

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

Report to:	Lincolnshire Pension Board
Date:	21 March 2019
Subject:	Lincolnshire Pension Fund Policies Review

Summary:

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

Recommendation(s):

That the Board note the report and consider:

- 1) the Fund's Investment Strategy Statement (ISS);
- 2) the Fund's Communications Policy;
- 3) the Fund's Governance Compliance Statement;
- 4) the Fund's Stewardship Code Statement; and
- 5) the Fund's Breaches Reporting Policy.

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 Board annually, and the last comprehensive review was July 2018. This report presents the latest version of these policies.

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 Board's attention and explained during the meeting.

Appendix A – Investment Strategy Statement

3. The Investment Strategy Statement (ISS) sets out the Pension Committee's approach to the investment of the Fund's assets, in accordance with the guidance issued by the Secretary of State.
4. Updates are:

- Updating the approach to pooling to reflect Border to Coast going live.
- The removal of South Yorkshire Passenger Transport Pension Fund as one of the pooling partners.
- Updated the Stewardship principles in line with the revised Stewardship Code, at appendix D of this paper.

Appendix B – Communications Policy

5. The Communications 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. The Lincolnshire Pension Fund works with West Yorkshire Pension Fund to deliver the administration service to the scheme members and employers.
6. Updates are:
 - Amendments to number of employers and scheme members.
 - Addition of Mid-Life courses for active members.
 - Addition of Training Webinars for employers.

Appendix C - Governance Policy and Compliance Statement

7. 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.
8. Within the compliance statement, the areas where the Fund is only partially compliant 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.
9. Updates are:
 - Updated to reflect the changes in the Constitution to the Committee's responsibilities as a result of asset pooling.

Appendix D - Stewardship Code Statement

10. The Stewardship Code Statement sets out how the Lincolnshire Pension Fund complies with the Financial Reporting Council's (FRC) UK Stewardship Code. 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. Since September 2016 the FRC has rated all statements as either Tier 1 – fully meets the requirements of the Code, or Tier 2 – does not fully meet the requirements. Lincolnshire's statement has been rated as Tier 1.
11. Updates have been made to align the statement with the Responsible Investment Policy and the changes in voting following the termination of Manifest Voting Agency. Updates are:
 - Principle 1
 - Disclosing the Responsible Investment Policy that the Fund has.
 - Amending the LAPFF attendee from a member of the Committee to an Officer.
 - Amending the voting process to reflect it being undertaken by managers.
 - Principle 3
 - Removing references to direct voting.
 - Principle 4
 - Amendment of US law firm for shareholder litigation.
 - Principle 5
 - Amending the contact for LAPFF meetings.
 - Addition of Border to Coast for enabling collaborative working.
 - Principle 6
 - Amending the voting process to reflect it being undertaken by managers.
 - Disclosing the Corporate Governance and Voting Guidelines Policy that the Fund has.
 - Principle 7
 - Amending the voting process to reflect it being undertaken by managers.
12. The Stewardship Code is currently out for consultation with a number of revisions with the aim to increase demand for more effective stewardship and investment decision-making which is aligned to the needs of institutional investors and clients. Once the new version is finalised and published, the Fund will review its statement and amend where necessary.

Appendix E – Breaches Reporting Procedure

13. The Pension Regulator's Code of Practice requires all LGPS Funds to have a published procedure as to how breaches of the code will be dealt with and

reported. The procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoiding placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

14. Updates are:

- Amending references to the County Finance Officer to the Director of Resources.

Appendix F – Pension Fund Code of Conduct and Conflicts of Interest

15. The Pension Regulator's Code of Practice requires all LGPS Funds to have a published procedure as to how breaches of the code will be dealt with and reported. The procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoiding placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

16. Updates are:

- Amending the requirement of Committee members to complete a conflict of interest declaration only if they have not completed a Pecuniary Interests Disclosure.

Funding Strategy Statement

17. The FSS sets out the Fund's approach to managing its solvency and is generally updated every three years, in line with the Triennial Valuation. It is the framework that guides the Fund Actuary and informs the employers. This will be updated as part of the 2019 Valuation process and will be brought to this Committee in January 2020 for discussion, ahead of consultation with Fund employers, and then in March 2020 for approval.

Conclusion

18. In accordance with the various Local Government Pension Scheme Regulations, the Fund has prepared a number of key policy documents. The ISS, Communications Policy, Governance Policy and Compliance Statement, Stewardship Code Statement, Breaches Reporting Procedure and Code of Conduct and Conflict of Interest Policy have been appended to this report for review and consideration by the Pension Board.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	LPF – Investment Strategy Statement
Appendix B	LPF - Communications Policy
Appendix C	LPF – Governance Compliance Statement
Appendix D	LPF – Stewardship Code Statement
Appendix E	LPF – Breaches Reporting Procedure
Appendix F	LPF – Pension Fund Code of Conduct and Conflicts of Interest

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