

**CIPFA Investment Decision Making And Disclosure In The
Local Government Pension Scheme – A Guide To The
Application Of The Myners Principles.**

PRINCIPLE 1: EFFECTIVE DECISION MAKING

Administering authorities should ensure that:

- **Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and**
- **Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.**

Issue		Compliance	Comments
(1)	Committee responsible for the Fund.	Full	
(2)	Roles of Officers fully set out.	Full	
(3)	Maintain and publish a statement of good practice principles for scheme governance and stewardship.	No	Published in January by CIPFA – being reviewed.
(4)	Appointments to committee reflect skills, experience and continuity.	Full	
(5)	Definition of roles	Full	Covered in SIP
(6)	Skills and knowledge audits of members of the Committee. Annual training plan.	Partial	CIPFA publishing frameworks.
(7)	Regular review of structure and composition of committee.	Partial	Report March 2010 to Committee.

(8)	Consideration of establishing Sub-committees	Partial	Report March 2010 to Committee.
(9)	DoF responsible for a member training plan.	Partial	Not formalised.
(10)	Allowances to elected members published.	Full	
(11)	Employee representative allowed time to attend.	Full	
(12)	Clear and comprehensive papers.	Partial	Ask members views.
(13)	DoF should prepare a medium term business plan.	No	Plan to be prepared for June Committee meeting.

PRINCIPLE 2: CLEAR OBJECTIVES

An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Issue	Compliance	Comments
(1) Liability structure reflected in overall investment objectives.	Yes	Hymans Robertson Compass modelling. Very unclear what this means.
(2) Advice from specialist independent advisers.	Yes	
(3) Consideration of risk and return of different asset classes.	Yes	
(4) Peer group benchmarks only used for comparative purposes.	Yes	
(5) Committee should consider VFM in objectives and operations.	Partial	
(6) DoF and Committee should be aware of the impact of employer contribution rates on Council Tax.	Yes	
(7) Given the profile of scheme employers committee should consider whether to set up sub-funds.	Yes	
(8) Take advice on asset/liability study.	Yes	
(9) Consider allocations to different asset classes.	Yes	

(10)	Advisers should be appointed through open competition.	No	Investment adviser appointed will be tendered in 2010-11.
(11)	Committee aware of transaction costs.	Partial	We do not formally report commission costs – not a strategic issue.

PRINCIPLE 3: RISK AND LIABILITIES

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.

These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Issue		Compliance	Comments
(1)	Investment objectives should reflect liabilities and attitude to risk.	Yes	
(2)	Willingness to accept underperformance due to market conditions.	Yes	
(3)	SIP should include a risk assessment framework of new and potential investments.	No	Not a requirement of the SIP and more relevant to investment strategy.
(4)	Committee should consider if the scheme specific benchmark has determined an acceptable level of risk.	Partial	Expand to indicate the statistical likelihood of the benchmark not being achieved.
(5)	A risk assessment of the valuation of liabilities and assets should be undertaken as part of the triennial valuation.	Partial	Discuss with Barnett Waddingham.
(6)	As part of the valuation the impact of long term performance should be assessed.	Yes	
(7)	The Committee should use internal and external audit reports to assess the effectiveness of governance arrangements.	Partial	Internal audit reports have not been reported to the Committee.

(8)	Investment strategy should take account of the ability of employers to pay.	Partial	The actuary sets the rates required for the long term solvency of the Fund.
(9)	Consideration of cashflows compared with liabilities.	Yes	
(10)	Annual report should include a risk assessment of the Fund's activities.	No	A risk register exists. The format for the annual report has been completely revised by CLG for 2009-10 and this will be incorporated.

PRINCIPLE 4: PERFORMANCE ASSESSMENT

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Issue	Compliance	Comments
(1) With investment managers ensure the selected benchmark is appropriate.	Yes	Officers advised by Hymans Robertson.
(2) Consider whether active or passive management is most appropriate.	Yes	
(3) Divergence from the benchmark should be monitored.	Yes	
(4) Quarterly monitoring but a 3-7 year timeframe for review.	Yes	
(5) Returns analysed by independent agency.	Yes	WM undertakes this role.
(6) Performance of the actuary should be assessed and periodically market tested.	Yes	
(7) Consultant's performance should be assessed.	Partial	Appearing to want to make a science of an art.
(8) A process of self-assessment by officers and members.	Partial	
(9) In the business plan the performance of the committee should be assessed.	Partial	

(10)	Assessment of the committee should be included in the annual report.	No	Build into the new annual report.
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PRINCIPLE 5: RESPONSIBLE OWNERSHIP

Administering authorities should:

- **Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of principles on the responsibilities of shareholders and agents.**
- **Include a statement of their policy on responsible ownership in the statement of investment principles.**
- **Report periodically to scheme members on the discharge of such responsibilities.**

Issue		Compliance	Comments
(1)	SIP and annual report should include policy on responsible ownership.	Partial	Yes in SIP no in current annual report.
(2)	Policy on ESG investing.	Yes	
(3)	Investment managers policies on intervening in a company should be explicit.	Partial	
(4)	Awareness of the Institutional Shareholders Statement of Principles.	Partial	Share with members of the committee.
(5)	Awareness of UN Principles of Responsible Investment.	Yes	
(6)	Consideration of "alliances" with other pension funds.	Yes	Member of the Institutional Investors Group on Climate Change.

PRINCIPLE 6: TRANSPARENCY AND REPORTING

Administering authorities should:

- **Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.**
- **Provide regular communication to scheme members in the form they consider most appropriate.**

Issue		Compliance	Comments
(1)	Produce a governance compliance statement.	Yes	
(2)	Produce a communication statement.	Partial	To be updated
(3)	Comprehensive view of stakeholders.	Yes	
(4)	Regularly review the annual report.	Partial	The format is unchanged for a number of years – no questions on it are ever received.
(5)	Content of the governance compliance statement.	Partial	To be updated.