



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	20 August 2018
Classification:	General Release
Title:	Local Authority Pension Fund Forum Membership
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.
Report of:	Steven Mair City Treasurer smair@westminster.gov.uk 020 7641 2904

1. EXECUTIVE SUMMARY

1.1 This paper updates Members on:

- a. The current work of the Local Authority Pension Fund Forum (LAPFF).

2. RECOMMENDATIONS

2.1 That the Committee approves:

- a. The application of Westminster Pension Fund for membership to the LAPFF.

3. PENSION FUND APPROACH TO ESG

3.1 The Pension Fund Committee reviewed and agreed the Investment Strategy Statement (ISS) in March 2017, which is agreed annually, which discusses the

Fund's approach to environment, social and governance (ESG) and responsible investment (RI) issues.

- 3.2 Section 6 of the Investment Strategy Statement details the Pension Fund's ESG policies. The Pension Fund has committed to socially responsible investing (SRI) and recognises that neglecting these factors may lead to poor investment returns.
- 3.3 The Fund has a fiduciary duty to its members to provide the best level of investment returns, and should not take ESG decisions without an investment case if there was the possibility that there could be a negative impact on overall fund returns.
- 3.4 The Fund has the option to join LAPFF, a pressure group organisation made up of Local Authority Pension Funds that seeks to lobby organisations to make better corporate governance and ESG related decisions.
- 3.5 The collective large equity holdings in passive and actively managed funds of the Local Government Pension Scheme (LGPS) scheme member organisations provide significant levels of share voting power and are better able to influence global companies on corporate governance and ESG issues.

4. LOCAL AUTHORITY PENSION FUND FORUM

- 4.1 Seventy-seven of the eighty-eight LGPS Pension Funds have joined the LAPFF as a means of supporting their role as a responsible investor.
- 4.2 The LAPFF is a voluntary association of the LGPS pension funds and membership is open to all LGPS funds. The Forum:
 - Seeks to protect and enhance the value of members' shareholdings by optimising LGPS pension funds' influence as shareholders on corporate governance and 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.
- 4.3 The Forum has four 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.

4.4 LAPFF member funds now control assets of around £180 billion. The annual cost of membership would be the annual subscription of £9,000.

4.5 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. Chairman 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 member funds.
- Providing a forum for discussion of any related LGPS 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.
- The Forum's aims are to provide a customised, cost effective vehicle for LGPS funds to ensure their compliance with Myners Principle 5 (responsible ownership) more effective.

4.6 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 and reinforce Westminster's aim to maximise shareholder value.

4.7 For the reasons set out above in this paper, the Committee is recommended to approve becoming a member of LAPFF.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES:

None