



<b>PENSIONS COMMITTEE</b> 26 March 2013	<b>REPORT</b>
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<b>Subject Heading:</b>	<b>REVIEW OF THE STATEMENT OF INVESTMENT PRINCIPLES</b>
<b>CMT Lead:</b>	<b>Andrew Blake Herbert</b>
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<b>Policy context:</b>	Regulation 12 (1) of the LGPS (Management and Investment of Funds) Regulations 2009 requires an administrative authority to keep this document under review
<b>Financial summary:</b>	No financial implications

**The subject matter of this report deals with the following Council Objectives**

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input checked="" type="checkbox"/>
High customer satisfaction and a stable council tax	<input type="checkbox"/>

**SUMMARY**

In line with the Local Government Pensions Scheme Regulations and good practice the London Borough of Havering as an administrating authority undertakes a review of the Statement of Investment Principles (SIP). This report sets out how the review was undertaken and highlights where or if changes were necessary.

**RECOMMENDATIONS**

That the committee:

1. Consider and agree the proposed amendments to the SIP (**Appendix A**).
2. Consider and agree to the administrative authority's position in respect of reporting compliance against the Myner's investment principles (**Appendix B**).
3. Consider and agree the timetable for implementing proposed changes to the SIP. (**Appendix C - EXEMPT**). - This appendix is excluded from public publication due to the commercially sensitive information and will be disclosed and discussed with the relevant fund managers once timetable has been agreed.
4. In considering the timetable for the implementing the proposed changes to the SIP to also consider a proposal for rebalancing the equity exposure as outlined in **Appendix D - Exempt**.

**REPORT DETAIL**

**1. BACKGROUND**

- 1.1 LPGS (Management and Investment of Funds) Regulations 2009 12(1) states that an administrating authority must prepare, maintain and publish a written statement of the principles governing its decision about the investment of fund money (this is known as Statement of Investment Principles).
- 1.2 The regulations, paragraph 12(3) also state that administrating authorities must prepare and publish a statement which states the extent to which an administrating authority complies or does not comply with guidance issued by the secretary of State. Where it does not comply it must state reasons for non-compliance. (This is known as the Myner's principles).
- 1.3 Guidance as issued from the Secretary of State will be the guidance as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on 11 December 09 called 'Investment decision making and disclosure'.
- 1.4 The regulations as revised came into force with effect from the 1 January 2010.

## **2. Statement of Investment Principles**

- 2.1 The Statement of Investment Principles was last reviewed in November 2011 and an interim amendment was agreed on the 12 December 2012, which incorporated the change made to increase the allocation of assets to the Absolute Return Manager. This interim change was agreed pending a final review of the investment strategy.
- 2.2 The review of the investment strategy was finalised on the 27 November 2012 but included an investigation into the possibility of the Pension Fund investing in local infrastructure projects. Whilst these investigations are on-going the SIP is now being revised to reflect the remaining investment strategy decisions.
- 2.3 The other employers in the fund were notified of the intended changes to the investment strategy and asset allocation changes at the time the interim change was put to Committee. No views or comments were received at that time.
- 2.4 The revised SIP has been reviewed in conjunction with considerable input from the Fund's advisor.
- 2.5 The revised SIP will be distributed to the Fund Managers and other employers once the timetable for implementation has been agreed at this committee meeting.
- 2.5 The proposed revisions to the SIP can be seen on the track changes version attached as **Appendix A**.

## **3. Myner's Principles**

- 3.1 Since January 2010 the administrating authority must publish its compliance against a set of six principles.
- 3.4 Compliance against the six principles will also have to be published within the Pension Fund Annual Report.
- 3.5 Attached as **Appendix B** is the statement of compliance which shows the fund's position in respect of compliance against the six Myner's principles.

3.6 This illustrates that the fund is compliant with the majority of the six principles but needs to consider the following areas:

**a) Principle No.3. Risk and Liabilities**

Point (12) The annual report of the pension fund should include an overall risk assessment in relation to the funds activities.....This could be done by summarising the contents of a regularly updated risk register, of which an analysis of the risks should be reported periodically to the committee....

The Pension Fund currently does not have an overall risk assessment in the form of a risk register, although risks are considered as part of the monitoring process.

**Action required for full compliance:** Monitoring risk in the form of a risk register is currently being developed.

4 The proposed timetable for implementing changes to the SIP is attached as **Appendix C**. The proposed timescales mainly incorporates development of a multi asset mandate.

5 **Appendix D** is a report from Hymans which outlines the fund's positioning with regard to rebalancing the fund in light of recent equity gains. Pending appointment of a Multi Asset Manager/s consideration could also be given to rebalancing the fund's position to equities.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

There are no implications arising directly, however undertaking a review of the Investment Strategy on a regular basis will identify whether the investment objectives are being met and that they remain realistic. One of the Investment Strategy aims is to achieve a funding level of 100% on an on-going basis by 2030 whilst ensuring that investment objectives are being met and minimise any costs to the general fund.

**Legal implications and risks:**

None arise from this report.

**Human Resources implications and risks:**

None arise from this report.

**Equalities implications and risks:**

None arise from this report.

**BACKGROUND PAPERS**

Background Papers List

LGPS (Management and Investment of Funds) Regulations 2009

CIPFA publication investment decision making and disclosure Dec 09