

LAPFF warns over M&A

by Heather Dale 29 November 2007

UK - Pension funds have been encouraged to engage with companies over merger and acquisition activity by the Local Authority Pension Fund Forum (LAPFF).

At the LAPFF's annual conference in Bournemouth, it launched a trustee guide, titled Which Deals Create Value? - Mergers and Acquisitions through the Lens, which was intended to provide an overview of M&A activity, and to help trustees understand the factors that can make a deal succeed or fail.

The guide is built around 12 core questions that trustees can use to see if a proposed deal raises any concerns. Questions cover areas such as the acquirer's track record on deals to date, the size of the target compared to the acquirer, the financing of the deal and remuneration arrangements for directors.

Cllr Darrell Pulk, chair of LAPFF, said: "For too long pension funds in the UK have simply stood back and watched as reckless and poorly-executed M&A activity has resulted in corporate failures, lost jobs and destruction of shareholder value.

"By issuing this trustee guide the Forum aims to at last kick off some real pension fund engagement on M&A, with the objective of ensuring that the deals carried out in the name of shareholder value really do work in the interests of long-term share-owners."

After an initial internal review completed in November 2005, LAPFF engaged external consultants to help develop the guide, in addition to carrying out a pilot study on four M&A examples to test the proposed questions.