

**CAMBRIDGESHIRE
PENSION FUND**



PENSION FUND BOARD

19 MARCH 2015

Report by: THE DEPUTY HEAD OF PENSIONS

Subject:	Statement of Investment Principles
Purpose of the Report	To note the amendments to the Statement of Investment Principles and request approval of the revised Statement.
Recommendations	<p>That the Board:-</p> <ol style="list-style-type: none"> 1. Note the amendments made to the Statement of Investment Principles and the inclusion of the UK Stewardship code and Myners Principles (as detailed in section D and E of the attached Appendix) 2. Approves the revised Statement of Investment Principles.
Enquiries to:	<p>Paul Tysoe - Investments and Accountancy Manager Tel - 01604 368671 Email – phitysoe@northamptonshire.gov.uk</p>

1. Background

- 1.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require an Administering Authority to prepare, maintain and publish a written statement of the principles governing its decisions about the investment of Fund money, the Statement of Investment Principles (SIP).
- 1.2 The Regulations also prescribe the policies that need to be disclosed in the SIP and the obligation to review, and if necessary, revise, the SIP from time to time and, within six months of any material change in the policies.
- 1.3 The SIP is also required to be published in full in the Fund's Annual Report and Statement of Accounts under the guidance published by CIPFA for the purposes of the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme Regulations 2013.

- 1.4 The current version of the Fund's SIP published on the Fund web pages was last reviewed in July 2013.
- 1.5 The SIP has been reviewed with a focus on clarifying the language used, and a review of best practice demonstrated by other Funds.
- 1.6 The Investment Sub Committee reviewed the revised SIP at its meeting on 19 February 2015 and recommended that the Board approve the document.
- 1.7 The purpose of this paper is to apprise the Pension Fund Board of the changes to the SIP and request the Board's approval of the revised document.
- 1.8 The timing of this paper provides an update to the existing SIP in advance of the accounting closedown for 2014-15 to ensure an appropriate version is available for inclusion in the Annual Report and Statement of Accounts.
- 1.9 The SIP will be subject to regular updates over the duration of the implementation of the revised Investment Strategy as required by Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

2. Key Points

- 2.1 The SIP has been reviewed and amended to ensure that it is a concise and relevant document that sets out the investment policies and principles adopted by the Fund.

- 2.2 The main amendments to the SIP are:

- **Section D - Balance between different types of investment.**

The inclusion of the acceptable variation of tolerances around the strategic asset allocation for each class of asset (as requested by auditors).

- **Section E – Responsible Investment Policy.**

Reflects recent recommendations by the Law Commission on the duties of pension funds' trustees when setting investment strategies with regard to Responsible Investment. This replaces previous language referring to (unspecified) legal rulings.

Appendix A1 - Fund Managers and Mandates – February 2015

An additional appendix that reports the revised Investment Strategy agreed at the Pension Fund Board in December 2014.

- **Appendix C – Key Risks and Controls.**

This section has been rationalised to remove risks pertinent to liabilities or the scheme as a whole and not investments.

- **Appendix E – Compliance with the Myners principles.**

New appendix added in line with recent guidance.

- 2.3 Minor textual changes have been made to rationalise and reorder certain paragraphs, for example:

- **Section C – Funding objectives.**

These paragraphs were previously dealt with under the heading Investment Principles.

- **Section D - Balance between different types of investment.**

Includes paragraphs previously shown under “Investment risk”. Repetition of the role of the quarterly review of performance by the ISC has been removed.

- **Section E – Responsible Investment Policy.**

Repetitive references to the responsibilities of Investment Managers for adopting and reporting on their policies for Responsible Investment have been consolidated.

- **Appendix D – Statement of commitment to the UK Stewardship Code.**

Reformatted into tabular form. No other changes to content.

3. Recommendation

3.1 That the Board:

- Note the amendments made to the Statement of Investment Principles and the inclusion of the UK Stewardship code and Myners Principles (as detailed in section D and E of the attached Appendix).
- Approve the revised Statement of Investment Principles.

4. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	<ul style="list-style-type: none">• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions.• To ensure that sufficient resources are available to meet all liabilities as they fall due.• To maximise the returns from its investments within reasonable risk parameters.

5. Finance & Resources Implications

5.1 The SIP has been updated using existing resources.

6. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Inappropriate long-term investment strategy	The Fund has in place appropriate investment policies and compliance with the policies is monitored regularly	Amber

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Not complying with the requirements of the 2009 Investment Regulations	Red
Inappropriate long-term investment strategy	Amber

7. Communication Implications

- 7.1 The Statement of Investment Principles is a publically available document and the revised document will be published on the Fund's web pages and in the Annual Report 2014-15.

8. Legal Implications

- 8.1 The Statement of Investment Principles is prepared to comply with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

9. Consultation with Key Advisers

- 9.1 The revised SIP has been reviewed by Mercers, the Fund's appointed Investment Consultant.

10. Alternative Options Considered

- 10.1 None.

11. Background Papers

- 11.1 None.

12. Appendices

Appendix 1 – Statement of Investment Principles – February 2015

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	The SIP will be updated as the Fund develops its Investment Strategy. The timetable is presented to the Investment Sub Committee on a quarterly basis.
Is this report proposing an amendment to the budget and/or policy framework?	Yes. The SIP is a key policy document and therefore can only be approved by the Pensions Board.
Has this report been cleared by the Deputy Head of Pensions?	Mark Whitby – 18/02/2015
Has this report been cleared by the Section 151 Officer?	Chris Malyon – 06/03/2015
Has the Chairman of the Pension Fund Board been consulted?	Councillor Count – 19/02/2015
Has this report been cleared by Legal Services?	Laurie Gould on behalf of Quentin Baker – 02/03/2015