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Pension funds turn the spotlight on M&A

1. Pension funds are being encouraged to engage with companies over merger and acquisition activity, following the publication of a trustee guide by the Local Authority Pension Fund Forum (LAPFF) at its annual conference in Bournemouth.
2. The guide, titled *Which Deals Create Value? - Mergers and Acquisitions through the Lens*, is intended to provide an overview of M&A activity, and to help trustees understand the factors that can make a deal succeed or fail.
3. It is built around 12 core questions that trustees can use to see if a proposed deal raises any concerns. These 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.
4. If the initial questions raise concerns trustees can refer to the full set of questions in the guide which look at deals in more depth. The Forum intends that using the guide in this way will enable trustees to decide whether or not to support a deal, or whether to engage with the acquirer.
5. Cllr Darrell Pulk, chair of the Forum, 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."
6. The Forum has been considering the issue of merger and acquisition activity for over two years prior to the publication of the trustee guide. 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.
7. A copy of the guide is available on request.

About LAPFF:

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 44 public sector pension funds based in the UK. It exists 'to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social 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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