

Pensions Committee

10am, Monday, 24 June 2013

Investment Strategy Panel Terms of Reference

Item number	5.2
Report number	
Wards	All

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Single Outcome Agreement

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Executive summary

Investment Strategy Panel Terms of Reference and Update

Summary

The purpose of this report is to recommend that Committee to agree the Terms of Reference for the Investment Strategy Panel (as provided in the Appendix).

Under the Scheme of Delegation to Officers, the Council has delegated to the Director of Corporate Governance:

“... implementing strategies and policies agreed by the Pensions Committee including the investment strategy of the pensions funds and performing any function on behalf of the pensions funds which would reasonably be deemed to be investment business provided that the Director takes the appropriate advice”.

The Director takes appropriate advice on the investments of the pension funds through:

- The internal investment management team who carry out the day-to-day implementation of the investment strategies and policies of the pension funds;
- The Investment Strategy Panel which oversees the investments, including the work of the internal team.

The investment performance of the funds is crucial to the achievement of the funding of the pension funds and hence the role of the Investment Strategy Panel is therefore very important in the governance of the pension funds. Committee is therefore asked to note and approve the terms of reference of the Investment Strategy Panel which provides clarity around its membership, meetings and responsibilities.

Recommendations

The Pensions Committee is asked to note and approve the Terms of Reference of the Investment Strategy Panel.

Measures of success

Success will, among other things, be measured by the achievement of the funding objectives of the pension schemes. The Director of Governance has established the Investment Strategy Panel to advise him, and the Pensions Committee, on investment strategies and policies for the pension funds.

Financial impact

There are no direct financial implications of this report. Costs associated with the Investment Strategy Panel are included in the pension funds' budget. The Investment Strategy Panel is an integral part of the pension fund's governance and so there is an indirect financial benefit to be gained through its effective operation and ensuring clarity of its role.

Equalities impact

There are no equalities impacts arising from this report.

Sustainability impact

There are no sustainability implications as a result of this report.

Consultation and engagement

The Consultative Panel for the Fund, comprising employer and member representatives, is integral to its governance.

Background reading / external references

None

Links

Coalition pledges

Council outcomes CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.

Single Outcome Agreement

Appendices Appendix 1 – Terms of Reference

Investment Strategy Panel – Terms of Reference

1. Establishment

The Director of Corporate Governance has established the Investment Strategy Panel (“the Panel”) to advise the Pensions Committee (“Committee”) of the City of Edinburgh Council (“Council”) in the exercise of investment functions in relation to the pension funds administered by the Council.

2. Membership

Membership of the Panel will comprise:

- The Director of Corporate Governance, who will chair the Panel. In his absence, he will appoint an alternative chair;
- The Investment & Pensions Service Manager, the Investment Manager and the Pensions & Accounting Manager of the City of Edinburgh Council;
- A minimum of 2 external investment professionals.

3. Meetings

Frequency: The Panel will meet at least four times each year, normally to coincide with monitoring the pension funds over calendar quarters.

Attendees: The Panel may invite any persons to attend all or part of any meeting but such invited persons shall not have a right to vote on any matter before the Panel. By prior agreement with the Director of Corporate Governance, the Convener of the Committee can attend any meeting of the Panel, although it is anticipated that attendance by the Convener will be on an infrequent basis.

Quorum: A minimum of three members is required to be present including one external investment professional.

Decisions: The Panel reaches decisions by majority vote. In the event of equal votes the Chair shall have a casting vote.

Papers: Papers are distributed to members at least one week in advance of any meeting (unless a shorter period is agreed by the Chair).

Minutes: Draft minutes are forwarded to members for agreement within ten working days and thereafter circulated to the Convener of the Pensions Committee.

4. Responsibilities

The Panel is responsible for ensuring that the pension funds are properly and effectively managed and for advising Committee on all matters relating to the investments of the pension funds.

It is responsible for:

Statement of Investment Principles

- Reviewing, and monitoring compliance with, the Statement of Investment Principles and recommending amendments to Committee.

Investment Strategy

- Recommending to the Committee the funds' investment strategies and objectives;
- Monitoring the appropriateness of the strategies on an ongoing basis;
- Identifying possible new asset classes within Alternative investments and agreeing their appropriateness for the funds;
- Determining that the levels of investment-related risk taken by the funds are consistent with the investment strategy;
- Determining the appropriate timing of any changes to the investment strategies, within the parameters set by Committee;
- Monitoring adherence to the investment strategies and asset allocation ranges;
- Monitoring the performance of the funds;
- Monitoring cashflow and agreeing the approach to the allocation of cash;
- In the event of extreme investment market fluctuations, the Director of Corporate Governance with the advice of the Panel may undertake investment activity outside the agreed investment strategies and asset allocation ranges subject to consultation with the Convener of the Committee and reporting of such activity to the next meeting of the Committee.

Investment Structure & Managers

- Advising the Director of Corporate Governance on the appropriate investment management structure required to implement the funds' investment strategies;
- Advising the Director of Corporate Governance on the process for the appointment and monitoring of external investment managers;
- Setting objectives and restrictions for internally managed portfolios and monitor appropriateness;
- Monitoring the risk and performance of the funds and each portfolio and ensuring action is taken to address performance issues.

Reporting:

The Panel will review its effectiveness annually.

The Director will provide a report summarising the Panel's work and the outcome of its assessment of its effectiveness annually to Committee, or more frequently as required by Committee.

5. Requirements from External Investment Professionals appointed to the Investment Strategy Panel

Provide challenge and direction to the Director of Corporate Governance and the internal investment team, including:

- Providing input to the advice to the Pensions Committee on investment strategy;
- Advising the Director of Corporate Governance and the internal investment team on the implementation of investment strategy;
- Scrutinising the investments of the pension funds, in particular those managed internally;
- Suggesting new investment opportunities which may be suitable for the pension funds;
- Attending meetings of the Investment Strategy Panel, usually quarterly;
- Other ad-hoc advice and services, such as training.