

## INVESTMENT STRATEGY

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*Papers with this report*

Investment Strategy Statement

### SUMMARY

This paper provides information on the first version of the Pension Fund Investment Strategy Statement (ISS) for comment. The Fund is required to consult, with those it considers appropriate, on the content of the fund's investment strategy, in particular where non financial factors are taken into account of investment decisions. The Fund has consulted and taken proper advice from investment advisors. The ISS is brought to the Local Pensions Board as a representative group for Fund members. The strategy will be updated regularly along with each strategy review. The initial ISS is attached to this item as an appendix for discussion and comment.

### RECOMMENDATIONS

**It is recommended that Pensions Board discuss and comment on the Investment Strategy Statement for the Fund.**

### INFORMATION

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, effective from 1 November 2016, replaces the requirement for the Fund to have a Statement of Investment Principles (SIP) with an Investment Strategy Statement (ISS), by 1 April 2017. A draft of the ISS was taken to Pensions Committee for approval in March 2017. The Fund is required to invest all money in accordance with this Investment Strategy Statement that is not immediately required to make payments.

Under the new LGPS Investment Regulations the strategic asset allocation remains the responsibility of the Pension Committee and will continue to be the key strategic tool for the Committee to manage the fund to obtain the return targets as required in the Funding Strategy Statement.

The investment strategy statement required under the regulations must include -

- a) A requirement to invest money in a wide variety of investments;
- b) The authority's assessment of the suitability of particular investments and types of investments;
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

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- e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

DCLG published Guidance on Preparing and Maintaining an Investment Strategy Statement which the fund have followed in preparing the first iteration of this new statement which was approved at Pension Committee in March 2017.

Due to the timing of the publication requirement for 1 April 2017 and the need for the Investment Strategy to align with the revised fund objectives as a result of the Triennial Valuation the first iteration of the ISS retained the asset allocation of the fund in its present form with the request for officers to work on the suggestion to amend the investment strategy with a lower risk provide which would generate the required returns of the Fund.

The ISS includes details on the new pooling of investment arrangements as required by government which expects all assets to be invested by the pool. As a result the ability for the fund to directly select fund managers to manage the fund assets is removed and this is the responsibility of the pool. The ISS includes the governance arrangements of the London CIV which the London Borough of Hillingdon has committed to pool its investments. The minister for Local Government, Marcus Jones MP has recognised the progress made by the LCIV and confirmed this pool is acceptable and can continue. The minister has also confirmed it is not possible for LGPS funds to invest via more than one pool.

The Fund is required to make the pursuit of a financial return its predominant concern; they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme. This is only where the Fund has good reason to think that scheme members would support their decision.

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