue engagement with the expanding fracking industry to minimise any negative impacts from future fracking and shale gas operations and to ensure that a robust regulatory regime is implemented that will ensure risks are kept low or obsolete. LAPFF is also to continue to engage with relevant companies through the Principles for Responsible Investment (PRI) process.

## **Statutory and Policy Implications**

6. 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

### **Report Author:**

**Neil Robinson**

**Group Manager – Financial Management**

**For any enquiries about this report please contact: Neil Robinson**

### **Constitutional Comments**

7. Because this report is for noting only, no Constitutional Comments are required.

### **Financial Comments (SRC 17/10/14)**

8. There are no direct financial implications arising from this report.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None