

## **REPORT FOR: Pension Board**

---

**Date of Meeting:** 2 November 2016

**Subject:** **Information Report** – Statement of Investment Principles / Investment Strategy Statement

**Responsible Officer:** Dawn Calvert, Director of Finance

**Exempt:** No

**Wards affected:** All

**Enclosures:** DCLG: Local Government Pension Scheme – Guidance on Preparing and Maintaining an Investment Strategy Statement

### **Section 1 – Summary**

#### **Summary**

This report advises the Board of the Local Government Pension Scheme – Guidance on Preparing and Maintaining an Investment Strategy Statement

**FOR INFORMATION**

## **Section 2 – Report**

1. Prior to 1 November 2016, in accordance with the requirements of the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009*, the Pension Fund Committee was required to agree a Statement of Investment Principles. Its purpose was to outline the principles and policies followed by the Committee in the management of the Fund's investments.
2. It was a requirement that the Statement be reviewed periodically and certainly when strategic changes had been made to investment policies. The Committee last reviewed the Statement at its meeting on 25 November 2015. This is the Statement under which the Fund investments have been managed for the last year and is included in the Annual Report and Financial Statements for 2015-16.
3. Elsewhere on the agenda the Board have considered a report entitled "The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016."
4. That report advises the Board of the revocation of *The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009* and their replacement by *The Local Government Pension Scheme (Management of Funds) Regulations 2016*.
5. The "2016" Regulations replace the requirement for a Statement of Investment Principles by one for an Investment Strategy Statement. Since the "2009" Regulations have been revoked there is little to be gained from comparing the two since the Fund must comply with the new Regulations as follows:

### ***Investment strategy statement***

**7.—***(1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State.*

**(2) The authority's investment strategy must include—**

- (a) a requirement to invest fund 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 assessed and managed;*
- (d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;*
- (e) the authority's policy on how social, environmental and 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 the rights (including voting rights) attaching to investments.*

- (3) The authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.*
  - (4) The authority's investment strategy may not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.*
  - (5) The authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.*
  - (6) The authority must publish a statement of its investment strategy formulated under paragraph (1) and the first such statement must be published no later than 1st April 2017.*
  - (7) The authority must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.*
  - (8) The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.*
6. Alongside the Regulations DCLG have issued the attached document entitled "Local Government Pension Scheme – Guidance on Preparing and Maintaining an Investment Strategy Statement."
  7. The Guidance highlights the Regulations detailing the matters to be included in the Investment Strategy Statement (Regulation 7 as copied above) and the sanctions available to the Secretary of State (Regulation 8). It goes into further detail in respect of what is required under Regulation 7(2)(a) to 7(2)(f).
  8. Whilst many of these requirements are covered in the Fund's current Statement of Investment Principles a number are not. The Committee, the Board, other employers and the Committee's advisers will be consulted over the next few months in order that the Committee can agree the Investment Strategy Statement at their meeting of 7 March 2017. Comments are invited members of the Board either at the meeting or subsequently.

## **Financial Implications**

9. Whilst the implementation of the Statement of Investment Principles and Investment Strategy Statement has major financial implications for the Pension Fund there are none arising from this report.

## **Risk Management Implications**

10. The risks arising from the management and investment of funds are included in the Pension Fund risk register.

## Equalities implications

11. Whilst the Fund's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments can have major equalities implications there are no direct equalities implications arising from this report.

## Council Priorities

9. Investment performance has a direct impact on the financial health of the Pension Fund which directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities

## Section 3 - Statutory Officer Clearance

Name	Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date:	20 October 2016		

<b>Ward Councillors notified:</b>	Not applicable as the report is relevant to all wards.
-----------------------------------	--

## Section 4 - Contact Details

**Contact:** Ian Talbot, Treasury and Pension Fund Manager  
0208 424 1450

**Background Papers – None**