



Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	Pensions Committee
Date:	14 July 2016
Subject:	Pension Fund Policies Review

Summary:

This report brings to the Committee the main policies of the Pension Fund for review.

Recommendation(s):

That the Committee agree the policies and note the report.

Background

1. Under the various Local Government Pension Scheme Regulations, the Pensions Committee, as the Administering Authority of the Lincolnshire Pension Scheme, is required to produce and maintain a number of key policy documents. Policies are brought to the Committee annually, and the last comprehensive review of all such policies was in July 2015. This report presents the latest version of these policies for them to be formally endorsed by the Committee.

Policies for Approval

2. The key policies to be reviewed and approved are set out as Annexes to this report. Any significant changes will be brought to the Committee's attention and explained during the meeting.

Appendix A – The Statement of Investment Principles

3. The Statement of Investment Principles sets out the Committee's approach to the investment of the Fund's assets, and how the Fund complies with the six Myners principles of good investment practice. This document is

amended whenever there is a change in the investment policy of the Fund, such as when new managers are appointed.

4. The new LGPS (Management and Investment of Funds) Regulations 2016 will replace the requirement for this policy with an Investment Strategy Statement. It is expected that this legislation will come into force later this year. This will cover the main points within the current SIP but must include:
 - a requirement to invest fund money in a wide variety of investments;
 - the authority's assessment of the suitability of particular investments and types of investments;
 - the authority's approach to risk, including the ways in which risks are to be measured and managed;
 - the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - the authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
 - the authority's policy on the exercise of the rights (including voting rights) attaching to investments; and
 - the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

Appendix B - Governance Policy and Compliance Statement

5. The Governance Policy sets out the arrangements for the management of the Pension Fund, and the Compliance Statement sets out the extent that this policy complies with best practice, on a comply or explain basis.
6. Within the compliance statement, the areas where the Fund is only partially compliance are detailed below:
 - Principle A – Structure – (b) – the Committee does not include representatives for pensioner or deferred members.
 - Principle B – Representation – (a) - the Committee does not include representatives for pensioner or deferred members.
 - Principle E – Training/Facility Time/Expenses – (c) – the Committee has an annual training plan at Committee level, but not for individual members.

- Principle H – Scope – (a) – The Committee does not have an independent observer for administration and governance issues.

Appendix C – Communications Policy

7. The Communication Policy sets out how the Fund intends to communicate with members, prospective members and employers, including the format, frequency and method of distributing any information or publicity.

Stewardship Code Statement

8. The Stewardship Code Statement sets out how the Lincolnshire Pension Fund complies with the Financial Reporting Council's (FRC) UK Stewardship Code and is normally brought to this Committee for its annual review. The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Code sets out good practice on engagement with investee companies to which the FRC believes institutional investors should aspire and operates on a 'comply or explain' basis.
9. The Fund recently received a letter from FRC that it had been reviewing all Stewardship Code statements and assessing them based on how they met the requirements of the code. Lincolnshire's statement has been assessed as currently only a Tier 2, in that it does not currently meet the full expectations of the code. They have provided a deadline of August 19th to amend the Statement to meet the requirements, before they publish a list of their assessments.
10. Officers will be working with the FRC to update the statement to meet their expectations, ahead of the deadline, and will bring the amended statement back to the October Committee.
11. The other main policy, not being reviewed at this time, is the Funding Strategy Statement, which sets out the Fund's approach to managing its solvency. This is generally updated every three years, in line with the Triennial Valuation, and is the framework that guides the Fund Actuary. It was approved last at the January 2014 meeting of this Committee and will be brought to the January 2017 Pensions Committee meeting, following the 2016 valuation results.

Conclusion

12. In accordance with the various Local Government Pension Scheme Regulations, the Fund has prepared a number of key policy documents. The Statement of Investment Principles, Governance Policy and Compliance Statement and Communications Policy have been appended to this report for review and approval by the Pensions Committee. An

amended Stewardship Code Statement will be brought to the October meeting of this Committee.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Statement of Investment Principles
Appendix B	Lincolnshire Pension Fund Governance Policy and Compliance Statement
Appendix C	Lincolnshire Pension Fund Communications Policy

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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