



## PENSIONS COMMITTEE

21 November 2017

**Subject Heading:**

**REVIEW OF THE INVESTMENT  
STRATEGY STATEMENT**

**CMT Lead:**

**Debbie Middleton**

**Report Author and contact details:**

*Debbie Ford*  
*Pension Fund Accountant*  
*01708432569*

**Policy context:**

[Debbie.ford@onesource.co.uk](mailto:Debbie.ford@onesource.co.uk)  
Regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016 requires an administrative authority to periodically review this statement

**Financial summary:**

No direct financial implications

### The subject matter of this report deals with the following Council Objectives

|                               |     |
|-------------------------------|-----|
| Communities making Havering   | [X] |
| Places making Havering        | [X] |
| Opportunities making Havering | [X] |
| Connections making Havering   | [X] |

### SUMMARY

In line with the Local Government Pensions Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 requires an administrating authority, after taking proper advice to formulate an investment strategy statement (ISS) which must be in accordance with guidance issued by the Secretary of State.

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.

The Statement has been reviewed and updated to reflect the progression of the investment strategy.

**RECOMMENDATIONS**

That the committee:

1. Consider this report and any consultation responses and, subject to these, decide whether to agree the proposed amendments to the ISS (**Appendix A**).
2. Note that no revisions were made in respect of reporting compliance against the Myner's investment principles so this remains as the version last published in March 2017.
3. Consider agreeing to issue a separate statement of compliance with the Stewardship Code.

**REPORT DETAIL**

1. **Background**

- 1.1 The Local Government Pensions Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 came into force in November 2016 and guidance was issued by the Department for Communities and Local Government (DCLG) in September 2016.
- 1.2 In line with the regulations and guidance, as above, the administering authority, after taking proper advice must publish an investment strategy statement (ISS) no later than 1st April 2017. The first such statement was produced in March 2017 to meet this deadline.
- 1.3 In line with the LGPS (Management and Investment of Funds) Regulations 2016 Regulation 7 (7) the authority must also 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.
- 1.4 The ISS has been reviewed and updated to reflect the decisions and progression of the implementation of the strategy and is attached as **Appendix A**.
- 1.5 No revisions were made in respect of reporting compliance against the Myner's investment principles so this remains as the version last published in March 2017.

**2 Investment Strategy Statement**

2.1 The ISS (**Appendix A**) has been revised and the main changes are highlighted as follows:

- An additional paragraph was added to reflect that the investment strategy was reviewed after the production of the ISS in March 2017 and an additional column under Table 1 has been included to show the long term investment strategy allocation. This reflects the decisions made by members on the 15 June 2017 during the development of the investment strategy.
- An additional paragraph (page 9) has been added to incorporate the decisions made by members on the 19 September to become members of the Local Authority Pension Fund Forum (LAPFF).

2.2 In line with LGPS (Management and Investment of Funds) Regulations 2016 Section 7 (6) the authority must consult such persons as it considers appropriate as to the proposed content of its investment strategy. The draft version of the Revised ISS was distributed to all participating employers in the Fund and the local pension board on the **31 October 2017** for comments. Closing date for any comments is the **20 November 2017**.

2.3 Any comments received from the consultees will be reported to members on the night of the meeting for consideration and following the committee's consideration of the consultee's comments the ISS will be updated where required and published.

**3. Financial Reporting Council (FRC) Stewardship Code**

3.1 The Local Government Pensions Scheme (LGPS) (Management and Investment of Funds) Regulations 2016, Regulation 7(2) (f) states that the ISS must include the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

3.2 To comply with the above regulation the ISS include the Fund's current position as outlined on pages 9 and 10 and includes the statement "At the time of production of the ISS the Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the seven Principles of the Stewardship Code".

3.3 Guidance issued by the DCLG states that "Administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their policy on stewardship with reference to the Stewardship Code. Administering authorities should become Signatories to the Code and state how they

implement the seven principles and guidance of the Code, which apply on a “comply or explain” basis”.

- 3.4 In light of the above officers recommend members consider issuing a separate statement of compliance with the Stewardship Code.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

There are no implications arising directly, however undertaking a review of the Investment Strategy on a regular basis will identify whether the investment objectives are being met and that they remain realistic. One of the Investment Strategy aims is to achieve a funding level of 100% on an on-going basis by 2030 whilst ensuring that investment objectives are being met and minimise any costs to the general fund.

The risks vs level of return of any change to the asset allocation can be found within Hymans report attached in Appendix A.

### **Legal implications and risks:**

It is a principle of administrative law that when the Authority has a duty to consult it must conscientiously take into consideration the representations of consultees before making its decision. Accordingly any comments provided under para 2.4 above should be considered conscientiously.

Otherwise there are no apparent legal implications and the applicable law is set out in the main body of the Report.

### **Human Resources implications and risks:**

None arise from this report.

### **Equalities implications and risks:**

None arise from this report.

## **BACKGROUND PAPERS**

### Background Papers List

None