

WIRRAL COUNCIL

PENSIONS COMMITTEE

29 NOVEMBER 2021

REPORT TITLE:	UPDATED INVESTMENT STRATEGY STATEMENT
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report provides Members with an updated Investment Strategy Statement which has been revised following legislative and policy developments, changes to guidance and the approval, in September, of the Northern LGPS Responsible Investment (RI) policy.

RECOMMENDATION/S

That the Pensions Committee be recommended to approve the Investment Strategy Statement.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

- 1.2 Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require a pension fund to publish an investment strategy statement (ISS).

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other suitable options. There is a statutory requirement for an ISS to be formulated, published and maintained by administering authorities.

3.0 BACKGROUND INFORMATION

- 3.1 In September's report to this Committee regarding the Northern LGPS Responsible Investment policy, officers undertook to revise Merseyside Pension Fund's (MPF) Investment Strategy Statement and bring a report on it to a future Committee.
- 3.2 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 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.
- 3.3 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.
- 3.4 Under Regulation 7(6) and (7), the statements must be published by 1st April 2017 and then kept under review and revised from time to time and at least every three years.
- 3.5 The ISS is intended to provide a prudential framework within which administering authorities can set their policy on asset allocation, risk and diversification, amongst other things. It is formulated in conjunction with the

Funding Strategy Statement which identifies how each Fund employer's present and future pension liabilities are to be met.

3.6 Since the Fund's ISS was first issued, there have been changes in several areas and the strategy has been updated to reflect these matters.

- Change to guidance: guidance amended 12 July 2017: guidance to regulation 7(2)(e) on page 9 to comply with the order of the High Court judgment on 22 June 2017: subsequently clarified by ruling of the Supreme Court on 20 April 2020.
- Development and approval of MPF's Responsible Investment beliefs in 2019 and incorporation of beliefs into investment strategy review process.
- Legislative and policy developments in respect of Stewardship and Climate risk, in particular.
- Approval of the revised Northern LGPS Responsible Investment (NLGPS RI) policy in 2021.

3.7 The ISS is intended to set out the high-level principles that govern the Fund's investment strategy. Those principles influence or are developed in some of the Fund's policies and procedures such as the Funding Strategy Statement, NLGPS RI policy and internal Compliance Manual where officers in conjunction with the Fund's advisors put them into effect. In the area of climate risk, for example, officers are currently working with advisors to develop short and medium term milestones in the alignment of the Fund's investment strategy with the Net Zero Paris goals.

8.8 The implementation, monitoring and reporting of outcomes is to the quarterly Investment Monitoring Working Parties. It is proposed that this is enhanced in respect of the RI policy so that the NLGPS RI reports are included in addition to the LAPFF updates and details of engagements specific to MPF's investments. Information on communications from stakeholders and scheme members will also be appended.

4.0 FINANCIAL IMPLICATIONS

4.1 The Fund's investment strategy is fundamental to the management of its liabilities and its investment performance. In particular it provides a prudential framework within which administering authorities can set their policy on asset allocation, risk and diversification, amongst other things. It is formulated in conjunction with its Funding Strategy Statement.

4.2 The development, implementation and monitoring of policies in support of the ISS will have costs which can be estimated and advised as policies develop. Additionally, ESG factors can be financially material and, as such, should be part of the assessment and monitoring of investments in all asset classes

5.0 LEGAL IMPLICATIONS

5.1 There are none arising directly from this report. There is a statutory requirement for an LGPS fund to formulate, publish and maintain an Investment Strategy Statement.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

- 6.1 The assessment and monitoring of investments in relation to ESG factors is integral to the ongoing management of the fund's assets. As the scope of the fund's RI policy expands, greater demands will be placed on staff and associated resources. By collaborating with our pooling partners and other investors, these costs can be defrayed to a certain extent but RI remains an area of growing activity and interest.

7.0 RELEVANT RISKS

- 7.1 A failure to formulate, publish and maintain an ISS would be a breach of the administering authority's statutory obligations.
- 7.2 The Fund's investment strategy is a key element of the management of its investment risk.
- 7.3 An effective RI policy can assist in managing financial and reputational risks to the fund.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The strategy was discussed with elected members on 9 November, shared with the Pension Board and the major employers. Additionally, in relation to regulation 7(2)(e) the Northern LGPS RI policy was presented to the Investment Monitoring Working Party on 15 September and to the Pension Board ahead of this Committee meeting.

9.0 EQUALITY IMPLICATIONS

- 9.1 DLUHC guidance is the subject of an EIA. The strategy includes reference to the NLGPS RI policy which draws on international standards such as the UN Sustainable Development Goals, the UN guiding principles on business and human rights and IIGCC's Net Zero Investment Framework. It is intended to maximise the positive impact good corporate practice can have on the fund's stakeholders, particularly the communities and beneficiaries residing in the North of England.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 This strategy makes explicit reference to environment and climate implications as financially material to long-term performance of investments.

REPORT AUTHOR: PETER WALLACH
DIRECTOR OF PENSIONS
telephone (0151) 242 1309
email peterwallach@wirral.gov.uk

APPENDICES

MPF's Investment Strategy Statement

BACKGROUND PAPERS

Local Government Pension Scheme: Guidance on preparing and maintaining an Investment Strategy Statement. [Local government pension scheme: guidance on preparing and maintaining an investment strategy statement - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	January 2019