

## **Pension Fund Committee**

Meeting to be held on 15 September 2017

Electoral Division affected: None
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### **Responsible Investment**

(Appendix 'A' refers)

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#### **Executive Summary**

Responsible Investment (RI) encompasses a range of stewardship activities associated with Lancashire County Pension Fund (LCPF) fulfilling its fiduciary duty to act in the best long term interests of fund beneficiaries.

The report at Appendix 'A' provides the Pension Fund Committee with an update on Responsible Investment matters.

#### **Recommendation**

The Committee is asked to note the report set out at Appendix 'A' and to delegate responsibility for undertaking a review of the Fund's current approach to RI and establishing its ongoing reporting requirements in this area to the Working Group on Responsible Investment due to meet in September 2017.

#### **Background and Advice**

The report at Appendix 'A' has been prepared by the Responsible Investment Manager at LPP Investments Ltd and provides information on how the Fund is being supported to fulfil its commitment to long term responsible asset ownership in line with the approach it has set out within its Investment Strategy Statement.

For the purposes of reporting on voting, engagement and litigation monitoring activities, the information provided within the report relates to the second quarter of 2017/18 and focusses on the period from 1<sup>st</sup> April to 30<sup>th</sup> June 2017.

The Pension Fund Committee has been receiving a narrative report on RI-related matters on a quarterly basis for a number of years. Reports were originally designed to update the Committee on the stewardship priorities identified within its Statement of Investment Principles, enabling oversight of the activities undertaken and providing insight on upcoming issues and themes.

RI reporting has continued, largely in the same format, as part of the investment management services LCPF receives from the Local Pensions Partnership (LPP).

However, this was with acceptance that the Fund's stewardship approach is the responsibility of the Administering Authority and that LCPF's priorities and requirements of LPP in this area might require review in light of changes introduced under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and accompanying Guidance on Preparing and Maintaining an Investment Strategy Statement from the Department for Communities and Local Government, and also in light of the investment pooling context.

Following the local government election in May 2017 it was proposed to establish a Working Group comprising four members (on the basis of one representative from each political group on the Committee together with a single voting co-opted member) with Terms of Reference to be determined by the Chair.

At its meeting on 30 June 2017 the Committee agreed the Working Group would comprise the following members;

County Councillor S Clarke - Conservative  
County Councillor K Ellard - Labour  
County Councillor G Dowding - Green  
Councillor R Whittle – co-opted member representing Trade Unions.

The Working Group is due to meet on the 20<sup>th</sup> September 2017 and Frances Deakin, the Responsible Investment Manager for Local Pensions Partnership Investment Ltd, has been invited to attend to provide support.

The Working Group will consider the Fund's approach to stewardship and RI and requirements for monitoring information from LPP I going forward. The Working Group will then present its recommendations to the Pension Fund Committee for consideration.

## **Consultations**

N/A

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

It is an important component of good governance that the Fund is an engaged and responsible investor committed to actions which are in the best long term interests of fund members and beneficiaries.

As an LGPS Fund, LCPF is required to be a signatory to the UK Stewardship Code and to uphold the principles espoused by the code.

The monitoring of investee companies and the promotion of good corporate governance practices can help to reduce the risk of unexpected losses arising as a result of poor over-sight and lack of independence.

Responsible investment practices underpin the fulfilment of LCPF's fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by LPP I.

Quarterly RI Reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by LPP I and enable the committee to monitor the activities undertaken.

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate  
N/A