

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

1. To report on the Local Authority Pension Fund Forum (LAPFF) business meetings held in London on 29 January 2020, and via Zoom on 15 April and 15 July.

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. In 2018 membership was also extended to cover pension fund pools. LAPFF membership currently stands at 80 funds and 6 pools (shown at Appendix A) with combined assets of over £300 billion. It is consequently able to exert significant influence over companies in which funds are invested.
3. LAPFF exists 'to assist Administering Authorities discharge their statutory responsibilities and promote the long-term investment interests of UK local authority pension funds. In particular, it seeks to maximise their influence as investors to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they hold an interest, commensurate with statutory regulations'. 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 Forum 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 boards, committees and their supporting administrative staff, as well as to other interested parties from national, local and regional governments.
4. The three business meetings were attended on behalf of Nottinghamshire Pension Fund by an officer representative.
5. As part of LAPFF's work on reliable accounts, the January meeting was pleased to report that capital maintenance in company accounts is increasingly being recognised as an important concept. It was mentioned in the Queen's Speech, and some companies may now cut their dividends as a result, protecting creditors and allowing the market to more accurately gauge the value of these companies.

6. The results of the LAPFF Climate Change survey were published for the January meeting, and are reported here in response to a request made at a previous Nottinghamshire Pension Fund Committee meeting. 38 responses out of a possible 88 were received, and this was considered a good turnout. It was reported that most LAPFF pension funds are recognising climate risk, but that they are not necessarily setting targets as a result. It was recognised that 'target setting' is sometimes a blunt instrument and might result in outright disinvestment, without more sophisticated engagement strategies being first pursued. However, a follow-up survey will be commissioned later in the year to measure the extent of any disinvestment undertaken by LAPFF member funds.
7. The April meeting was successfully hosted on Zoom, due to social distancing requirements. The main points covered related to: the problems surrounding carbon capture; accounting for stranded oil and gas assets; 'next generation' tobacco products (e.g. the medicinal cannabis market); and water shortage risk.
8. The July meeting discussed a modification of LAPFF's Climate Change Policy Statement, to give greater emphasis to the reduction of carbon emissions and relatively less emphasis to the development of Carbon Capture and Storage technologies and methods, since the latter strategy cannot usually be concretely quantified, and thereby risks failing to meet the targets of the 2015 Paris Agreement. The meeting ended with an online presentation from Professor Adam Leaver (Sheffield University) on the weaknesses of the 'Big 4' audit firms, and their conflicts of interest as they also offer services as consultants.
9. At all three meetings the updates on LAPFF's engagement work in the quarters to December 2019 and March and June 2020 were presented. The latest engagement reports are listed as background papers to this report. For information, all LAPFF engagement reports can be found here:

<https://lapfforum.org/publications/category/quarterly-engagement-reports/>

Statutory and Policy Implications

10. 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

That Nottinghamshire Pension Fund Committee members consider whether there are any actions they require in relation to the issues contained within the report.

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Constitutional Comments (KK 08/09/2020)

11. This is an updating information report and Nottinghamshire Pension Fund Committee is the correct body for considering that information and any further action which members may wish to take in light of that information.

Financial Comments (TMR 11/09/2020)

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

Background Papers

- LAPFF constitution
- LAPFF Quarterly Engagement Report October to December 2019
- LAPFF Quarterly Engagement Report October to March 2020
- LAPFF Quarterly Engagement Report April to June 2020