

Pension Fund Committee

Meeting to be held on 29 November 2013

Electoral Division affected: None

Statement of Investment Principles

(Appendix 'A' refers)

Contact for further information:

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Executive Summary

To comply with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, the Pension Fund's Statement of Investment Principles (SIP) must be reviewed and, if necessary, revised from time to time (and within 6 months of any material change).

The Statement of Investment Principles describes the high-level principles governing the investment decision-making and management of the Pension Fund and the policy that has been developed to ensure their implementation.

This latest review has been prompted by the Secretary of State for Communities and Local Government issuing a Statutory Instrument which increases the maximum proportion of a local government pension fund which can be invested in contributions to partnerships from 15% to 30%. These Regulations came into force on 1 April 2013.

The Fund's SIP document in the attached Appendix 'A' has been revised to incorporate the greater investment flexibility provided.

Recommendation

The Committee is asked to approve the updated Statement of Investment Principles, as set out at Appendix 'A'.

Background and Advice

The SIP describes the high-level principles governing the investment decision-making and management of the Pension Fund 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 and Accountancy (CIPFA) Pensions Panel publication, 'Principles for Investment

Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012’.

The only substantive revision to the SIP as set out to members is the proposal to increase the maximum proportion of a local government pension fund which can be invested in contributions to partnerships to 30%. This can be found in the table on page 6 of the SIP at Appendix 'A'.

The 2009 Regulations set out prescribed limits on different and divergent investment products to ensure that local authority pension funds spread risks across a number of different types of investment. The prescribed limit on investing in partnerships was previously set at 5% for a single partnership and in total no more than 15% of capital value of the Fund, so as to enable these funds to take advantage of certain unregulated investment opportunities. Lancashire County Pension Fund has previously adopted the former maximum limit of 15%.

One of the unintended consequences of the 2009 regulations was that it prevented local authority pension funds had not been in a position to further diversify their investments into vehicles established to take advantage of potential returns from investments in infrastructure. The 2013 amendment is in essence the Government's solution to this by increasing the proportion of funds that local authority pension funds can invest in partnerships from a maximum of 15% of the fund to 30%. The revised limit provides the Fund with additional flexibility and has been incorporated into the Fund's revised SIP which is attached at Appendix 'A'. It is important to note that this does not impact upon the Fund's investment strategy, but merely enables the Fund greater flexibility when reviewing the strategy and considering the allocation to investment categories.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The Statement of Investment Principles must be reviewed periodically in order to comply with statutory regulation.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
Statutory Instrument 2013 No.410 – Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2013.	1 April 2013	Andrew Fox/ County Treasurer's Directorate/ x35916
Statutory Instrument 2009 No.3093 – Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.	1 December 2009	Andrew Fox/ County Treasurer's Directorate/ x35916

Reason for inclusion in Part II, if appropriate

N/A