

**CYNGOR SIR POWYS COUNTY COUNCIL**

**Pensions and Investment Committee  
12<sup>th</sup> February 2015**

**REPORT BY:** Strategic Director of Resources

**SUBJECT:** Membership of the Local Authority Pension Fund Forum

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**REPORT FOR:** Decision

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**1 Introduction**

- 1.1 As Committee will recall, a presentation was received at the last meeting (28<sup>th</sup> November 2014) from Mr Keith Bray from the Local Authority Pension Fund Forum ("LAPFF"). It was agreed that the question of the Powys Pension Fund joining LAPFF would be decided at today's meeting.

**2 Background**

- 2.1 It is widely accepted that it is in all shareholders' interests to promote high standards of corporate governance and corporate social responsibility. Corporate governance can be defined as the relationship of a company with its shareholders and how it governs its activities, or as its relationship to society on environmental, social and governance issues.
- 2.2 As set out in the Statement of Investment Principles, the extent to which social, environmental and ethical issues are taken into account when deciding on investment selection, realisation or retention is delegated by the Powys Pension Fund to investment managers. The Pension Fund supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its Fund Managers who exercise its voting rights. Votes are cast by proxy. Each Fund Manager is required to report its actions on a quarterly basis.
- 2.3 The Myners Principles were updated in 2008 when the original ten principles were distilled down to six. 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.”*

### **3 The LAPFF**

- 3.1 The 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 Local Authority pension funds’ influence as shareholders on environmental, social and governance 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.
- 3.2 At time of writing, the LAPFF has 62 local authority members including 6 Welsh authorities (Cardiff having joined since the end of November). The cost of membership would be the annual subscription of £8,460 or £8,250 pa fixed for a three year membership. There would be no charge for the year ending 31 March 2015. This cost would be a direct charge to the Pension Fund.

### **4 Benefits of Membership**

- 4.1 The benefits of membership of the LAPFF to the Powys Pension Fund include:
- Supporting shareholder value through engagement and activism on matters relating to environmental, social and governance issues.
  - Strength in numbers when engaging with companies at the highest level.
  - Collective and more cost effective approach to research with a consequent saving of officer time.
  - Sharing research costs with 62 member Funds.
  - Providing a forum for discussion of any related local government pension fund issues.
  - Facilitating collaboration with other major institutional investor groups both nationally and internationally.

- Provides a customised vehicle for local authority pension funds to make their compliance with Myners principle 5 (responsible ownership) more effective.

4.2 In addition, membership of LAPFF would further demonstrate the Fund's commitment to socially responsible investment and the promotion of high standards of corporate governance – both of which appear to be of increasing concern to Scheme members.

## 5 Recommendation

5.1 Considering all of the above it is considered, on balance, that there would be advantages to the Powys Pension Fund joining the LAPFF. Therefore, Committee is asked for its approval for the Pension Fund to join LAPFF for an initial period of three years, i.e. until at least 31<sup>st</sup> March 2018.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
That the Pension Fund join the Local Authority Pension Fund Forum for an initial period of three years, ie until at least 31 <sup>st</sup> March 2018.		As per report	
<b>Person(s) To Action Decision:</b>	Pensions Manager		
<b>Date By When Decision To Be Actioned:</b>	31 <sup>st</sup> March 2015		
<b>Relevant Policy (ies):</b>	N/A		
<b>Within Policy:</b>	N/A	<b>Within Budget:</b>	N/A
<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
Joe Rollin	08708 510264	01597 826290	joe.rollin@powys.gov.uk
<b>Relevant Portfolio Member(s):</b>	Councillor Dai Davies		
<b>Relevant Local Member(s):</b>	N/A		