



LOCAL PENSION COMMITTEE – 25 MAY 2018

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RESPONSIBLE INVESTMENT & ENGAGEMENT FRAMEWORK

Purpose

1. The purpose of this report is to recommend approval of the LGPS Central's Responsible Investment & Engagement Framework.

Background

2. The LGPS is a statutory pension scheme and, as such, does not have trustees. It is universally accepted that Leicestershire County Council, the Administering Authority, has a responsibility to act as a trustee and a legal requirement to seek to obtain the highest possible investment return within acceptable levels of risk.
3. The LGPS is a defined benefit pension scheme where the benefits are guaranteed (and based on a mixture of pensionable pay and service accrued), and investment returns have no impact on benefit levels of individual members. Employing bodies effectively bear the investment risks within the LGPS, and the level of investment returns will have a direct impact on their contribution rates.
4. The Local Pension Committee is able to exclude investment in certain types of assets if it wishes, as long as it is satisfied that this does not compromise the potential investment return or produce unduly high levels of risk. Exclusion of investments must be based solely on a financial judgement, rather than being based on a moral perspective.
5. The Leicestershire Pension Fund is one of 9 LGPS Funds which have pooled together to form LGPS Central Ltd. The Local Pension Committee originally approved LGPS Central's Responsible Investment Framework at its meeting on 1 September 2017.

LGPS Central Responsible Investment & Engagement Framework

6. To deal with responsible investment in an efficient manner LGPS Central must have a policy that is common to all nine Funds, whose assets it manages.
7. Since the Committee's approval last year the Framework has evolved, but not changed fundamentally.
8. The updated Framework is attached as an Appendix to this report. Michael Marshall, Director of Responsible Investment & Engagement, from LGPS Central

will attend the meeting in order to present the revised Framework and answer any questions.

9. In the event that there are any further meaningful changes to the LGPS Central's Framework a further report will be brought back to this Committee as appropriate.
10. The Framework can only be applied, by LGPS Central, to assets that it has control of. This will only happen when the various pooled funds are launched. Until this time the assets of the Leicestershire Pension Fund will follow the responsible investment policies of individual investment managers employed by the Fund.

Recommendation

It is recommended that the Local Pension Committee approves the Responsible Investment & Engagement Framework of LGPS Central, attached as an appendix to this report.

Appendix

LGPS Central Responsible Investment & Engagement Framework

Equal Opportunities

None.

Background Papers

Report of the Local Pension Committee – 1 September 2017 – Responsible Investment.
<http://politics.leics.gov.uk/documents/s131318/8%20%20Responsible%20Investment.pdf>

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