

Pension Fund Committee

Meeting to be held on Friday, 6 March 2020

Electoral Division affected: (All Divisions);
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Responsible Investment Report

(Appendices 'A' and 'B' refer)

Contact for further information: Mukhtar Master, Governance & Risk Officer,
Lancashire County Pension Fund (01772) 5 32018
mukhtar.master@lancashire.gov.uk

Executive Summary

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

The report at Appendix 'A' from the Local Pensions Partnership provides the Pension Fund Committee with an update on responsible investment matters during the fourth quarter of 2019.

Recommendation

The Committee is asked to note the report and approve the proposal that the Fund does not become a signatory to the new UK Stewardship Code (2020), recognising that that Fund's regulatory requirements and stewardship requirements are met through Local Pensions Partnership Investments being a signatory.

Background

The report at Appendix 'A' has been prepared by the Head of Responsible Investment at Local Pensions Partnership 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 set out within its Investment Strategy Statement and the Responsible Investment Policy approved by the Committee at its meeting in March 2018.

The information on voting, engagement and litigation monitoring activities, relates to the fourth quarter of 2019.

UK Stewardship Code (2020) - For Decision:

Further to the update provided at the last Pension Fund Committee and the update also provided within Section 7 of Appendix A, there is a requirement for the Fund to

determine whether it becomes a signatory of the new updated UK Stewardship Code (2020).

The new code sets a very high benchmark for signatories, which would require onerous annual reporting. For example, it is no longer sufficient to report the fact that appropriate policies and approaches are in place; the new Code requires up to date evidence of activity.

It is important to recognise that there is no requirement for LGPS Funds to be signatories to the new Code. The requirement (conferred under Ministry of Housing, Communities and Local Government Guidance on Preparing and Maintaining an Investment Strategy Statement) is for Administering Authorities to “explain their policy on stewardship with reference to the Stewardship Code”. This can be achieved without being a signatory through placing reliance on the policies and procedures in operation by Local Pensions Partnership Investments Limited.

Based on the above, it is recommended that the fund does not become a signatory to the new UK Stewardship Code (2020), recognising that that fund's regulatory and stewardship requirements are met through Local Pensions Partnership Investments being a signatory.

The new UK Stewardship Code can be accessed via the following link:
https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Final2.pdf

Points to note:

- Further to the update on Responsible Investment presented to the last Pension Fund Committee, the Fund has now provided feedback as part of the Scheme Advisory Board's consultation for their recently published guidance on Responsible Investment. The guidance is aimed at assisting those responsible for investment decision making in the Local Government Pension Scheme to recognise their responsibilities for developing and maintaining responsible investment policies according to scheme regulations, statutory guidance and the general public law. Further updates will be given as and when available.
- The Local Authority Pension Fund Forum (the Forum) have published their draft Workplan for 2020/21. The Workplan has been discussed at the November 2019 Forum Executive Meeting and also the January 2020 Business Meeting. The Forum have requested feedback from all Fund members by the 9th March 2020. The draft Workplan has been circulated by email to Committee members for comment and feedback by the 2nd March 2020.
- Finally, the Local Pensions Partnership have confirmed that the new 'dashboard' style reports will be introduced for the next quarter - which would cover the period January to March 2020.

Consultations

Frances Deakin the Head of Responsible Investment at the Local Pensions Partnership was consulted regarding this report.

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.

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 the Funds fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by Local Pensions Partnership Investments.

Quarterly Reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by Local Pensions Partnership Investments and enable the Committee to monitor the activities undertaken.

Involvement in a non-US type of "class action" may result in the recovery of losses incurred by the Fund but, should the claim be lost, the Fund may incur related costs which may not be known with certainty at the time of filing.

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

Paper	Date	Contact/Tel
N/A		
Reason for inclusion in Part II, if appropriate		
N/A		