

# WIRRAL COUNCIL

## PENSIONS COMMITTEE

20<sup>TH</sup> NOVEMBER 2012

<b>SUBJECT:</b>	<b>STATEMENT OF INVESTMENT PRINCIPLES</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>INTERIM DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>PATRICIA GLASMAN</b>
<b>KEY DECISION?</b>	<b>NO</b>

### 1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to present Members with an updated Statement of Investment Principles (SIP) and ask that Members approve this document and the changes from the previous SIP.

### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 Committee last approved the Fund's SIP at its meeting on November 2010.
- 2.2 The SIP describes the high-level principles governing the investment decision-making and management of Merseyside Pension Fund (MPF) and the policy that has been developed to ensure their implementation. It has been prepared, in line with guidance received from the Secretary of State for Communities and Local Government, with reference to the Chartered Institute of Public Finance & Accountancy (CIPFA) Pensions Panel publication, 'Principles for Investment Decision Making and Disclosure in the LGPS in the United Kingdom 2009 – A Guide to the Application of the 2008 Myners Principles to the Management of LGPS Funds'.
- 2.3 A number of issues have arisen in the last 12 months most notably from the Annual Governance Statement from the Audit Commission. This highlighted a need for the Fund to document uses of allowable extensions under the LGPS Investment Regulations and to consider the reporting on risks, in relation to investments, both in the final accounts and other relevant reports.
- 2.4 This issue and a need to review the document for changes required due to changes in other cross-referenced documents have led to a need for a review of the SIP.
- 2.5 The changes made to the SIP do not constitute a change in investment strategy. The document has been changed substantially in parts but this is for the reasons given above; to improve the way in which the document is written; and to give a balance within the document appropriate to the importance of the subject matter.

2.6 The main changes are as follows.

- Changes to objectives section making the hierarchical link between liabilities, investment objective, investment strategy and supporting beliefs more clear.
- More information on investment mandates.
- A more detailed explanation of the fact that risk is undertaken to form a strategy that is aimed at increasing returns and more quantification of these risks.
- A section detailing different elements of risk.
- A summary section on securities lending rather than full explanation to reflect the fact that, of the overall return generated and risk taken by the Fund, securities lending is a very small element.
- Typographical and cross reference corrections and some changes to the order of clauses.

2.7 A more comprehensive review of the SIP will take place next year following the actuarial valuation and the resulting review of investment strategy including asset allocation.

### **3.0 RELEVANT RISKS**

3.1 The SIP alongside the Funding Strategy Statement is a document which, amongst other investment matters, sets out the Fund's approach to key strategic risks.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 Not relevant for this report

### **5.0 CONSULTATION**

5.1 Not relevant for this report

### **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are no implications arising directly from this report

### **7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

7.1 There are none arising directly from this report

### **8.0 LEGAL IMPLICATIONS**

8.1 There are no implications arising directly from this report.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are no planning or community safety implications arising from this report.

## **12.0 RECOMMENDATIONS**

12.1 That the Pensions Committee approves the revised Statement of Investment Principles which is attached as an appendix to this report.

## **13.0 REASONS FOR RECOMMENDATION**

13.1 The purpose of the changes to the SIP are to comply with audit recommendations and to reflect accurately the Fund's approach to risk management.

**REPORT AUTHOR:** Paddy Dowdall  
Investment Manager  
telephone: (0151) 242 1310  
email: [paddydowdall@wirral.gov.uk](mailto:paddydowdall@wirral.gov.uk)

**FNCE/195/12**

## **APPENDICES**

1. The revised Statement of Investment Principles is attached as an appendix to this report.

## **REFERENCE MATERIAL**

Internal working papers and Regulatory guidelines.

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>PENSIONS COMMITTEE STATEMENT OF INVESTMENT PRINCIPLES</b>	<b>16 NOVEMBER 2010</b>
<b>PENSIONS COMMITTEE REVIEW OF UPDATED</b>	<b>23 MARCH 2010</b>

<b>MYNERS PRINCIPLES &amp; REVISED STATEMENT OF INVESTMENT PRINCIPLES</b>	
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