

# Croydon Council

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> <b>08 March 2016</b>
<b>AGENDA ITEM:</b>	<b>11</b>
<b>SUBJECT:</b>	<b>Statement of Investment Principles</b>
<b>LEAD OFFICER:</b>	<b>Richard Simpson, Assistant Chief Executive (Corporate Resources and s.151 Officer)</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Sound Financial Management: The Statement of Investment Principles (SIP) functions as a key component of the governance arrangements for the Croydon Pension Fund. All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish a Statement of Investment Principles.	
<b>FINANCIAL SUMMARY:</b> The Statement of Investment Principles sets out how the Croydon Pension Fund will be invested in order to best meet the liabilities of the Croydon Local Government Pension Scheme. Croydon Council effectively underwrites these liabilities and the returns made on investments impacts in the medium and longer term on the finances of the Council.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: N/A</b>	

<b>1 RECOMMENDATIONS</b>  That the Committee:  1.1 Adopt the Statement of Investment Principles.
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## **2 EXECUTIVE SUMMARY**

- 2.1 The Statement of Investment Principles is a key document in ensuring that costs relating to the Croydon Local Government Pension Scheme (the Scheme) are managed and the Scheme remains viable. This report provides context for the SIP and outlines the main changes reflecting the asset allocation review.

## **3 DETAIL**

- 3.1 At its December 2015 meeting the Committee discussed the Funding Strategy Statement (FSS) (Minute A43/15 refers). The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework of which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years)
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles.

- 3.2 The Statement of Investment Principles (SIP) undergoes formal evaluation every three years but is reviewed frequently to ensure it remains fit for purpose. The major changes included in this current revision are as follows:

- Performance benchmarks for the portfolio and individual component elements have been revisited and reviewed;
- References to the Hutton report have been taken out as much of those recommendations have now been incorporated into the design of the Scheme; and
- The regulatory investment limits have been reviewed and revised.

- 3.3 The draft version was shared with the Local Pensions Board for comment. The Board noted the SIP without proposing any further changes. Hence the final version has been brought back to this Committee for formal adoption.

- 3.4 The Committee is asked to formally adopt the revised SIP, following which it will be published.

## **4 FINANCIAL CONSIDERATIONS**

- 4.1 The SIP is an important document as it sets out a road map for ensuring the viability of the LGPS. Croydon Council underwrites the Fund and so any underachievement against the performance targets will impact on the financial pressures faced by the Council.

## **5 OTHER CONSIDERATIONS**

- 5.1 Other than the considerations referred to above, there are no customer Focus,

Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report.

## **6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

6.1 The Council Solicitor comments that that there are no direct legal considerations arising from this this report.

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor and Monitoring Officer)

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### **CONTACT OFFICER:**

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Corporate Resources Department, ext. 62552.

### **APPENDICES:**

#### **Appendix A:**

The revised Statement of Investment Principles.

### **BACKGROUND DOCUMENTS:**

None