

For immediate release

LAPFF members step up to reform challenge

The Local Authority Pension Fund Forum (LAPFF) has given its support to efforts to improve corporate governance and strengthen shareholder engagement in the wake of the financial crisis.

The Forum has recently made a submission to the Walker Review, and submitted further comments to the Financial Reporting Council in respect of its ongoing review of the Combined Code.

On remuneration policy the Forum is supportive of the direction taken by Walker, but has emphasised the need for a focus on non-financial performance indicators. LAPFF has also warned of the potential for unintended consequences, for example if there is pressure for salary increases to counteract the impact of bonus deferral. Finally, the Forum has also suggested to the FRC that the Combined Code could be amended to encourage greater disclosure of directors' pension entitlements.

LAPFF has broadly backed the approach taken by the Walker Review regarding board structure and competence, board evaluation and the role of shareholders stressing the need for shareholders to receive better disclosure on past board performance if they are to be in a position to take a view about the future.

The Forum also argues that it is time to consider annual elections for all directors.

It supports the creation of a new set of Principles of Stewardship for investors and strongly welcomes the Review's recommendation that shareholder voting records should be made publicly available and encourages the Government to exercise the reserve power in the Companies Act 2006 to achieve this.

LAPFF chairman Cllr Ian Greenwood said: "We need to ensure that the governance failures that contributed to the crisis are not repeated. And that means level-headed but thorough reform. Remuneration reform is already well underway, but we consider that further accountability from company boards is also required. At the same time we recognise that as major shareholders we need to exhibit best practice too. If shareholders won't act like owners then we should not be surprised if governments turn to regulatory intervention to address governance issues."

The Forum's submissions to both the Walker Review and the FRC's ongoing review of the Combined Code are available on request.

About LAPFF:

The Local Authority Pension Fund Forum (LAPFF, www.lapfforum.org), which was set up in 1991, is a voluntary association of 49 public sector pension funds based in the UK. It exists 'to promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of over £85 billion.

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