

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	18 March 2011	AGENDA ITEM NUMBER
TITLE:	REVISED STATEMENT OF INVESTMENT PRINCIPLES & MYNERS ACTION PLAN	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report: Appendix 1 – Statement of Investment Principles (SIP) Appendices 2 - 5 – Appendices 1-4 to the SIP: Manager Statements on their SRI Principles Appendix 6 – Appendix 5 to SIP: Compliance with Myners Principles Appendix 7 – Self Assessment Questionnaire – Summary of responses Appendix 8 – CIPFA Knowledge & Skills Framework Appendix 9 - Proposed Training Programme		

### 1 THE ISSUE

- 1.1 This report asks the Committee to approve the Fund's revised Statement of Investment Principles (SIP), note the results of the Committee's self assessment of the effectiveness of their decision-making process and approve the proposed training framework for the Committee.
- 1.2 The SIP (including the Fund's compliance with the Myners Principles) was last approved on 26 March 2010. The main developments since then are listed in section 5.1 of this report.
- 1.3 The Fund's compliance with the Myners Principles, which forms part of the SIP, was also reviewed in March 2010. This identified areas where compliance could be strengthened and an action plan was agreed. The progress made on this action plan and recommendations are discussed in section 6 of this report.

### 2 RECOMMENDATION

**That the Committee:**

- 2.1 **Approves the revised Statement of Investment Principles**
- 2.2 **Notes the actions identified by the self-assessment of the decision making process**
- 2.3 **Approves the Committee's training programme**

### **3 FINANCIAL IMPLICATIONS**

3.1 The 2011/12 budget provides for the training programme.

### **4 BACKGROUND AND LEGAL FRAMEWORK**

4.1 The requirement to produce a Statement of Investment Principles is set out in the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009. These regulations provide that “the written statement must be revised by the administering authority in accordance with any material change in their policy ... and published”.

4.2 As part of the SIP, administering authorities are required to state how they comply with the Myners Principles and explain where they do not comply.

### **5 REVISIONS TO THE SIP**

5.1 The SIP was last revised in March 2010. Since then the main developments have been:

- (1) An decrease in the allocation to UK equities and an increase in the allocation to overseas equities (para.2 of SIP)
- (2) The appointment of Schroders Investment Management to manage the global equities portfolio (para. 10 of SIP)
- (3) The adoption of the FRC UK Stewardship Code (para. 22 of SIP)
- (4) The appointment of Manifest to monitor the Fund’s voting activity (para. 23 of SIP)

5.2 The revised SIP can be found in Appendices 1-6.

**5.3 The Committee is asked to approve the revised SIP.**

### **6 MYNERS PRINCIPLES ACTION PLAN**

6.1 In March 2010 the Committee concluded that the Fund’s compliance with the Myners Principles for Effective Decision-making would be strengthened if the following actions were undertaken:-

- (i) a self assessment by the Committee of the decision–making process, and
- (ii) the development of a training framework for Committee members.

The conclusions from the self-assessment and the proposed training framework are discussed in detail below.

#### **Self Assessment of the Effectiveness of Decision-Making Process**

6.2 The Committee members were asked to respond to a questionnaire about the Fund’s governance and decision-making processes. The questionnaire covered the following areas:

- (1) Committee Terms of Reference
- (2) The Governance Structure
- (3) Committee meetings
- (4) Committee Knowledge and Skills
- (5) The Investment Panel

- (6) The decision-making process
- (7) The member's role

6.3 A summary of the responses is attached as Appendix 7. Each question has been awarded a RAG (red/amber/green) score depending on the majority response and comments made.

**6.4 The assessment overall suggested that members have confidence in the decision-making process in that it enables the Committee to discharge its responsibilities. However, it identified a number of areas where the process could be improved as follows:**

- (1) Scheduling of strategic policy reports on the Committee agenda

*Action: Routine reports to be at end of agenda. Strategic reports must record process and work undertaken to come to recommendation/decision – already actioned.*

- (2) The introduction of the Investment Panel has improved the quality of investment decisions but the Committee rely on the Panel meeting minutes to understand how the Panel reached their recommendations/conclusions

*Action: Officers must ensure Panel minutes fully reflect the process and scope of the Panel's deliberations. The Chair of the Panel to summarise the recommendations at Committee meetings – already actioned.*

- (3) Members will have varying requirements for training

*Action: develop programme of ongoing training for Committee*

- (4) The Committee use expert advice effectively but given complexity of issues reviewed, need to ensure adequate training provided

*Action: Through training programme and Committee workshops ensure the Committee can understand and challenge advice effectively*

6.5 The Committee are asked to note the conclusions and action points arising from the self assessment exercise.

### **Proposed Training Framework**

6.6 In recent years the level of skills, knowledge and experience expected of those responsible for decision-making in LGPS funds has increased significantly. This is demonstrated in the training requirements set down in the Myners Principles and also in the pressure for elected members to keep on top of an ever-changing and more complex world of investments.

6.7 The Myners Principles of good investment practice raise a number of issues about the level of governance required for pension funds, both private and public sector. The LGPS regulations require LGPS funds to explain how they measure up to each principle (as part of their Statement of Investment Principles).

6.8 The self assessment by the Committee of the decision-making process discussed above also identified the need for more ongoing training, especially on investment issues.

- 6.9 The first Myners principle is on effective decision-making and it has been identified by the CLG and CIPFA Pensions Panel that in the absence of any definition of what knowledge and skills are required to carry out the elected member role within a Pensions Committee, it is difficult to identify any gaps in knowledge and assess whether training is appropriate and effective. In order to develop the right skill set for both Committee members and officers, CIPFA has developed a technical “Knowledge and Skills Framework”. This tool can be used by pension funds to determine whether they have the right skills mix to discharge their responsibilities. The areas identified in the CIPFA framework are set out in Appendix 8.
- 6.10 The Fund intends to use this CIPFA framework as the basis for its training programme, by delivering training on areas within the framework on a periodic basis. This should supplement the existing training opportunities provided by the Fund, namely the LGPC Fundamental Training Course (and refresher courses as arranged) that all elected members and investment officers are required to attend, LGPS seminars and conferences, and Committee workshops covering specific investment issues relating to the Committee agenda. The aim will be to ensure any training is relevant to the committee members and agenda.**
- 6.11 The proposed training programme will be delivered on the day of Committee meetings at least twice a year. Each training session will include an educational session on a topic(s) identified in the CIPFA framework. In addition, there will be a session relating to investment markets in terms of the market outlook or a particular asset class. External managers and advisors will be asked to present training sessions, in addition to officers.**
- 6.12 Officers and Committee will agree a rolling 2 year training programme at the beginning of each year. The proposed programme for 2011 & 2012 is set out in Appendix 9. For completeness, Committee workshops are included.**
- 6.13 The Framework will also be used to assess the knowledge and skills of the Fund’s officers in aggregate, identifying any gaps and input any training requirements into personal development programmes.
- 6.14 Whilst the CIPFA framework guidance is not mandatory, future consideration may be given to elevating the guidance to a formal CIPFA code of practice by the CLG. However, as a demonstration of good practice CIPFA recommends that Fund’s include a disclosure in their annual report (from 2010/11) that covers how the framework has been applied and what training has been delivered as a minimum.
- 6.15 The Committee is asked to approve the training programme for 2011/12.

## **7 RISK MANAGEMENT**

- 7.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations. The creation of an Investment Panel further

strengthens the governance of investment matters and contributes to reduced risk in these areas.

## **8 EQUALITIES**

8.1 An equalities impact assessment is not necessary.

## **9 CONSULTATION**

9.1 N/a

## **10 ISSUES TO CONSIDER IN REACHING THE DECISION**

10.1 Are detailed in the report.

## **11 ADVICE SOUGHT**

11.1 The Council's Monitoring Officer and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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<b>Background papers</b>	CIPFA Knowledge & Skills Framework – Technical Guidance