

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

1. To report on the Local Authority Pension Fund Forum (LAPFF) business meetings held in London on 27 January and 19 April 2016. The January meeting also incorporated the LAPFF AGM.

**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 69 members (shown at Appendix A) 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 AGM and business meetings were attended on behalf of Nottinghamshire Pension Fund by an officer representative.
5. The AGM was brief and mainly presented the LAPFF Annual Report 2015.
6. In addition to a discussion about the implications of the future pooling of pension fund investments for LAPFF, the January business meeting which followed presented a quarterly update on LAPFF's engagement work with companies on corporate governance matters (covering executive pay, environmental impacts, labour practices, etc).
7. The main focus of the business meeting was to brief members on an issue relating to the assessment of mergers and acquisitions (M&A) from a value perspective. Research commissioned by LAPFF has shown that many (about 70%) mergers and acquisitions have

not resulted in additional value for shareholders. M&A proposals should not therefore be automatically accepted. The paper that LAPFF presented outlined their understanding of what good M&A looks like in order to inform its members' engagement activity on this subject.

8. The April business meeting provided a further update on LAPFF's engagement work, in particular noting the good news that strategic resilience and carbon risk issues have become mainstream concerns for big companies like Rio Tinto, Anglo-American and Glencore. This was followed by a presentation by a representative from Carbon Tracker, highlighting how oil, gas and coal extraction strategies will have to change in future if the agreement on a 2°C limit on global temperature increases – made at the recent COP21 conference in Paris - is to be realisable. It was reported that oil extraction has slowed down because of the recent fall in prices, but this could speed up again if prices rise.

## **Statutory and Policy Implications**

9. 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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**For any enquiries about this report please contact: Simon Cunnington**

## **Constitutional Comments**

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

## **Financial Comments (SRC 13/04/16)**

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

## **Background Papers**

- LAPFF Annual Report 2015
- LAPFF Quarterly Engagement Report Oct 2015 – Dec 2015
- Draft LAPFF Quarterly Engagement Report Jan 2016 – Mar 2016

### Membership of LAPFF as at 27 January 2016

1	Avon Pension Fund
2	Barking and Dagenham LB
3	Bedfordshire Pension Fund
4	Cambridgeshire Pension Fund
5	Camden LB
6	Cardiff and Vale of Glamorgan Pension Fund
7	Cheshire Pension Fund
8	City of London Corporation
9	Clwyd Pension Fund
10	Croydon LB
11	Cumbria Pension Scheme
12	Derbyshire CC
13	Devon CC
14	Dorset County Pension Fund
15	Dyfed Pension Fund
16	Ealing LB
17	East Riding of Yorkshire Council
18	East Sussex Pension Fund
19	Enfield LB
20	Falkirk Council
21	Gloucestershire Pension Fund
22	Greater Gwent Fund
23	Greater Manchester Pension Fund
24	Greenwich Pension Fund RB
25	Gwynedd Pension Fund
26	Hackney LB
27	Haringey LB
28	Harrow LB
29	Hertfordshire County Council Pension Fund
30	Hounslow LB
31	Islington LB
32	Lambeth LB
33	Lancashire County Pension Fund
34	Lewisham LB
35	Lincolnshire CC
36	London Pension Fund Authority
37	Lothian Pension Fund
38	Merseyside Pension Fund
39	Newham LB
40	Norfolk Pension Fund
41	North East Scotland Pension Fund
42	North Yorkshire CC Pension Fund
43	Northamptonshire CC
44	Northern Ireland Local Government Officers Superannuation Committee
45	Nottinghamshire CC
46	Powys County Council Pension Fund
47	Rhondda Cynon Taf
48	Sheffield City Region Combined Authority
49	Shropshire County Council
50	Somerset CC
51	South Yorkshire Pensions Authority

52	Southwark LB
53	Staffordshire Pension Fund
54	Strathclyde Pension Fund
55	Suffolk County Council Pension Fund
56	Surrey CC
57	Teesside Pension Fund
58	The City and County of Swansea Pension Fund
59	The Environment Agency Pension Fund
60	Tower Hamlets LB
61	Tyne and Wear Pension Fund
62	Waltham Forest LB
63	Wandsworth LB
64	Warwickshire Pension Fund
65	West Midlands ITA Pension Fund
66	West Midlands Pension Fund
67	West Yorkshire Pension Fund
68	Wiltshire CC
69	Worcestershire CC