

AGENDA MANAGEMENT SHEET

Name of Committee Pension Fund Investment Board

Date of Committee 3 August 2007

Report Title The Local Authority Pension Fund Forum

Summary Report setting out the case for Warwickshire's membership of the Forum.

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Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers None

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr Davis - Chair of Pension Board
- Cabinet Member
- Chief Executive
- Legal Tony Maione
- Finance David Clarke, Strategic Director of Resources (reporting officer)
- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION Yes

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Pension Fund Investment Board - 3 August 2007

The Local Authority Pension Fund Forum

Report of the Strategic Director of Resources

Recommendation

That the Board consider the proposal to join the Local Authority Pension Fund Forum.

1. Introduction

- 1.1 It is now widely accepted that it is in all shareholders' interests to promote high standards of corporate governance and corporate social responsibility. The CIPFA/Myners' Principles set out the need for local authorities to take an active interest in promoting good corporate governance.
- 1.2 Corporate governance can be defined narrowly as the relationship of a company with its shareholders or, more broadly, the relationship with society in general on matters such as environmental issues.
- 1.3 The Cadbury Report on Corporate Governance in 1992 defined corporate governance as:

"The system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies, while shareholders' role in governance is to appoint the directors and auditors and to satisfy themselves that a proper governance structure is in place."

2. The Local Authority Pension Fund Forum

- 2.1 The Local Authority Pension Fund Forum (LAPFF) is an association of local authority pension funds. Membership is open to all Local Government Pension Scheme (LGPS) funds.
- 2.2 The Forum:
 - seeks to optimise local authority pension funds' influence as shareholders in order to promote corporate social responsibility and high standards of corporate governance;
 - facilitates the 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 investment issues;
 - provides a forum to consider issues of common interest to all local government pension scheme administrators and trustees.
- 2.3 The Forum has four or five business meetings a year and an annual conference/AGM with each member fund having one vote at meetings.
- 2.4 The LAPFF contracts Pensions Investment Research Consultants (PIRC) 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 local authority County Treasurer) to assist with the development and promotion of its activities.
- 2.5 The Forum currently has 42 local authority members including twelve English Counties, thirteen London Boroughs, eight English metropolitan/unitary authorities, four Welsh authorities, two Scottish authorities, the NILGOSC (Northern Ireland Local Government Officers Superannuation Committee) and two passenger transport authorities.
- 2.6 LAPFF member funds now control assets of over £80 billion. The cost of membership would be the annual subscription of £8,460 or £8,250 pa fixed for a three-year membership. This has been held at the same level for the past three years as more funds have joined the Forum.
- 2.7 Benefits of membership would include:
- supporting shareholder value through engagement and activism on issues relating to corporate social responsibility, corporate governance and the environment;
 - strength in numbers when engaging with companies;
 - collective and more cost effective approach to research;
 - saving of officer time and cost in researching issues;
 - spreading research costs over the total 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;
 - facilitating collaboration with other major institutional investor groups both nationally and internationally.

- 2.8 The Forum's aims are to provide a customised, cost effective vehicle for local authority pension funds to achieve compliance with CIPFA/Myners Principle 6 (activism). Membership of LAPFF would further demonstrate the Fund's commitment to socially responsible investment.
- 2.9 The LAPFF Forum Officer has been invited to attend this meeting to provide more information about the Forum's aims and activities.

3. Recommendation

- 3.1 The Board is asked to consider the proposal to join the Local Authority Pension Fund Forum.

DAVID CLARKE
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Shire Hall
Warwick
July 2007