



## PENSIONS COMMITTEE

9 November 2011

## REPORT

<b>Subject Heading:</b>	<b>REVIEW OF THE STATEMENT OF INVESTMENT PRINCIPLES</b>
<b>Report Author and contact details:</b>	Contact: Debbie Ford Designation: Pension Fund Accountant Telephone: (01708) 432569 E-mail address: Debbie.ford@havering.gov.uk
<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 to 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**).

**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 June 2010 which incorporated the changes made in the reduction in active equity management to passive and included a strengthened statement on risk.
- 2.2 Following the results of the 2010 Valuation the investment strategy was reviewed and members agreed to increase the multi asset and the passive equity allocation. This is reflected in the amended Statement of investment

Principles. Some minor changes, together with updated statements to reflect that a valuation was undertaken in 2010 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 revised set of six principles.

3.4 Compliance against the new 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 will be developed during 2011/12.

**b) Principle No.4. Performance Assessment**

Point 19 (Under Decision making bodies). The committee should set out its expectations of its own performance in its business plan..... It should include standards relating to administration of the committee's business such as: attainment of standards set down in CIPFA's knowledge and skills framework; achievement of required training outcomes....

The Business Plan, adopted by the committee in March 09, sets out the expectations of the committee.

**Action required for full compliance:** The Pensions committee are in the process of completing the Knowledge and Skills framework self assessment forms, as produced by CIPFA. The results will feed into the training plan.

The Knowledge and Skills Framework was launched as good practice guidance in January 2010 and its intention was to be persuasive rather than mandatory. As part of the ongoing development of the framework this has now progressed into a Code of Practice which was issued in October 11. It is now expected that an appropriate statement of compliance will be required to be published in the Annual Report.

The revised SIP and Myners compliance statement has been revised having consulted the Fund's Advisors.

The revisions to the SIP and the Myners compliance statement will be sent to the other employers in the fund for any views and comments. If any views or comments are received these can be passed to the chair for consideration and inclusion.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

There are no implications arising directly, however the review will ensure that the Pension Fund is both compliant and reduces the financial commitment on the General Fund as far as possible.

### **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