



London Pensions Fund Authority

Statement of Investment Principles

Statement of Investment Principles V1.0 Approved by Board 1st July 2011





Statement of Investment Principles

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1. INTRODUCTION

The Board ("the Board") of the London Pensions Fund Authority ("the Fund") has prepared this Statement of Investment Principles ("the Statement") in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the Regulations") and after taking appropriate advice.

This Statement outlines the principles and policies governing investment decisions made by or on behalf of the Fund. It also reflects the Board's compliance with the 'Myners Principles'.

As set out in the Regulations, the Board will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change in relation to any matter contained in this Statement, changes will be reflected within six months of the change occurring.

This Statement is available to the public on the Fund's website: www.lpfa.org.uk

2. OVERVIEW OF THE LPFA AND ITS PENSION FUND

The LPFA was established in 1989 as a stand-alone public body, to take over the running of the former Greater London Council (GLC) Pension Fund following the abolition of the GLC on 31st March 1986. The LPFA is also one of the largest administering authorities of the LGPS, with agency contracts covering over 100,000 scheme members.

The Fund itself is a final salary (defined benefit) pension scheme with approximately 77,000 members and assets of £4.1bn as at 31st March 2011.

Full details of our history and activities can be found in the 'About Us' section of our website: www.lpfa.org.uk.

3. FUND STRUCTURE

In 1993 the Fund was divided internally into two sub-funds – the 'Active sub-fund' and the 'Pensioner sub-fund' – each with different characteristics and liability profiles:

Active sub-fund: This sub-fund comprises employers that continue to accept new members and has a younger age profile. As a result the investments in this fund are mostly in "growth assets" such as listed and private equity. It also includes diversifying assets (property, infrastructure and commodities) total return and active currency mandates.

Pensioner sub-fund: This sub-fund comprises mostly employers that either no longer exist (e.g. the GLC) or that no longer provide access to the Fund. The underlying members are mostly pensioners or deferred beneficiaries and have a higher average age. The majority of the investments in this fund are in "cash flow matching assets" (bonds and fixed income). A minority allocation to passive equities provides diversification and the potential for long-term returns that keep up with inflation (real returns).

4. FUND GOVERNANCE

Board

The Board is responsible for the strategic management of the Fund's assets, including setting investment objectives, establishing risk and return targets and setting the overall asset allocation and strategic benchmark (performance target) for the Fund.

The Board of the LPFA is appointed by the Mayor of London and Board members are accountable to the GLA in addition to the Mayor. Details of each Board member can be found on the Fund's website at: www.lpfa.org.uk.

Investment Committees

The Board has established an Investment Committee to manage, consider and make recommendations on investment issues. The Investment Committee is accountable to the Board and has delegated power to determine tolerance ranges for sub-asset classes and implement the asset allocation strategy within those ranges.

An Investment Sub-Committee comprising the Investment Director, the Chief Executive and the Investment Committee Chairman, is delegated to carry out the tactical implementation of the strategy, including the appointment of managers or purchase of units in funds for mandates up to £50 million (broadly 2% of the active sub-fund). Appointments for mandates in excess of £50 million require the approval of the full Investment Committee.

The terms of reference for the Investment Committee are provided in **Annex I**.

Advice

The Board has appointed two independent investment advisers to provide additional input into the investment decision-making process including on environmental, social and governance (ESG) issues. The Investment Committee also obtains the advice of its investment consultant, Hymans Robertson, as required. Additional advice and support is provided by the in-house investment team.

Details of the Fund's advisers can be found on the Fund's website at www.lpfa.org.uk.

Day to day fund management

The day to day management of the Fund's assets, apart from cash, is delegated to external fund managers in accordance with the Regulations. The activities of each fund manager are specified in either detailed investment management agreements or subscription agreements. All fund managers are monitored regularly by the Investment Committee. The Board is satisfied that the appointed fund managers have sufficient expertise and experience to carry out their role.

Custody

The Board has appointed JP Morgan Europe Ltd as the Fund's custodian. The custodial services provided by JP Morgan include trade settlement and processing, portfolio reporting, cash/collateral management, proxy voting processing and stock lending.

5. INVESTMENT OBJECTIVES

The Board's main investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due.

In order to meet this overriding objective the Board maintains an investment policy so as to:

- a. Maximise the returns from investments whilst keeping risk within acceptable levels,
- b. Contribute towards achieving and maintaining a future funding level of 100%, and
- c. Enable employer contribution rates to be kept as stable as possible.

Further, the Fund aims to use its influence as a large institutional investor to encourage responsible long term behaviour – by its fund managers and in the companies in which it invests – which the Board believes is consistent with its fiduciary duty. The Fund's approach to responsible investment is discussed in more detail in Section 10, below.

For information on the Fund's Investment Principles and Beliefs please refer to our website: www.lpfa.org.uk.



6. INVESTMENT STRATEGY

The Board sets the long term investment strategy by taking into account the nature and timing of future liabilities, the investment objectives listed above and by reference to the Fund’s investment principles and beliefs.

These factors drive decisions over asset allocation (i.e. the overall mix of equities, bonds etc. in the Fund) which the Board believes has a significant influence on its ability to achieve its investment objectives. The Fund’s investments are highly diversified by asset class, geography, and industry.

A mixture of passive and active mandates is used to capture the returns required to meet the Board’s objectives whilst keeping risk at an acceptable level.

A full list of the LPFA’s fund managers and their benchmarks is included in **Annex II**

Active sub-fund

The assets of this sub-fund are mostly in “growth assets” i.e. those expected to generate additional (‘excess’) returns over the long term. The asset allocation also includes private equity and diversifying assets (property, infrastructure and commodities).

In 2008 tolerance ranges for the weighting in each type of asset were adopted. These ranges were amended slightly in 2009 to allow for an additional allocation to private equity (the range was increased from 0-7.5% to 0-15%).

In 2008 the Board also introduced two further mandate categories – the Satellite Fund (for quoted securities) and the Opportunity Fund (unquoted securities). Both have target ranges of 0-5% and allow the Board to make medium term tactical allocations or provide flexibility where the Board does not wish to award a major mandate.

The table below sets out the benchmark allocation and Board tolerance ranges for the Active sub-fund. All data is as at 31st March 2011.

Asset Class	Benchmark Allocation	Board Tolerance Range*	Fund Distribution
Equities	65%	50 – 70%	69%
Diversified Growth	10%	0 - 15%	10%
Diversifying Assets	23%	15 - 25%	17%
Cash	2%	0 - 15%	4%
Total	100%		100%

A currency hedge equal to 50% of the Fund’s global equity exposure is used to reduce the mismatch between the Fund’s global assets and its sterling liabilities.

Pensioner sub-fund

This sub-fund is partly allocated to “cash flow matching” assets – predominantly inflation and interest rate swaps and government bonds – which allow the Board to more closely match the Fund’s assets to future liabilities. This part of the portfolio is managed by a liability driven investment specialist. An allocation to active bonds and passive equities is designed to enhance long term returns and to provide

diversification.

The table below sets out the benchmark allocation and Board tolerance ranges for the *active portion* of the Pensioner sub-fund (i.e. it excludes the liability driven investment portfolio). All data is as at 31st March 2011.

Asset Class	Benchmark Allocation*	Board Tolerance Range*	Fund Distribution
Active Bonds	80%	75% - 85%	81%
Passive Equities	20%	15% - 25%	19%
Total	100%		100%

Changes since the last SIP review

As set out in the Regulations, this Statement will be amended to reflect material changes within six months of the change occurring. The Board defines a change as “material” if the overall investment strategy has been altered or a mandate equivalent to 10% of the Fund’s assets has been added or removed.

No material changes have occurred since the last SIP review in June 2010. However, the following developments have occurred over the last 12 months:

- The board appointed Robeco as its voting and engagement specialist for the segregated global equity assets. The appointment represents a significant step towards meeting the Board’s long-term RI Objective. The Board has also published its compliance statement for the Stewardship Code. The LPFA is now listed on the FRC’s website as a compliant fund. See Section 10 for more information on the LPFA’s RI activities.
- Brevan Howard was appointed to manage a currency and fixed income trading strategy within the Active Sub-Fund. M&G was appointed to manage a UK debt fund, also within the Active Sub-Fund. Both managers were appointed during 2010.

7. EXPECTED RETURN ON INVESTMENTS

Over the long-term, it is expected that the Fund’s investment returns will be at least in line with the assumptions underlying the actuarial valuation.

The investment strategy is developed by reference to the expected return on investments (for equities, bonds, property etc.) within the appetite for risk as measured by the dispersion (likely range) of these returns. The Board is satisfied that the investment strategy has a sufficient probability of meeting its return targets.

8. REALISATION OF INVESTMENTS

A realisable (liquid) investment is one that can be readily converted into cash, for example to satisfy payments out of the Fund. The Board defines liquid assets as those requiring three months or less to be realised if required. Based on this definition the majority of the Fund’s assets are highly liquid and the Board is satisfied that the Fund has sufficient liquid assets to meet all expected and unexpected demands for cash.

Assets in the Fund that are considered to be illiquid include some of the private equity, infrastructure, property and commodity investments. As a long term investor the Board considers it prudent to include illiquid assets in its strategic asset allocation in order to benefit from the additional diversification and extra return this should provide. However, the Board has set an upper limit for illiquid assets as 30% of the Active sub-fund.

The investments of the Pensioner sub-fund are all liquid.

9. RISK

There are various risks to which any pension scheme is exposed and that cannot be entirely eliminated. For that reason, the Board focuses on clearly identifying these risks and adopting mitigation strategies that minimise their impact on the Fund.

The Board considers the following risks on a regular basis:

Funding risk

Assets may increase at a lower rate than the liabilities, resulting in a deteriorating funding position. The Board prepares a Funding Strategy Statement (FSS) every three years as part of the triennial valuation and monitors the Fund's investment strategy and performance relative to the growth in the liabilities at least annually.

Financial mismatch risk

Assets and liabilities have different sensitivities to changes in financial factors, in particular inflation and interest rates. The Board sets an investment strategy that provides exposure to assets providing real (inflation protected) growth as well as cash flow generating assets that match the Fund's liabilities.

Liquidity/Cashflow Risk

A shortfall in liquid assets or eligible collateral relative to short term liabilities (e.g. pension payments or variation margin on swap contracts) could create the risk of selling assets at an unreasonably low price to fund these payments. The Board manages its cashflows to ensure that all future payments can be met and that sufficient assets are held in liquid investments (realisable in three months or less) or in eligible collateral, such as government bonds.

Manager Risk

Fund managers could fail to achieve the investment returns specified in their mandates. This is considered by the Board when fund managers are selected and their performance is reviewed regularly by the Investment Committee as part of the manager monitoring process.

Concentration Risk

This refers to the risk that the performance of a single asset class or investment has a disproportionate influence on the Board's ability to meet its investment objectives. The Board mitigates this risk by establishing a well diversified strategic asset allocation, reviewing the investment strategy regularly and following a regular fund manager review process.

Demographic Risk

Demographic factors including the uncertainty around longevity / mortality projections (e.g. longer life expectancies) can contribute to funding risk. The Board recognises there are limited options currently available to fully mitigate or hedge this risk, but has subscribed to a specialist service (Club Vita) which provides a comprehensive analysis of the Fund's longevity data to enable them to understand and manage this issue in the most effective way.

The Funding Strategy Statement, formal triennial actuarial valuations and periodic updates allow the Board to keep track of the Fund's liabilities.

Counterparty Risk

This describes the risk of the other party in a financial transaction (the counterparty) failing to meet its obligations to the Fund (e.g. because of a default event). The Board has set guidelines with its fund managers and its custodian to limit its exposure to default risk. It also has strict criteria within its stock lending agreements to mitigate counterparty risk in these transactions (see Section 11).

Currency Risk

A global asset allocation with sterling liabilities exposes the Fund to fluctuations in exchange rates that may affect the value of its investments. The Board has established a currency hedge covering 50% of the global equity portfolio to dampen the effect of foreign currency fluctuations against sterling. This position

is reviewed regularly as part of the investment strategy review.

ESG Risk

The Board recognises that the poor management of environmental, social and corporate governance (ESG) issues in the Fund's underlying investments can be a source of long term risk to asset values. The Board has set clear expectations of its fund managers with regards to addressing ESG issues – including the exercise of voting rights – and reviews their activities in this area as part of the manager review process. See Section 10 for more detail, below.

10. RESPONSIBLE INVESTMENT

The Board has the following **Responsible Investment (RI) Objective:**

The LPFA will use its influence as a large institutional investor to encourage responsible long-term behaviour. In particular it aims to support and develop best practice on ESG issues in the companies in which it invests, through the mandates given to fund managers and by collaborating with other like-minded investors.

The Board believes that this approach will deliver the best long-term returns and is entirely consistent with its fiduciary duty.

The LPFA broadly divides the implementation of RI into investment and ownership activities.

Investment: As set out in Section 5 (Investment Objectives) the Board's main investment objectives is to ensure that over the long-term the Fund will have sufficient assets to meet all pension liabilities as they fall due.

With this objective in mind in the Board has built up a series of profitable investments in assets that include clean and renewable energy sources, sustainable forestry and environmental infrastructure. The selection of these investments continues to be based on the risk-adjusted returns they are expected to provide.

Ownership: In parallel with the development of the investment strategy the Board has overseen significant improvements to its broader ownership activities in recent years.

In 2007 the LPFA became a signatory to the UN PRI in order to signal its commitment to responsible long-term investment. The PRI provides a useful framework for investors when developing their own activities as well as when assessing the RI capabilities of existing and new fund managers. The LPFA has published the results of its annual assessment since 2009, and from 2011 this will include the full submission for the first time. As of the 31st March 2011, all of the LPFA's equity managers are PRI signatories.

In 2009 the Board appointed an ESG specialist to the in-house investment team with the remit of developing and implementing a new RI strategy.

In 2010 the Board accepted a proposal to find a specialist provider of voting and engagement services for its segregated equity assets. This approach will bring greater consistency to the LPFA's RI activities for a significant proportion of its total assets. The LPFA has now appointed Robeco as its provider of these services.

In 2011 the Board published its statement of compliance with the UK Stewardship Code. This statement brings together the LPFA's existing RI activities to highlight how we are implementing our responsibilities as a long-term investor. The LPFA is reviewing its management agreements to ensure all fund managers understand our expectations in relation to the new Stewardship Code.

The investment team continues to monitor the RI capabilities of its agents i.e. fund managers, advisers and (from 2011) Robeco. The Investment Committee receives updates on this process at each quarterly meeting. RI capabilities are also considered in the appointment of new mandates where appropriate.

The Board continues to recognise that collaboration with other investors is essential in achieving its RI Objective. In addition to the UN PRI, the LPFA is an active member of the Local Authority Pension Forum, amongst others. A full list of collaborative groups LPFA works with is provided on our website. These groups enable the Board to pool its influence with other like-minded funds in calling for ESG best practice amongst investee companies, fund managers, advertisers etc.

For more information on the Board's approach to RI, including its objectives, beliefs and ongoing activities please refer to the Investment section of our website: www.lpfa.org.uk

11. STOCK LENDING

The Board reinstated its stock lending programme in April 2009 after a brief period of review in 2008 during which it decided that the benefits to the Fund outweighed any risks.

The Board recognises that stock lending results in the transfer of ownership (including voting rights) to a counterparty whilst economic exposure is retained by the Fund. In order to mitigate the counterparty risk implicit in this transaction the Board only accepts UK, Eurozone and US government bonds as collateral as these are the safest forms of collateral.

With regard to stock lending and voting rights, industry best practice has moved towards using master lending agreements that prohibit the borrowing of stock for the purpose of voting. The Board supports this move and is considering how it can continue to meet best practice as suggested by organisations such as the International Corporate Governance Network and the OECD. The appointment of Robeco as its voting specialist will allow the Board to further refine its processes in this area e.g. when and how to recall stock on loan should it wish to vote on a contentious issue.

12. COMPLIANCE WITH MYNERS PRINCIPLES

Board Members carry out a self assessment against the Myners Principles each year. The latest review was conducted in June 2011, at which point the Board concluded that it continues to comply in full with the six principles of Myners. The detailed results of the latest assessment are included in **Annex III** of this Statement.

Much of the high level supporting information is contained in this Statement e.g. regarding the Fund governance structure, investment decision-making and responsible ownership/investment.

In preparing the Myners compliance statement the Board considered the 2009 guidance provided by CIPFA regarding the application of the Myners Principles in the LGPS. In particular, the board recognises:

1. The importance of Board members' reporting on their performance against the Myners Principles, and
2. The value of sharing best practice more widely within the LGPS

From 2011 the assessment of Principle 5 (Responsible Ownership) uses the UK Stewardship Code rather than previous ISC Statement of Principles. The LPFA compliance statement with the Stewardship Code is available on the Fund's website.

The Board hopes that the detail provided in **Annex III** helps to support these wider objectives.

ANNEX I - INVESTMENT COMMITTEE TERMS OF REFERENCE

The function of the Investment Committee is to consider the appropriate investment policy of the Authority and what steps might be taken, subject to possibly amending Regulations, to implement a matched investment strategy, and to include all aspects of investment policy and management.



The specific duties of the Investment Committee are as follows:

- To implement, review and monitor the investment policy and strategy of the Fund
- To monitor the performance of the Fund and investment managers against the targets set
- To review the management agreements and fees charged
- To consider the extent to which advice is required from the investment advisers, the actuary appointed for the Fund and investment managers
- To monitor the performance of the investment managers against the Board's responsible long term investment objectives
- To monitor the operation of the securities lending programme
- To consider any other matters where requested to do so by the Board
- To report to the Board on the discharge of the above duties.



ANNEX II - LPFA FUND MANAGERS & BENCHMARKS

Asset Class / Fund Manager	Benchmark
Global Active Equity	-
MFS	MSCI All Country World
Newton	MSCI All Country World
Satellite Fund	-
Sarasin & Partners	MSCI All Country World
Impax Asian Environmental Markets	MSCI All Country World
Private Equity	-
Pantheon	RPI+3%
Harbourvest	RPI+3%
LGT	RPI+3%
Bankinvest	RPI+3%
Robeco	RPI+3%
Zouk Cleantech Europe	RPI+3%
YFM	RPI+3%
Global Active Bonds	-
Insight	RPI+3%
Blackrock	RPI+3%
ECM	RPI+3%
Global Passive Equity	-
Legal & General	FTSE All World Index
Global Property	-
ING Real Estate Select	RPI+3%
Diversifying Assets	-
Diversified Growth	-
Blackrock	RPI+3%

Asset Class / Fund Manager	Benchmark
Infrastructure	-
HSBC Environmental Infrastructure	RPI+3%
Impax New Energy Investor	RPI+3%
Zouk Solar Opportunities	RPI+3%
Fortis Clean Energy Fund	RPI+3%
IIC Partnership	RPI+3%
Henderson PFI	RPI+3%
Semperian	RPI+3%
3i Infrastructure	RPI+3%
Meridiam	RPI+3%
Standard Chartered Asian Infrastructure	RPI+3%
Commodities	-
Schroders Commodity Fund	RPI+3%
Brookfield Brazil Agriland Fund	RPI+3%
Phaunos Timber Fund Ltd	RPI+3%
Opportunity Fund	-
ECM	RPI+3%
Brevan Howard	RPI +3%
M&G	RPI+3%
Active currency	-
Record Currency Management	3%
Liability Driven Investment	
Insight	Cashflow matching benchmark

ANNEX III - TABLE OF LPFA'S COMPLIANCE WITH MYNERS PRINCIPLES

Principle	Requirement	CIPFA Guidance	LPFA Assessment	Actions
<p>1. Effective decision making</p>	<p>Administering authorities should ensure that:</p> <ol style="list-style-type: none"> Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest 	<ul style="list-style-type: none"> Clear structure for management of pension fund Clear roles and responsibilities Declaration of interests before each meeting Prepare and publish governance compliance statements Pension fund oversight given to people with appropriate skills and experience Clear Terms Of Reference Clear process for decision-making and delegation Conduct skills audits and provide regular training Establish an investment committee; assess Terms of Reference regularly Obtain proper advice from suitably qualified persons Develop a clear business plan for the Fund 	<p>Full compliance:</p> <p>LPFA's Constitutional Document sets out the decision making process, matters reserved for Board, and the delegation to sub-committee or officers.</p> <p>This constitutional document sets out the procedures for managing conflicts of interest and Code of Practice for Board Members. Independent advisers have been appointed to Investment Committee and Audit Committee.</p> <p>The recent Board Member Performance Evaluation results highlighted that the constitution is generally fit for purpose.</p> <p>Results of the Board Member Self Assessment are analysed by the Chairman and a schedule of individual and collective training is implemented. A range of skills are present on all committees, to enable a range of viewpoints to be heard, rather than only having committees consisting of experts.</p>	<p>Carry out Board Performance Evaluation in October 2011.</p>

Principle	Requirement	CIPFA Guidance	LPFA Assessment	Actions
<p>2. Clear objectives</p>	<p>An overall investment objective(s) should be set out for the Fund that takes account of the scheme's liabilities, the potential impact on tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and fund managers</p>	<ul style="list-style-type: none"> - Overall investment objectives should consider liabilities, assets and fund maturity profile - Demonstrate proper advice has been sought using independent advisors where appropriate - Consider all asset classes in light of risk appetite; give reasons for excluding asset classes - Importance of diversification - Include achievement of value for money and efficiency in objectives - Maintain stable employer contribution rates and consider impact on long term council tax rates - Consider establishing sub-funds to match liability/member profiles - Ensure that transaction costs are fully understood 	<p>Full compliance</p> <p>Clear objectives are in place on both the investment side and the pensions administration side of the authority.</p> <p>Investment principles and beliefs underpin the investment strategy which takes into account the scheme's liabilities and maturity.</p> <p>Fund objectives are set out in the SIP and Investment Management Agreements are in place on all segregated mandates. The fund is subjected to a notional split to enable different strategies to match our liability profile. A customised benchmark has been adopted based on asset/liability studies undertaken by the Fund's actuary.</p> <p>On the administration side a Strategic Policy Statement is prepared annually which sets out the three year strategic direction and medium term financial strategy of the Authority.</p>	

Principle	Requirement	CIPFA Guidance	LPFA Assessment	Actions
3. Risk & liabilities	<p>In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities</p> <p>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk</p>	<ul style="list-style-type: none"> - Fund investment objective accounts for attitude to risk - Willingness to accept underperformance due to market conditions - Clear benchmarks and consider scheme specific benchmark - SIP to include description of "risk assessment framework" used for investments - Risk assessment of valuation of assets and liabilities and analysis of factors affecting long term performance should be included as part of the triennial valuation - Relevant committee should be satisfied of internal control environment - Investment Strategy is suitable for objectives - Assessment of whether cash flows match liabilities and acceptable levels of returns volatility - Overall risk assessment should be summarised in annual report 	<p>Full compliance</p> <p>Following each triennial valuation Board Members assess the structure of liabilities and amend the investment strategy if necessary.</p> <p>The fund's aspiration is that active Managers will outperform their benchmarks over the long term. Allowances are made for periods of underperformance in the shorter term.</p> <p>An annual review of LPFA's internal controls is conducted during preparation of the Annual Governance Statement which features in the Annual Report and Accounts. In addition a Board driven Corporate Risk Register is reviewed quarterly.</p>	<p>Assess results of the Valuation 16th September 2010</p>

Principle	Requirement	CIPFA Guidance	LPFA Assessment	Actions
<p>4. Performance Assessment</p>	<p>Arrangements should be in place for the formal measurement of performance of the investments, fund managers and advisers</p> <p>Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.</p>	<ul style="list-style-type: none"> - Are benchmarks and tracking error limits appropriate? - Consider active and passive styles for each asset class - Set appropriate controls for active mandates - Clear and detailed Investment Management Agreements - Performance targets linked to time periods - Regular monitoring of investment activity - Returns from each asset class should be measured as well as overall fund return - Fund manager effectiveness and the compatibility of the asset/liability profile should be measured over 3-7 year periods - Performance figures should come from a specialist, independent from fund managers - Data should include attributions to asset allocation, stock and sector selection and currency risk - Adviser and actuary performance should be reviewed and assessed 	<p>Full compliance</p> <p>Performance of the fund and fund managers is monitored quarterly by the Investment Committee and all major fund managers are held to account via regular meetings. Performance data is provided by an independent specialist which includes an attribution analysis.</p> <p>LPFA's independent investment advisors are subject to an annual appraisal by the Chairman of the Investment Committee.</p> <p>Board Members carry out an internally managed Board Performance Evaluation and a Board Member Self Assessment on an annual basis. The performance evaluation looks at the performance of the Board as a whole, while the self assessment concentrates on individual training needs.</p> <p>Each Board Members has an annual appraisal with the Chairman of the Board where contribution to the meetings is assessed.</p>	<p>Introduction of an assessment of Hymans as investment consultants. To be carried out by Investment Sub-Committee and reported to Investment Committee. August 2011</p>

Principle	Requirement	CIPFA Guidance	LPFA Assessment	Actions
<p>5. Responsible Ownership</p>	<p>Administering authorities should:</p> <ol style="list-style-type: none"> 1. Adopt, or ensure their fund managers adopt the ISC Statement of Principles 2. Include a statement of their policy on responsible ownership in the SIP 3. Report periodically to scheme members on the discharge of such responsibilities 	<ul style="list-style-type: none"> - Process of self assessment should involve both officers and members of committees - Internal governance should be assessed and results published in Annual Report - Responsible ownership policies should be disclosed in the SIP and annual report - Approach to responsible ownership should include long term RI and the potential for ESG issues to add value - Investment committee should ensure that managers have an explicit strategy for intervention - Consultants should adopt the ISC code - Funds should be aware of the latest iteration of the ISC Code and the UN PRI - Ensure fund manager policies do not override, negate or dilute the Board's policies - Open monitoring of actions 	<p>Full compliance.</p> <p>The annual report, SIP and website include sections on the fund's approach to responsible investment and ongoing activities in this area.</p> <p>Responsible investment issues are discussed by Board Members at each quarterly investment committee meeting, including the voting and engagement activities of appointed fund managers.</p> <p>An investment manager dedicated to responsible investment has been appointed and will be further developing the fund's</p>	<p>The Board has agreed RI Objectives for the fund. In 2011 these included:</p> <p>Implementing a new approach to voting and engagement for the fund's listed equity assets.</p> <p>Clarifying the fund's ESG objectives.</p> <p>Further developing the fund's ESG management monitoring process.</p>

Principle	Requirement	CIPFA Guidance	LPFA Assessment	Actions
6. Transparency & reporting	Administering authorities should: <ol style="list-style-type: none"> Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives Provide regular communication to scheme members in the form they consider most appropriate 	<ul style="list-style-type: none"> Clear and well communicated governance framework Clear fund communication statement Comprehensive view of who its stakeholders are and their interests in the Fund Follow other's good practice and highlight own good practice Regularly compare Annual Report to regulations Publish Funding Strategy Statement, SIP and Governance Compliance Statement as core documents 	Full compliance Details of the Fund's Communication Policy Statement and all other reports which form the suite of annual report documentation are published on the website http://www.lpfa.org.uk/about/publications/annualreport/index.aspx A summary annual report is sent hard copy to all members of the fund. LPFA also holds an annual Fund Member Forum where all members have the opportunity to hold the Executive to account. Panels have been established for both fund members and employers of the fund and all Board meetings are held in public.	LPFA's SIP published by 1 st July 2011. LPFA's Annual Report and Accounts signed off by the auditor prior to 1 st December 2011.



RESULTS OF SELF ASSESSMENT

	Average Principle Score as at 1st July	Range 2011	Average Principle Score 2010	Average Principle Score 2008
Principle 1 Effective Decision Making	7.50	7-8	7.75	7.25
Principle 2 Clear Objectives	8.00	7-9	8.00	7.94
Principle 3 Risk and Liabilities	7.50	6-9	7.13	6.31
Principle 4 Performance Assessment	7.50	7-8	7.38	6.38
Principle 5 Responsible Ownership	8.17	7-9	7.00	6.13
Principle 6 Transparency and Reporting	8.00	7-9	7.63	6.25