

## **LGA Special Interest Group Annual Report to LGA Leadership Board**

<b>SIG Name:</b>	Local Authority Pension Fund Forum
<b>Lead Member:</b>	<a href="#">LAPFF Executive Committee</a>
<b>Lead Officer:</b>	Councillor Kieran Quinn, LAPFF chair

### **Aim**

The Local Authority Pension Fund Forum (LAPFF) is the UK's leading collaborative shareholder engagement group. Formed in 1990, LAPFF brings together 73 public sector pension funds from across the UK with combined assets of over £200 billion, representing a majority of funds under management by local authorities.

LAPFF exists to promote the investment interests of local authority pension funds in the UK, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.

Forum members meet quarterly to discuss and debate a broad range of investment issues concerned with shareholder responsibilities and engagement activities. During the year, members discuss papers on a wide range of topics, with meetings being serviced by PIRC Limited, as the appointed research and engagement partner to the Forum. Keith Bray, formerly County Treasurer at South Glamorgan County Council and Director of Finance at the City of Cardiff Council, is the Forum officer with the role of promoting the work of LAPFF generally and amongst existing and prospective members.

### **Key Activities / Outcomes of work undertaken**

LAPFF provides a unique opportunity for discussion of investment issues and shareholder engagement by for local authority pension funds. Member fund investment policies have important implications for beneficiaries, local communities, council tax payers and the wider economy. The powerful influence gained by funds acting together on issues of common concern has considerable potential in relation to the companies in which they invest.

- During the year under review, LAPFF has participated in over one hundred company engagements. This has included sending at least 700 letters to companies and attending over 30 meetings with companies. This engagement has taken place across 11 domiciles, and has included consultation responses. LAPFF also actively engaged in the 2016 AGM season, attending over 20 AGMs and issuing six voting alerts. These alerts primarily related to carbon risk reporting. LAPFF's work has also been covered by a wide variety of different UK and global media outlets during the past year.
- Throughout the year LAPFF has provided a much needed forum for discussion amongst the English and Welsh funds on pooling. Alongside pooling guidance, Government consulted on a kind of 'deregulation' of Investment Regulations Sharing

experiences amongst member funds has been vital in sharpening approaches to the challenges of pooling.

- This year has seen even more evidence to show that the Financial Reporting Council's position on the 'true and fair view' requirement relating to accounts of companies required by Company Law is incorrect. As a result, LAPFF wrote to FTSE 350 Chairs advising them to disregard the position of the FRC and that the safe option, without risk of illegality, was to follow the position of LAPFF's Counsel.
- Forum members continued to promote strategic resilience in the face of climate change, co-filing shareholder resolutions to Rio Tinto, Anglo-American and Glencore. Supported by the company boards, all received 96% support or greater. LAPFF has also produced information for funds to guide their strategy for high carbon investments, including in collaboration with Carbon Tracker, the report '*Engaging for a Low Carbon Transition*'
- The Forum engaged with a number of companies on employment standards. One of these companies was Sports Direct. A LAPFF Executive member attended the Sports Direct AGM and LAPFF supported the shareholder resolution on human capital management filed with the Company.
- The LAPFF Executive has begun to consider the impact of Brexit on LAPFF's areas of focus. The main areas of focus are changes to the source of authority for company law and governance regulation, both of which have been affected by various Directives and Regulations since the UK joined the EU.
- LAPFF has this year extended its reach through an important initiative with the formation of the All Party Parliamentary Group (APPG) on Local Authority Pension Funds. The APPG is chaired by Clive Betts MP, chair of the Communities and Local Government Select Committee with vice-chairs including Lord Kerslake, Ian Blackford MP, Lord Godard and Mark Prisk MP. In addition to the APPG, LAPFF has continued its attendance at fringe meeting events during the party political conference season with meetings organised at the Labour, Conservative and Scottish Nationalist Party conferences.
- Growing support for LAPFF's work has been evidenced by membership growing from 70 to 73 funds.