

	Pensions Fund Sub-Committee 29 May 2019
	Report from the Chief Finance Officer
The Local Authority Pension Fund Forum	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	<ul style="list-style-type: none"> ▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

- 1.1 The purpose of this report is to consider if the Fund should become a member of the Local Authority Pension Fund Forum.

2.0 Recommendation(s)

- 2.1 The Committee is asked to express their view on membership of the Local Authority Pension Fund Forum.

3.0 Detail

Introduction

- 3.1 One of the areas of growing importance in the work of this Committee is how it fulfils its role as a responsible investor. Stakeholders, including both scheme employers and scheme members are becoming increasingly vocal in challenging the Committee to ensure it is carrying out its statutory duties with sufficient regard to concerns around environmental, social and corporate governance (ESG) issues.

- 3.2 80 LGPS Pension Funds have joined the Local Authority Pension Fund Forum (LAPFF) as a means of supporting their role as a responsible investor. This report considers whether it is appropriate for the Brent Pension Fund to now sign up as a member to the Forum.

MHCLG Guidance on Preparing and Maintaining an Investment Strategy Statement

- 3.3 When making investment decisions, administering authorities must take proper advice and act prudently. In the context of the local government pension scheme (LGPS), a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence. This approach is the standard that those responsible for making investment decisions must operate.
- 3.4 However, the law is generally clear that schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors.

CIPFA Guidance

- 3.5 The Myners Principles were updated in 2008 when the original ten principles were distilled down to six principles. Principle 5 relates to Responsible Ownership and in this context the *CIPFA Guide to the application of the revised Myners Principles* says:-

“Authorities may wish to consider seeking alliances with either other pension funds in general, or a group of local authority pension funds, to benefit from collective size where there is a common interest to influence companies to take action on environmental, social and governance issues. For example, the Local Authority Pension Fund Forum (LAPFF) exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.”

The Local Authority Pension Fund Forum (LAPFF)

- 3.6 The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of local authority pension funds and membership is open to all Local Government Pension Scheme (LGPS) funds. The Forum:
- Seeks to protect and enhance the value of members shareholdings by optimising LA pension funds' influence as shareholders on ESG issues and thereby to promote Corporate Social Responsibility and high standards of Corporate Governance
 - Facilitates commissioning of research and policy analysis of issues more effectively than individual members
 - Provides a forum for consultation on shareholder initiatives
 - Provides a forum for information exchange and discussion about any investment issues

- Provides a forum to consider issues of common interest to all pension fund administrators and trustees.
- 3.7 The Forum has 4 business meetings a year plus an AGM and an annual conference with each member fund having one vote at meetings. LAPFF contracts PIRC (Pensions Investment Research Consultants) to supply technical research, advice and assistance on all matters relating to best practice in corporate governance and corporate social responsibility. It also employs a part-time Forum Officer (a former City/County Treasurer) to assist with the promotion of its activities.
- 3.8 The Forum currently has 80 local authority members including 29 English counties; 28 London authorities (including the City of London Corporation and the LPFA); 8 English metropolitan/ unitary authorities; 8 Welsh authorities; 4 Scottish authorities; The Environment Agency and 2 passenger transport authorities and 6 LGPS Pools.
- 3.9 LAPFF member funds now control assets of around £230 billion. The annual subscription for each year commencing on April 1st is £9,500 but this is reduced on a pro rata throughout the year consequently, the fee for the current year (until 31 March 2020 is now reduced by 25% to £7,125
- 3.10 Benefits of membership would include:-
 - Supporting shareholder value through engagement and activism on issues relating to ESG issues.
 - Strength in numbers when engaging with companies at the highest level (i.e. Chairperson or other senior board members)
 - Collective and more cost effective approach to research
 - Saving of officer time and cost in researching issues
 - Sharing research costs with 75 Forum member funds
 - Providing a Forum for discussion of any related local government pension fund issue
 - Opportunities for networking with colleagues from all parts of UK and all types of authority
 - Two free places at the LAPFF Annual Conference
 - Facilitating collaboration with other major institutional investor groups both nationally and internationally.
 - The Forum's aims are to provide a customised, cost effective vehicle for local authority pension funds to make their compliance with Myners principle 5 (responsible ownership) more effective.
- 3.11 Membership of LAPFF would further demonstrate the Fund's commitment to socially responsible investment and the promotion of high standards of corporate social responsibility (on environmental, social and governance issues etc) and re-enforce our aim to maximise shareholder value.

4.0 Financial Implications

- 4.1 If the committee agrees to become a member of the forum the annual cost will be £9,500 (£7,125 in 2019/20) and will be funded by the Pension Fund.

5.0 Legal Implications

- 5.1 Not applicable.

6.0 Equality Implications

- 6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.

8.0 Human Resources

- 8.1 Not applicable.

Report sign off:

Conrad Hall
Chief Finance Officer