



Committee and Date

Pensions Committee

20 June 2011

10 am

Item

**14**

Public

## STATEMENT OF INVESTMENT PRINCIPLES

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### 1. Summary

1.1 The report provides Members with an update to the Pension Fund's Statement of Investment Principles to reflect changes to the Fund's investment management arrangements. The Chartered Institute of Public Finance and Accountancy (CIPFA) have published revised guidance on the application of the Myners Principles in the Local Government Pension Scheme (LGPS) and the Statement of Investment Principles outlines the Fund's compliance with these principles.

### 2. Recommendations

2.1 The Committee is asked to approve, with or without comment, the revised Statement of Investment Principles at Appendix A.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

3.1 The Statement of Investment Principles sets out the Fund's approach to managing risk within its investments.

3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

3.3 There are no direct environmental, equalities or climate change consequences of this proposal. The Statement of Investment Principles sets out the Pension Fund's approach to Ethical, Environmental and Socially Responsible Investments.

- 3.4 The Statement of Investment Principles is published on the Scheme's website.

#### **4. Financial Implications**

- 4.1 There are no direct financial implications arising from this report.

#### **5. Background**

- 5.1 Pension Schemes within the Local Government Pension Scheme are required to publish a Statement of Investment Principles (SIP) and to further publish any changes to the SIP.
- 5.2 Shropshire's original SIP was published in 2000 and revisions have been made each year since then to reflect changes to the strategic asset allocation and investment management arrangements of the Fund. Following any changes to the SIP it is published and made available on the website.

#### **6. Statement of Investment Principles**

- 6.1 The SIP outlines the Shropshire County Pension Fund investment objectives. The primary long term objective is to achieve and maintain a funding level at, or close to 100% of the Fund's estimated liabilities; and within this, to endeavour to maintain low and stable employers' contribution rates.
- 6.2 The SIP also outlines the types of investments held, the approach to risk and diversification, expected returns on investments and the Funds approach to social, environmental and ethical investments.

#### **7. Myners Principles**

- 7.1 In response to the Treasury report *Updating the Myners Principles: A Response to Consultation* (October 2008), Local Government Pension Schemes are required to prepare, publish and maintain statements against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These principles replace the ten Myners principles published in 2001 which Local Government Pension Schemes were required to report against previously.
- 7.2 The Chartered Institute of Public Finance Accountancy (CIPFA) has published guidance on the application of the six Myners Principles to the Local Government Pension Scheme. The Fund is required to take a 'comply or explain' in the following six areas;-
- Effective decision making
  - Clear objectives
  - Risk and liabilities

- Performance assessment
- Responsible ownership
- Transparency and reporting

7.3 The Fund's compliance against the six principles is published within the SIP. Attached at Appendix A is the revised Statement of Investment Principles for Members approval.

## 8. Publication

8.1 The revised Statement of Investment Principles (SIP) will be published and distributed to investment advisors, investment managers and scheme employers following approval. The SIP will also be available on the Fund website.

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b>
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Pensions Committee, 21 June 2010, Item 10, Statement of Investment Principles
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<b>Cabinet Member</b>
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N/A
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<b>Local Member</b>
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N/A
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<b>Appendices</b>
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A - Statement of Investment Principles (revised June 2011)
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