

Local Members Interest	
<u>Nil</u>	

PENSIONS PANEL – 7 MARCH 2017

Report of the Director of Finance and Resources

Investment Strategy Statement

Recommendation of the Chair

1. That the Pensions Panel approves the Staffordshire Pension Fund Investment Strategy Statement (ISS).
2. That the Pensions Panel notes plans to become signatories of the UK Stewardship code in 2017.

Reasons for Recommendations

3. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 were published and came into force on 1 November 2016. This requires the administering authority to have in place an Investment Strategy Statement (ISS), which replaces the current Statement of Investment Principles (SIP).
4. The regulations also require Local Government Pension Funds to become signatories of the UK Stewardship code.

Background

5. There are several key areas of reform from the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016:
 - (i) The existing 'prescribed' means of securing a diversified investment strategy are removed and instead the onus is placed on authorities to determine the balance of their investments and take account of risk.
 - (ii) The introduction of safeguards to ensure that the more flexible legislation is used appropriately and that the guidance on pooling assets is adhered to. This includes a power for the Secretary of State to intervene in the investment function of an administering authority where they consider it necessary.

- (iii) The obligation for administering authorities to formulate an Investment Strategy Statement (ISS) in accordance with the governments' guidance on such and publish it by 1 April 2017.
6. The new 2016 Investment Regulations can be accessed following the link below:

http://www.legislation.gov.uk/ukxi/2016/946/pdfs/ukxi_20160946_en.pdf

Investment Strategy Statement (ISS)

7. The ISS is a document that, under the new regulations, replaces and largely replicates, the current SIP. Authorities are required to prepare and maintain an ISS which documents how the investment strategy for the Fund is determined and implemented. The ISS is required to cover a number of areas, specifically:
- The requirement to invest money across a wide range of investments.
 - An assessment of the suitability of particular investments and investment types.
 - The maximum percentage authorities deem should be allocated to different asset classes or types of investment, although limits on allocations to any asset class are not prescribed as is currently the case under the 2009 Regulations.
 - The authority's attitude to risk, including the measurement and management of risk.
 - The authority's approach to investment pooling;
 - The authority's policy on social, environmental and corporate governance considerations.
 - The authority's policy with regard to stewardship of assets, including the exercise of voting rights.
8. Under Regulation 7(6) and 7(7), the statements must be published by 1 April 2017 and then kept under review and revised from time to time, at least every three years. The draft ISS for the Staffordshire Pension Fund is attached in Appendix 2.
9. Under Regulation 7(5), the authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy. In the formulation of the ISS, the Fund has initially consulted with its investment advisors and plans to consult more widely with employers via the website.

UK Stewardship Code

10. The guidelines issued by the Department for Communities and Local Government on Preparing and Maintaining an Investment Strategy Statement states: "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 UK 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”.

11. During 2017, it is the Fund’s intention to become a signatory of the Financial Reporting Council’s UK Stewardship Code. This will involve producing a statement of compliance against 7 key principles and whilst we believe our current approach to stewardship is fully compliant with the code, there is a need to document and develop the way we demonstrate this further. The Fund’s equity investment managers are all current signatories to the Code.

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Background Documents:

1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

1. **Equalities implications:** There are no direct equalities implications arising directly from this report.
2. **Legal implications:** There are no direct legal implications arising from this report.
3. **Resource and Value for money implications:** The resource and value for money implications are included in the body of the report.
4. **Risk implications:** There are no direct risk implications arising from this report.
5. **Climate Change implications:** There are no direct climate change implications arising from this report.
6. **Health Impact Assessment screening:** Not applicable