

**PENSIONS COMMITTEE**  
**22 JUNE 2018****INVESTMENT STRATEGY STATEMENT UPDATE**

---

**Recommendation****1. The Chief Financial Officer recommends that:**

- a) The proposed amendments to the Fund's Investment Strategy Statement (ISS) (shown in *italics and underlined*) be approved; and**
- b) A detailed review of the Funds Investment Strategy Statement (ISS) and Asset allocation is undertaken during 2018/19.**

**Background**

2. The LGPS Investment Regulations that came into effect from 1 November 2016 required all funds to publish a new ISS by 1 April 2017. The current ISS was approved by the Committee in March 2017 (Minute no 79 refers) and under Regulation 7(6) and (7); the ISS must then be kept under review and revised from time to time and at least every three years.

3. The Department for Communities and Local Government (DCLG) has also outlined new guidance on preparing and maintaining an Investment Strategy Statement which are reiterated in section 3 below.

**Investment Strategy Statement Guidance Requirements**

4. Regulation 7(1) requires an Administering Authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State. The ISS 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;
- 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.

## Investment Strategy Statement proposed amendments

5. The Fund's 2017 ISS was designed in collaboration with the seven other funds within LGPS Central to ensure a consistent approach to investment beliefs and responsible investment beliefs is established to allow the pool operator, once operational from 1 April 2018, to implement a consistent approach across the pool's investments.

6. Some minor amendments have been proposed to the 2017 ISS to strengthen the governance areas and update previous agreed decisions on asset allocations as follows:

- Update to the **Responsible Investment section** relating to **Engagement versus Exclusion** and **Voting** highlighting the Stewardship code
- Update on the **Strategic Allocation Investment Benchmark and Ranges** detailed in Appendix A. This was based on previous decisions made by Pensions Committee re the investment in Corporate Private Debt on the 19<sup>th</sup> March 2018 and the approved option to maintain the current factor-based strategies for its alternative indices investments but change the weights allocated to each of the strategies on the 16 June 2017.

7. A strategic asset allocation review was last conducted and approved in November 2016. The equity protection strategy mandate with River & Mercantile has now been implemented and achieving the objective of securing some protection to the funding level against a relatively significant fall in equity values, up until after the next Triennial valuation in April 2019 (covering an 18 month period), after which the position can be reviewed. Given that the risks associated with the Fund's relatively high allocation to equities may no longer be justified, consideration should be given to starting the background work now on the next strategic asset allocation review.

## Supporting Information

- Investment Strategy Statement - Appendix

## Contact Points

### County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

### Specific Contact Points for this report

Rob Wilson

Pensions Investment, Treasury Management & Capital strategy manager

Tel: 01905 846908

Email: [RWilson2@worcestershire.gov.uk](mailto:RWilson2@worcestershire.gov.uk)

## Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.