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Innovative Assessment Tool for Local Government Pension Schemes highlights importance of Responsible Investment

Bournemouth, 30 November 2007. – An innovative Responsible Investment Self-Assessment Template for local government pension schemes is being launched today at the Local Authority Pension Fund Forum (LAPFF) annual conference. The template highlights the increased importance of long term responsible investment (LTRI) and environmental, social and governance (ESG) issues for local government funds.

Mike Taylor, Chief Executive of the London Pension Fund Authority, worked with the UK Social Investment Forum (UKSIF) - the membership body for responsible investment, the LAPFF and the Chartered Institute for Public Finance and Accountancy (CIPFA) Pensions Panel to produce the self assessment template on LTRI and ESG Issues. It is based on the methodology used by the Audit Commission for self assessment and is intended as a tool to take trustees through key responsible investment issues. Funds can be ranked at four levels, where level 1 is weak, level 2 is fair, level 3 is good and level 4 is leading to best practice.

The template is published in the UKSIF report *Local Government: Responsible Pension – Assessing responsible investment leadership by Local Government Pension Schemes*. The report uses the template and the views of key opinion formers to assess the responsible investment performance of local government funds.

In its ranking, UKSIF concludes that:

- only the Environment Agency Pension Fund demonstrates best practice at level 4
- approximately 10% of the funds rank at Level 3
- the remaining funds are divided fairly evenly between Levels 2 and 1

The report has been produced as part of UKSIF's Sustainable Pensions Project (SPP) that seeks to encourage the 99 local authority pension schemes to consider environmental and social issues in their investment decisions.

Commenting on the launch, Mike Taylor said “Local authority pension funds should assess their credentials around long term responsible investing and environmental, social and governance Issues. The self assessment template will aid them to do this.”

Michael Deakin, Chair of UKSIF's Sustainable Pensions Advisory Board, said "Mike's template provides a significant tool for schemes to improve their RI practices. Earlier this year, the SPP and UNEP FI published a report which provides detailed examples of some of the most advanced and creative RI approaches currently being adopted by leading public pension funds across the globe. This report is a good start for inspiration."

Cllr Darrel Pulk, Chair of the Local Authority Pension Fund Forum, said: "Local authority pension funds have often been at the forefront of developments in responsible investment, but we cannot be complacent. The template will help funds assess how well they are doing, and indicate areas for improvement."

Speaking on behalf of CIPFA, Assistant Director (Policy and Technical) Tom Lewis said: "This self-assessment framework is an important advance in embedding sustainable thinking in a major area of the public sector finances. The Institute is pleased to be associated with this initiative and hopes that LGPS funds will use the framework and consider using the pension fund annual report as a vehicle to communicate their progress against it".

ENDS

Notes to Editors

About Mike Taylor

Mike Taylor is Chief Executive of the London Pensions Fund Authority (LPFA). LPFA runs a £3.7 billion fund on behalf of 75,000 members of the Local Government Pension Scheme. Prior to joining LPFA, Mike was the Director of Resources at Surry County Council where he had responsibility for a £1.5 billion pension fund.

About the Self-Assessment Template

The template is intended as a tool to take trustees through the key LTRI and ESG issues, covering 4 key lines of enquiry:

- Knowledge and understanding of the issues, regular review and disclosure to stakeholders
- Agreed policies to address the issues
- Resources, management and procurement processes in place to implement policies
- Investment and ownership strategies to implement policies

About UKSIF Assessment

This assessment is based on semi-structured interviews with six opinion formers held in June and July 2007. Interviewees were asked to help identify how the practices of LGPS funds would currently map out against the template and who are regarded as the leaders in each of the key lines of enquiry. The six interviewees were: Brian Bailey (Wolverhampton), Alan MacDougall (PIRC), Peter Morris (Tameside), Howard Pearce (Environment Agency), David Russell (USS), Mike Taylor (LPFA).

About UKSIF Sustainable Pensions Project (SPP)

The UKSIF Sustainable Pensions Project (www.uksif.org/pension-funds/sustainable) was launched in 2006 to assist UK occupational pension funds to adopt more sustainable and responsible investment strategies. It

seeks to encourage the pension schemes of companies which are leading the way on corporate responsibility (CR) practices and local government pension funds to consider environmental and social issues also in their pension fund investment decisions. It believes that this should help to protect and enhance long-term shareholder value and financial returns for the scheme beneficiaries. The project is core funded by Esmée Fairbairn Foundation.

Earlier this year, the SPP, in collaboration with the UN Environment Programme Finance Initiative, published *Responsible Investment in Focus: How leading public pension funds are meeting the challenge* which provides detailed examples of some of the most advanced and creative RI approaches currently being adopted by leading public pension funds from across the globe.

The SPP provides a free online Sustainable Pensions Library which features key documents on RI available at www.uksif.org/splibrary. The SPP also publishes an e-newsletter which provides key developments in sustainable pension investment available at http://www.uksif.org/pension-funds/sustainable_pensions/newsletter.

About LAPFF

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 44 public sector pension funds based in the UK. It exists 'to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of over £85 billion.

About CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government. CIPFA's members work (often at the most senior level) in the public service bodies, in the national audit agencies and major accountancy firms. They are respected throughout for their high technical and ethical standards and professional integrity. CIPFA also provides a range of high quality advisory, information and training and consultancy services to public service organisations. As such, CIPFA is the leading independent commentator on managing and accounting for public money.

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