

WIRRAL COUNCIL

PENSIONS COMMITTEE

23 MARCH 2010

REPORT OF THE DIRECTOR OF FINANCE

REVIEW OF UPDATED MYNERS PRINCIPLES & REVISED STATEMENT OF INVESTMENT PRINCIPLES (SIP)

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to approve a revised Statement of Investment Principles (SIP) for Merseyside Pension Fund, stating compliance with the updated Myners Principles.

2. BACKGROUND

- 2.1 The Pensions Committee approved the previous edition of the SIP on 26 November 2007, in accordance with the LGPS Regulations and CIPFA guidance current at that time. This required that the SIP stated compliance with the 10 Myners Principles, as outlined in the CIPFA Pensions Panel guidance document, *Principles for Investment Decision Making in the LGPS 2002*.
- 2.2 It was reported to Pensions Committee on 24 June 2008 that HM Treasury were consulting over a proposed update to the Myners Principles. The proposal was to consolidate the previous ten into six high level principles that would provide pension fund trustees with an authoritative guide to best practice for investment decision-making and governance. The purpose of the update was to promote wider pensions industry acceptance and ownership of the Principles by making them more flexible, and through the 'comply or explain' approach, to encourage the industry to develop a higher quality body of guidance for trustees.
- 2.3 The LGPS regulatory framework has incorporated the original ten Myners Principles since 2002, requiring funds to report their compliance as part of their SIP. The amended LGPS (Management & Investment of Funds) Regulations 2009 require adoption of the updated six Principles. A broad consensus had emerged from the consultation process that the LGPS would benefit from continuing to apply updated Myners Principles.

- 2.4 As it had done previously, the CIPFA Pensions Panel produced guidance on applying the revised Principles; it has subsequently produced a knowledge, skills and competencies framework to provide more practical help to LGPS funds. Details of this initiative are given in a separate report on this agenda. However, it should be noted that the review and consultation process identified the LGPS as a 'special case', due partly to its early adoption of the original Myners Principles, but also because of a greater 'trustee risk' owing to the uncertainties of the electoral cycle.
- 2.5 In the wake of the financial crisis of 2008 HM Treasury commissioned Sir David Walker to report on corporate governance in UK banks and other financial industry entities. The Walker Review published its final recommendations in November 2009, which included a chapter on the stewardship role of institutional shareholders and looked at the relationship between asset owners (such as pension funds) and asset managers. The findings of the Walker Review were incorporated into the CIPFA guidance paper.

3. REVISED STATEMENT OF INVESTMENT PRINCIPLES

- 3.1 The draft SIP, which complies with the 2009 regulations and published CIPFA guidance, is attached as Appendix 1 to this report.
- 3.2 The previous SIP reported MPF to be substantially compliant with the ten Myners/CIPFA Principles. The revised SIP is similarly compliant with the updated Principles/CIPFA guidance but, due to regulatory developments in the LGPS and policy development by MPF since the adoption of the original Myners Principles, MPF may be seen as having kept pace with the updated principles and guidance. For this reason, the format of the compliance statement has been altered to reflect this and to give an indication of the direction of travel of policy in development.
- 3.3 The following table shows the updated Principles set against existing MPF policy documents and practice:

1	Effective decision making	Wirral MBC Constitution & Scheme of Delegation, Governance Policy Statement, Governance Compliance Statement, Finance Department Plan & Corporate Plan
---	---------------------------	--

2	Clear objectives	2007 Actuarial Valuation & Review, 2007 Statement of Investment Principles, 2009 Funding Strategy Statement
3	Risk and liabilities	Funding Strategy Statement, Investment Monitoring Policy, Treasury Management Policy
4	Performance assessment	IMWP, WM Company report Investment Monitoring Policy
5	Responsible ownership	Responsible Investment Policy and voting record published on website & in Annual Report, External validation by UNPRI & FairPensions, Signatory to IIGCC Investor Statement
6	Transparency and reporting	MPF website, Annual Report & Accounts 2008-09, Media coverage

3.4 In addition to the integration of the above (where not previously featured), the revised SIP contains the following changes:

- Updated statement on responsible ownership to include reference to Walker Review and Institutional Shareholders' Committee Principles & Code;
- Fulfilling commitments made under the UNPRI; such as producing a Responsible Investment Review annually and factoring responsible investment considerations into investment manager selection and monitoring processes;
- Expanded description of investment philosophy, in particular; balance between passive and active styles, style diversification and apportionment of risk between active managers.
- Intention to conduct a self-assessment exercise encompassing Members and Officers, now a knowledge, skills and competencies framework is in place for the LGPS;
- Updated policy statement on stock lending, in line with the newly-issued LGPS Investment Regulations 2009.

4. FINANCIAL AND STAFFING IMPLICATIONS

4.1 There are none arising directly out of this report.

5. EQUAL OPPORTUNITY IMPLICATIONS/HEALTH IMPACT ASSESSMENT

5.1. There are none arising from this report.

6. COMMUNITY SAFETY IMPLICATIONS

6.1. There are none arising from this report.

7. LOCAL MEMBER SUPPORT IMPLICATIONS

7.1. This report has no particular implications for any Members or wards.

8. LOCAL AGENDA 21 IMPLICATIONS

8.1. There are none arising from this report.

9. PLANNING IMPLICATIONS

9.1. There are none arising from this report.

10. BACKGROUND PAPERS

10.1 CIPFA Pensions Panel: Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2009.

11. RECOMMENDATION

11.1 That Members note the revision to the Myners Principles and approve the publication of the revised Statement of Investment Principles.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/40/10