

For immediate release

Local authorities lobby US regulators over executive pay

1. Local authority pension funds are adding their weight to a global campaign to encourage US regulators to give shareholders a vote on executive pay policies at American companies.
2. The Local Authority Pension Fund Forum (LAPFF) is a co-signatory to a letter to Christopher Cox, chairman of the US Securities and Exchange Commission (SEC), calling for the introduction of shareholder advisory votes on executive compensation.
3. The UK, Australia, the Netherlands and Sweden all allow shareholders a vote on remuneration policies. At present investors in US companies have no such right and shareholders have resorted to filing resolutions at some companies in order to establish some level on accountability.
4. With UK pension funds investing an increasing amount of their assets overseas, this lack of accountability is of increasing concern to LAPFF members. As a result the Forum, representing funds totalling over £70bn, decided that a direct approach to the SEC to call for regulatory intervention was warranted and signed a joint letter to its chairman.
5. In the letter to the SEC the signatories, who account for approximately £1 trillion in assets, stress that simply requiring companies to disclose information on directors' pay, as the US does at present, is not enough. They argue that a shareholder approval vote would improve communications between investors and companies, encourage pay-for-performance and long-term incentives and provide a counter-weight to upward pressure on compensation.
6. The letter states: "[We] enthusiastically support giving shareholders of US companies an advisory vote on executive compensation. It is a simple process that can improve communications between shareholders and directors, promote shareholder understanding of compensation policies, and encourage alignment of compensation with company-specific performance goals and strategic plans."

7. Cllr Darrell Pulk, chair of the Forum, said: “This is not a radical reform and American companies should not be afraid of it. It is already in place in a number of countries and our experience is that, if anything, it draws companies and their owners closer together. Issues around pay can be much more easily resolved if there is a framework within which discussions can take place. We wholeheartedly encourage the SEC to bring the US into line with best practice in other capital markets.”
8. Other signatories to the letter include a number of UK pension funds and fund managers and two major Dutch pension funds. The letter was sent to the SEC chairman on 25th January 2007.

About LAPFF:

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 39 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 £70 billion.

For further information contact:

Cllr Darrell Pulk

Chair, LAPFF
C/o LAPFF Secretariat,
Bradford City Council,
Britannia Ings,
Bradford,
West Yorkshire BD1 1HX
Email: cldr.darrell.pulk@nottsc.gov.uk

Ebba Schmidt

Consultancy Services Executive
PIRC Ltd
Tel no: 020 7392 7876
Email: EbbaS@pirc.co.uk