



PENSIONS COMMITTEE

24 July 2013

REPORT

Subject Heading:	REVIEW OF THE STATEMENT OF INVESTMENT PRINCIPLES
CMT Lead:	Andrew Blake-Herbert
Report Author and contact details:	Debbie Ford Pension Fund Accountant 01708432569 Debbie.ford@havering.gov.uk
Policy context:	Regulation 12 (1) of the LGPS (Management and Investment of Funds) Regulations 2009 requires an administrative authority to keep this document under review
Financial summary:	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 (LGPS) and good practice the London Borough of Havering as an administering 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 the strategy implications of introducing an infrastructure asset class (**Appendix B**)
2. Consider and agree the proposed amendments to the SIP (**Appendix A**).

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 reviewed at the 26 March 2013 Pensions Committee meeting which also included the adoption of an interim amendment to the strategy. The interim strategy was adopted to address the funds need to rebalance an overweight position in equities and pending selection of multi-asset managers, assets were switched from equities to cash on a temporary basis. On the 22 May 2013 £20m was transferred from

the State Street Global Asset Equity Mandate to a cash fund with the same manager.

- 2.2 The investment strategy that was agreed on the 26 March 2013 also included a statement that the Committee was considering introducing an allocation of assets to infrastructure. At a special Pensions Committee meeting held on the 30 April 2013 the committee then agreed to make an investment in Local Infrastructure and also requested officers to develop proposals for the creation of an infrastructure asset class.
- 2.3 The proposed revisions to the SIP can be seen on the track changes version attached as **Appendix A**. This reflects the changes made to the Statement of Investment Principles to show the introduction of a target allocation to an infrastructure asset class. The other classes have been reduced on a pro-rata basis to accommodate the introduction of the infrastructure allocation.
- 2.4 The other employers in the fund were notified of the intended revisions to the investment strategy and asset allocation changes earlier in the review process when changes were initially being considered. No views or comments were received at that time.
- 2.5 The revised SIP will be distributed to the Fund Managers and other employers following this meeting.
- 2.6 There is need to change the Myner's compliance table as a result of these changes, so this is not attached to the SIP.

3. Strategy Implications

- 3.1 The Fund's investment advisor has produced a briefing paper attached as **Appendix B** which members are asked to consider. This outlines the strategy implications of the change to asset allocations following the introduction of an infrastructure asset class.

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

Statement of Investment Principles March 2013