

# WIRRAL COUNCIL

## PENSIONS COMMITTEE

15 NOVEMBER 2016

<b>SUBJECT:</b>	<b>INVESTMENT STRATEGY STATEMENT</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>STRATEGIC DIRECTOR</b> <b>TRANSFORMATION &amp; RESOURCES</b>
<b>KEY DECISION?</b>	<b>NO</b>

### 1.0 EXECUTIVE SUMMARY

- 1.1 This report provides members with details of the final version of the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Regulations") issued by The Department for Local Government and Communities (DCLG), and may be read as an update to the report presented to Pensions Committee on 25 January 2016 under Agenda Item 7.
- 1.2 The new Regulations provide LGPS administering authorities with a greater degree of investment freedom subject to a number of caveats.
- 1.3 In advance of the new Regulations taking effect, the DCLG has issued guidance in order to assist administering authorities in the preparation and maintenance of an Investment Strategy Statement which must be in place no later than 1 April 2017.

### 2.0 BACKGROUND AND KEY ISSUES

#### **Statutory Background**

- 2.1 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 Investment Strategy Statement replaces the Fund's existing Statement of Investment Principles (SIP).
- 2.2 The Investment Strategy Statement required by Regulation 7 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.

2.3 The Investment Strategy Statement must also 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.

### **The approach to pooling investments**

2.4 Under Regulation 7(2)(d) all authorities must commit to a suitable pool to achieve benefits of scale. Administering authorities must confirm their chosen investment pool meets the investment reform and criteria published in November 2015, or to the extent that it does not, that the Government is content for it to continue.

2.5 Administering authorities should set out their approach to pooling and the proportion of assets that will be invested through the pool. This will include the structure and governance arrangements and the mechanisms by which the authority can hold the pool to account.

2.6 Administering authorities must provide a summary of assets to be held outside the pool and the extent to which this demonstrates value for money.

2.7 The progress of asset transfers to the pool must be reported annually against implementation plans and submitted to the Scheme Advisory Board. Where it is possible that an asset could be pooled in the future, authorities must set a date for review and criteria that need to be met before the asset will be pooled.

### **Social, environmental & corporate governance considerations**

2.8 Regulation 7(2)(e) addresses how social, environmental or corporate governance considerations should be taken into account in the selection, non-selection, retention and

realisation of investments.

- 2.9 Schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors.
- 2.10 The Government has made it clear however, that using pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries are inappropriate, other than where formal legal sanctions, embargoes and restrictions have been promulgated by the Government.
- 2.11 Notwithstanding this, schemes should make the pursuit of financial return their predominant concern although they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to believe that scheme members would support their decision.

### **3.0 RELEVANT RISKS**

#### **Directions by the Secretary of State**

- 3.1 Regulation 8 enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with the guidance.
- 3.2 Where there is evidence to suggest that an authority is acting unreasonably, it may be appropriate for the Secretary of State to consider intervention, but only where this is justified and where the relevant parties have been consulted.
- 3.3 The power of intervention does not interfere with the duly elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 The Regulations are a mandatory requirement.

### **5.0 CONSULTATION**

- 5.1 The consultation was completed by the DCLG.

### **6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

- 6.1 None.

### **7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

7.1 None.

## **8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

8.1 None.

## **9.0 LEGAL IMPLICATIONS**

9.1 The Regulations will apply to Local Government Pension Schemes in England and Wales when they are duly enacted.

## **10.0 EQUALITIES IMPLICATIONS**

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No because there is no relevance to equality.

## **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

11.1 There are none arising directly from this report. Please refer to indents 2.8 – 2.11

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising from this report.

## **13.0 RECOMMENDATION/S**

13.1 That Members note the report and the statutory implications for the Fund going forward.

## **14.0 REASON/S FOR RECOMMENDATION/S**

14.1 That Members are informed of the salient details of the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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**APPENDICES** None

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

Local Government Pension Scheme Guidance on Preparing and Maintaining an Investment Strategy Statement Department for Communities and Local Government

September 2016  
**BRIEFING NOTES HISTORY**

<b>Briefing Note</b>	<b>Date</b>

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>