



Havering
LONDON BOROUGH

PENSIONS COMMITTEE

12 September 2023

Subject Heading:

**REVIEW OF THE INVESTMENT
STRATEGY STATEMENT**

CLT Lead:

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Policy context:

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

The Fund's statutory Investment Strategy Statement (ISS) was approved by Pensions Committee on 29 July 2020 and is subject to periodic review at least every three years and it is timely to undertake this following the triennial valuation. The Fund's investment Advisor (Hymans), has now undertaken a review of the document in line with the Local Government Pensions Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 and guidance issued by the Secretary of

State. The proposed updated version is set out in **Appendix A** (tracked changes version) and **Appendix B** (clean version).

RECOMMENDATIONS

That the committee:

1. Consider any consultation responses and, subject to these, decide whether to agree the proposed amendments to the ISS (**Appendix A- tracked changes**).
2. Note the clean version at **Appendix B**, as attached
3. Note the reporting of compliance against the Myner's investment principles, as set out in **Appendix C**.

REPORT DETAIL

1. **Statutory Background**

1.1 The Local Government Pensions Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 Regulation 7 came into force in November 2016 and is set out below.

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

1.3 *Regulation 7 (2) The Investment Strategy Statement 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.

1.4 Regulation 7 (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.

1.5 Regulation 7 (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(1).

1.6 Regulation 7(5) -The authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.

1.7 Regulation 7(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

1.8 Regulation 7 (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.

1.9 Regulation 7 (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.

2. Background

2.1 Following the Fund's Actuarial valuation as at 31 March 2022, a review of the current ISS was carried out to ensure that it remained appropriate to meet its long term objectives: to ensure assets are invested to secure funding for members' benefits.

2.2 Officers discussed the outcome of this review at a meeting in October 2022 in which it was acknowledged there was a need to shift towards "increased income" investments as part of any investment strategy review and the progression of this strategy was later discussed in February 2023.

2.3 Hymans, subsequently produced the Investment Strategy Considerations paper, which was agreed at the Pensions Committee meeting held on the 21 March 2023 which agreed the proposed interim and long term asset allocation changes to the Fund's Investment Strategy.

2.4 These asset allocation changes have been incorporated within the ISS, attached as **Appendix A**. The track changes version of the statement is attached so members can see where changes were made. **Appendix B** being a "clean" version to view.

- 2.5 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 i.e. Employers, Fund Managers and the Local Pension Board on the 18 August 2023. Closing date for any comments was the **8 September 2023**.
- 2.6 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.
- 2.7 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 C**, as attached. Compliance was previously required to report on a comply or explain basis and this format has been retained.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications arising directly, however undertaking a review of the Investment Strategy will identify whether the investment objectives are being met and comply with Regulations.

The updated ISS reflects asset allocation decisions already made at its meeting on the 21 March 2023 and 12 July 2023.

Advisory costs: The advisory costs of implementing the changes made to the investment strategy and its structure will be incurred through the Investment Management consultancy services contract with Hymans. Costs are ongoing throughout implementation and will be monitored closely by Officers - the final cost will not be known until this has concluded and is dependent on the direction of strategy options taken forward by the Committee.

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 2.6 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.

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

BACKGROUND PAPERS

None