

**REPORT FOR: PENSION FUND
INVESTMENT PANEL**

Date of Meeting: 9 January 2012

Subject: Review of the Statement of Investment Principles

Responsible Officer: Julie Alderson, Interim Corporate Director Finance

Exempt: No

Enclosures: Statement of Investment Principles.

Section 1 – Summary and Recommendations

This report sets out amendments to the Statement of Investment Principles (“SIP”) required to bring the SIP in line with the 2009 Regulations.

Recommendation:

The Panel is asked to approve the updated Statement of Investment Principles

Reason:

To enable the Panel to demonstrate that the Fund is being managed in accordance with the SIP.

Section 2 – Report

1. A Statement of Investment Principles (“SIP”) is required by the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009 (“The Regulations”) and outlines the principles and policies followed by the Panel in the management of the Fund’s assets.
2. The Regulations require the SIP to cover the Council’s policy on:
 - (a) the types of investment to be held;
 - (b) the balance between different types of investments;
 - (c) risk, including the ways in which risks are to be measured and managed;
 - (d) the expected return on investments;
 - (e) the realisation of investments;
 - (f) the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
 - (g) the exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy; and
 - (h) stock lending.

The statement must also state the extent to which the administering authority complies with guidance given by the Secretary of State (“Myners Principles”), and, to the extent the authority does not so comply, the reasons for not complying.

3. Subsequent to the approval of the SIP in 2010, the Fund’s auditor has recommended that the SIP be updated to reflect (1) the asset class ranges and rebalancing policy adopted by the Panel, and (2) the procedures in place for the management of cash.
4. The revised SIP is attached to the paper. It has been substantially updated to bring it into line with both the current regulations and investment structures e.g. the use of pooled fund investments. The section on individual manager mandates and targets has been deleted for two reasons. Firstly it is not required by the regulations and secondly with frequent changes to managers and mandates the SIP is almost always out of date. If required, a separate appendix with all the manager data could be added.
5. The SIP will be reviewed next on completion of the ongoing strategy review.
6. Aon Hewitt has been asked to review the SIP and to comment at the PFIP meeting.

Financial Implications

7. The SIP addresses the high level risk and return objectives of the Fund.

Risk Management Implications

8. Risk included on Directorate risk register? No
9. Separate risk register in place? No
10. Setting risk tolerances and measuring outcomes will be addressed in the ongoing strategy review.

Equalities implications

11. Was an Equality Impact Assessment carried out? No
12. There are no direct equalities implications relating to the pension fund.

Corporate Priorities

13. Corporate Priorities are not applicable to Pension Fund as it does not have a direct impact on Council's resources.

Section 3 - Statutory Officer Clearance

Name: Julie Alderson	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 20 December 2011		
Name: Matthew Adams	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 20 December 2011		

Section 4 - Contact Details and Background Papers

Contact: George Bruce (Treasury and Pension Fund Manager) Tel: 020-8424-1170 / Email: george.bruce@harrow.gov.uk

Background Papers: None

If appropriate, does the report include the following considerations?

1.	Consultation	N/A
2.	Corporate Priorities	N/A