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| Report Title: | LAPFF and PIRC Renewal of Memberships |
| Contains Confidential or Exempt Information | No - Part I |
| Cabinet Member: | Councillor Julian Sharpe, Chairman Berkshire Pension Fund Committee and Advisory Panel |
| Meeting and Date: | Pension Fund Committee and Advisory Panel – 6 December 2021 |
| Responsible Officer(s): | Damien Pantling, Head of Pension Fund |
| Wards affected: | None |

REPORT SUMMARY

Members agreed to join the Local Authority Pension Fund Forum (LAPFF) in October 2020 and the Pensions & Investment Research Consultants Limited (PIRC) in March 2021 and requested that officers return with a further report prior to their consideration of both memberships being renewed.

This report presents to Members an overview of the Local Authority Pension Fund Forum (LAPFF) and the Pensions & Investment Research Consultants Limited (PIRC), and the benefits that membership of both provides for the Fund.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report and:

- i) **Agrees to renew the Fund's membership of the LAPFF;**
- ii) **Agrees to renew the Fund's membership of PIRC; and**
- iii) **Delegates authority to officers to approve future annual contracts for LAPFF and PIRC.**

2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1 It is now 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 narrowly as the relationship of a company with its shareholders and how it governs its activities, or more broadly as its relationship to society on environmental, social and governance (ESG) issues.

2.2 As long ago as 1992 the Cadbury Report on Corporate Governance defined corporate governance as:

2.2.1. "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."
or

2.2.2. as the Financial Times put it "Corporate governance can be defined narrowly as the relationship of a company with its shareholders or more broadly, as its relationship to society"

2.3 For LGPS funds the position was clarified in September 2016 by the Department of Communities and Local Government Guidance on Preparing and Maintaining an Investment Strategy Statement. 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. 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.

2.4 CIPFA Guidance - 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:

2.4.1. "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."

2.5 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:

- 2.5.1. Seeks to protect and enhance the value of members shareholdings by optimising Local Authority pension funds' influence as shareholders on ESG (environmental, social and governance) issues and thereby to promote Corporate Social Responsibility and high standards of Corporate Governance;
- 2.5.2. Facilitates commissioning of research and policy analysis of issues more effectively than individual members;
- 2.5.3. Provides a forum for consultation on shareholder initiatives;
- 2.5.4. Provides a forum for information exchange and discussion about any investment issues;
- 2.5.5. Provides a forum to consider issues of common interest to all pension fund administrators and trustees.

2.6 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.

2.7 The Forum currently has 84 Local Authority members and 7 LGPS Pools.

2.8 Benefits of membership include:

- 2.8.1. Supporting shareholder value through engagement and activism on issues relating to ESG issues;
- 2.8.2. Supporting members in dealing with pressure from outside bodies to divest from certain asset classes. The Forum believes that engagement with companies is more effective than divestment;
- 2.8.3. Strength in numbers when engaging with companies at the highest level (i.e. Chairperson or other senior board members);
- 2.8.4. Collective and more cost-effective approach to research;
- 2.8.5. Saving of officer time and cost in researching issues;
- 2.8.6. Sharing research costs with 84 Forum member funds and 7 Pools;
- 2.8.7. Providing a Forum for discussion of any related Local Government pension fund issue;
- 2.8.8. Opportunities for networking with colleagues from all parts of UK and all types of Authority;
- 2.8.9. Two free places at the LAPFF Annual Conference;
- 2.8.10. Facilitating collaboration with other major institutional investor groups both nationally and internationally
- 2.8.11. 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.

2.9 Membership of LAPFF further demonstrates 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.

2.10 Further to this, membership of the LAPFF is complementary to the Fund's Responsible Investment policy as approved by the Pension Fund Committee on 22 March 2021.

2.11 Membership of PIRC Ltd builds on the values that membership of the LAPFF provides by allowing the Fund to see its comparative performance information against other Funds that participate in the LGPS Universe. This is achieved as follows:

- 2.11.1. Fund and portfolio data is reviewed, standardised and incorporated in the aggregate;
- 2.11.2. Reports are received on a quarterly and annual basis providing Universe results and analysis;
- 2.11.3. Annual "league tables" and analysis are provided enabling a form of benchmarking with peers; and
- 2.11.4. Universe research is provided when reporting.

2.12 PIRC Ltd is regulated by the Financial Conduct Authority in the conduct of their investment business and will notify the Fund immediately if it ceases to be so regulated. They offer independent advice only.

2.13 PIRC Ltd will only keep clients' investments under review where specifically instructed and does not retain contract notes, vouchers or entries in regard to

clients' money or investments, and therefore does not make copies of these documents available for inspection.

- 2.14 PIRC Ltd will not transact for clients any investment business in which it has a personal interest unless that interest has first been disclosed to the Client in writing.

3 KEY IMPLICATIONS

- 3.1 Failure to comply with best investment principles could result in the Administering Authority being reported to the Pensions Regulator.

4 FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 The LAPFF annual subscription for each year commencing on April 1st is £10,050.00 (Increased from £10,000.00 in line with CPI). The PIRC annual subscription is £4,900. Officers believe this presents good value for money in delivering both tangible and intangible benefit to the Fund.

5 LEGAL IMPLICATIONS

- 5.1 None.

6 RISK MANAGEMENT

- 6.1 Failure to keep up with responsible investment responsibilities and ESG developments could be detrimental to the Fund's reputation. Membership of the LAPFF and PIRC ensures that the Fund are kept up to date with any relevant developments and are consulted in regard to specific company engagements.

7 POTENTIAL IMPACTS

- 7.1 Failure to comply with best investment principles could result in the Administering Authority being reported to the Pensions Regulator.
- 7.2 Equalities. Equality Impact Assessments are published on the [council's website](#).
- 7.3 Climate change/sustainability: LAPFF are highly engaged in ESG matters and consider climate change of paramount importance. Maintaining membership of LAPFF will enable the Fund to drive forward its responsible investment, ESG and climate ambitions
- 7.4 Data Protection/GDPR. N/A

8 CONSULTATION

- 8.1 Not Applicable.

9 TIMETABLE FOR IMPLEMENTATION

- 9.1 Immediate.

10 APPENDICES

10.1 This report is supported by 0 appendices:

11 BACKGROUND DOCUMENTS

This report is supported by 0 background documents

12 CONSULTATION (MANDATORY)

| Name of consultee | Post held | Date sent | Date returned |
|--|--|------------|---------------|
| <i>Mandatory: Statutory Officers (or deputy)</i> | | | |
| Adele Taylor | Executive Director of Resources/S151 Officer | 23/11/2021 | 25/11/2021 |
| Emma Duncan | Deputy Director of Law and Strategy / Monitoring Officer | 23/11/2021 | 23/11/2021 |
| <i>Deputies:</i> | | | |
| Andrew Vallance | Head of Finance (Deputy S151 Officer) | 23/11/2021 | 25/11/2021 |
| Elaine Browne | Head of Law (Deputy Monitoring Officer) | 23/11/2021 | |
| Karen Shepherd | Head of Governance (Deputy Monitoring Officer) | 23/11/2021 | |
| <i>Other consultees:</i> | | | |
| Cllr Julian Sharpe | Chairman – Berkshire Pension Fund Committee | 23/11/2021 | |

REPORT HISTORY

| Decision type: | Urgency item? | To follow item? |
|---------------------------------|---------------|-----------------|
| Pension Fund Committee decision | Yes/No | Yes/No |

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| Report Author: Kevin Taylor, Pension Services Manager, 07792 324393 |
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