

# Pension funds act to cut 'fat cat' bonuses

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Public sector pension funds have launched a campaign against inflation-busting bonuses for executives at US and multinational companies, using their substantial assets as leverage.

Local government, transport and education pension schemes have joined forces with international public bodies and asset managers to call for compulsory shareholder votes on future US 'executive compensation'.

Darrell Pulk, chair of the Local Authority Pension Fund Forum, one of the groups involved, said: 'This [shareholder vote] is not a radical reform and US companies should not be afraid of it. It is already in place in a number of countries and our experience is that... it draws companies and their owners closer together.'

Treasury officials are concerned about fast-rising bonuses in the private sector and their impact on inflation, which has hit 3% in the UK. But public sector staff, who pay into pension pots and are currently subject to a 2% salary increase, are also unhappy that executives overseeing large contracts are gleaning huge rewards for little effort.

A joint letter seen by Public Finance reveals that organisations with combined assets of almost £1,000bn have written to the US Securities and Exchange Commission, the country's financial regulator, calling for swift action across the Atlantic.

The signatories include the LAPFF, which has combined assets of £70bn, the Universities Superannuation Scheme (£22bn) and the Railways Pension Scheme (£17bn).

Other public sector bodies involved include health care and education pension schemes in the Netherlands, as well as large asset managers looking after public sector retirement funds.

The letter, sent to SEC chair Christopher Cox, claims that non-binding votes on executive pay would 'provide a counter-weight to upward pressure [wage inflation]' and 'encourage pay-for-performance practices that better align the interests of executives and shareholders'.

Britain introduced such practices in 2003, which led to a reduction in executive pay rises from 14% in 2002 to 6% last year.

The campaign reflects a change in the way that public bodies are attempting to influence global economies and companies, many of which manage UK public contracts. Rather than rely on ministers and departments to influence decision-making, pension funds are using their positions as owners of global capital to effect changes.