

REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT**LAPFF CONFERENCE 2017****Purpose of the Report**

1. To report on the Local Authority Pension Fund Forum (LAPFF) Conference 2017 held in Bournemouth.

Information

2. The LAPFF Conference 2017 was held on 6th to 8th December 2017 in Bournemouth. In accordance with prior approval and as part of the Fund's commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills, the conference was attended by Councillor Eric Kerry and Tamsin Rabbitts (Senior Accountant – Pensions & Treasury Management). The theme of the conference was Responsible Investment.
3. **A new approach to asset management**
David Blood, Senior Partner, Generation Investment Management LLP, Kim Catechis, Head of Global Emerging Markets, Martin Currie, Daniel Godfrey, People's Trust

The presenters gave three views of incorporating Responsible Investment into their investment management, demonstrating the essential, but not sufficient, inclusion of these considerations, and challenging the idea that this is new.

David Blood said that responsible investment is about adding value to portfolios as more sustainable companies are also better resource managers with lower risk. He warned us that every aspect of our lives will need to change in order to transition to a low carbon economy.

Kim Catechis felt that responsible investment considerations are, and always had been, an essential part of assessing the quality of any company for investment potential.

Daniel Godfrey proposed that the 'purpose of investment is sustainable wealth creation'. His concern is that investment models are too short term and focussed on relative return. He designed the People's Trust to overcome this in the belief that this would lead to better results through focussing on sustainability. Unfortunately the People's Trust was a failed venture for other reasons, but he remains a strong proponent of long term investment horizons. "The best time to plant a tree is 20 years ago. The second best time is today."

4. **Sustainable agriculture: risks and opportunities**

Jeremy Collier, FAIRR, Abigail Herron, Aviva Investors

Jeremy gave an informative and convincing account of the damage and risk of factory farming for both the environment and health, which he feels is bad for the planet, bad for people and bad for investors. His recommendation (investment aside) was to eat less meat, and eat better meat. Abigail developed on one of Jeremy's themes around the overuse of antibiotics in factory farming and explained how the overuse and misuse of antibiotics is accelerating antibiotic resistance. Her world view of a world with no effective antibiotics was chilling.

5. **Considerations for investing in private equity via the Pools**

Carolyn Skuce, Managing Director, Capital Dynamics, Mark Dragan, Head of European Private Equity, Capital Dynamics

This session provided a good description of investing in Private Equity, highlighting both the advantages and the disadvantages (and ways to mitigate them), and discussed a potential approach to investing in Private Equity after pooling.

6. **Board diversity**

Sir John Parker. The ethnic diversity of UK boards. The Parker Review

Sir John gave some examples from his life and talked about some of the issues which fed into his review. The Parker Review looked at the number of women on company boards. Quotas were rejected as nobody wanted them, but a target of 25% was set. Now the figure is 28% and increasing.

7. **Women on the Board and in the workplace**

Paul Hunter, PIRC Ltd, Lorna Fitzsimons, The Pipeline, Iris Lether, Senior Sustainability Analyst, Triodos Bank

A discussion on the advantages of women on boards, and indeed diversity generally, looking at both the statistics and positive action.

8. **LAPFF climate investment policy framework**

Faith Ward, LAPFF Executive, Councillor Kieran Quinn, Chair LAPFF, Councillor Toby Simon, LAPFF Executive, Edward Kamonjoh, 50/50 Climate, Anne-Marie Williams, Share Action

Councillor Quinn talked about the Climate Change toolkit and the importance of the issue. Councillor Simon talked about some of the engagement this year with oil producers. Anne Marie Wilson looked in detail at BP and Shell, and reasons why she felt more engagement is required.

9. **Current shareholder campaigns and engagement**

Cllr Ian Brookfield, Chair, West Midlands PF, Brian Strutton, General Secretary, British

Airline Pilots Association (BALPA), Workers representative from Tesla Inc., John Neal, UNITE, Cllr Richard Greening, LB Islington PF

This was an interesting session (under Chatham House rules) looking at particular issues at Ryan Air, Tesla, and Sports Direct, together with an update on what LAPFF and PIRC have been doing.

10. Investment risk - cyber security

Executive Sir Mike Rake, former Chairman of BT, Maureen Kaplan, CISSP GSLC, Global Head of Sales, Vodafone Enterprise Security Services, Vodafone Group Services Ltd, Prof. Shujun Li, Professor of Cyber Security, School of Computing, Director Interdisciplinary Research Centre in Cyber Security, University of Kent

Mike Rake emphasised the importance of cyber security and enforcing basic good practice. This should be a board issue, not delegated to IT. Maureen Kaplan illustrated the scale of the issue with cyber-crime now more significant than drugs. The growing use of technology broadens the target. Professor Li talked about human behaviour as a weak link – “Security that doesn’t work for humans, doesn’t work.”

11. The politics of financial risk, audit and regulation

Baroness Sharon Bowles, Atul Shah, Senior lecturer, Suffolk Business School

Baroness Bowles discussed the issues with regulatory agencies acting in the public good being subverted to serve the commercial or political objectives of special interest group. Atul Shah talked about the reasons for the failure of HBOS.

12. The Spider Network LIBOR: The whole story of a math genius, a Gang of Back stabbing Bankers and one of the greatest scams in financial history

David Enrich, Finance Editor, The New York Times

This was a fascinating description of the LIBOR manipulation scandal.

13. LGPS Pool panel

We heard from representatives from each of the Pools about their progress to implementation and approach to various issues. It is clear each Pool will be different, but all encountering similar challenges.

14. The future of the LGPS

Rob Whiteman, CEO, CIPFA

Rob Whiteman outlined the difficult challenges facing local government at the moment, considering that the biggest problem is the breakdown in trust and confidence in public institutions. He then talked about challenges to LGPS, and possible options. He predicted ongoing scrutiny.

15. Capital market reform in the context of Brexit

Gina Miller, Partner, SCM Direct

Gina Miller was an excellent speaker and talked about capital market reform and the impact of MiFID II, and about potential options for post Brexit agreements with the EU.

16. Alastair Campbell

The conference finished with an entertaining session from Alastair Campbell.

Statutory and Policy Implications

17. 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.

RECOMMENDATIONS

1. That Pension Fund Committee members continue to attend appropriate conferences to enable members to be kept up to date with the main national topics relating to investments.
2. That Members consider if there are any actions they require in relation to the issues contained within the report.

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Constitutional Comments

18. Pensions Committee is the correct body for considering the information contained in the report and deciding on any further action which members may wish to take in light of that information.

Financial Comments (TMR 21/3/18)

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

Background Papers and Published Documents

None