



PENSIONS COMMITTEE

17 MARCH 2020

Subject Heading:

**REVIEW OF THE INVESTMENT
STRATEGY STATEMENT**

SLT Lead:

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Policy context:

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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. Agree the proposed changes to the maximum range allocations for the multi-asset down to 40% (from 50%) and the Infrastructure range up to 15% (from 10%).
3. Note the reporting of compliance against the Myner's investment principles, as set out in **Appendix B**.

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 Whilst the reporting of compliance against the Myner's investment principles is no longer a statutory requirement, the Pensions Committee previously agreed that it met best practice to continue to report compliance and this is therefore set out in **Appendix B** as attached.

2 Investment Strategy Statement

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

- An additional Appendix 1 has been included for the previously agreed Investment Beliefs
- Appendix 2 (previously Appendix 1) has been updated to show the current mandate allocations etc.
- The benchmark allocations in Table 1 have been updated to reflect the current position and previous changes.
- Hymans propose adjusting the maximum allocation for multi-asset down to 40% (from 50%) to reflect the expectation that the benchmark allocation will continue to reduce. Hymans also propose increasing the maximum allocation to infrastructure to 15% (from 10%) to give scope for this to be increased in future. Changes made to the benchmark allocation reflect previous committee decisions made to the benchmark allocations during implementation of its 2017 strategy.
- Added reference to the agreed policy on currency hedging (4.8)
- Updated some of the references to risk around Environmental, social and Governance (ESG) etc which pick up the language in the new policy wording on ESG issues
- Added in the agreed new policy wording on ESG (sections 6-8) – previously agreed by the Pensions Committee at its meeting on the 10 December 2019.
- Other changes are either superficial language adjustments or to bring numbers/allocations up-to-date.

- 2.2 In line with LGPS (Management and Investment of Funds) Regulations 2016 Section 7 (5) the authority must consult such persons as it considers appropriate as to the proposed content of its investment strategy. The ISS including revisions was distributed to all participating stakeholders in the Fund and the local pension board on the **19 February 2020** for comments. Closing date for any comments is the **16 March 2020**.

- 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 consultees' comments the ISS will be updated where required and published.

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% over a 20 year horizon 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 2.3 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:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

Pensions Committee, 17 March 2020

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

An EIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

BACKGROUND PAPERS

None