

Report Title:	Investment Strategy Statement
Contains Confidential or Exempt Information	No - Part 1
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 7 March 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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REPORT SUMMARY

This report brings to Members attention a key policy statement for review and approval that sets the framework for investment decision making in line with the Fund's fiduciary duty to its scheme members and employers.

The Pension Fund's revised Investment Strategy Statement (ISS), which includes the revised Strategic Asset Allocation (SAA) can be found at Appendix 1 to this report.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee note the report;

- i) **Considers, notes and approves the revised Investment Strategy Statement and;**
- ii) **Approves the final version for publication on the Pension Fund's website.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 In accordance with Regulation 53 of the Local Government Pension Scheme Regulations 2013 ("the Regulations") and as listed in Part 1 of Schedule 3 of the Regulations, RBWM is an Administering Authority (Scheme Manager) required to maintain a Pension Fund for the Scheme.
- 2.2 An Administering Authority is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate Administering Authority under the Regulations.
- 2.3 The Pension Fund Committee as set out in RBWM's Constitution acts as the Scheme Manager and is therefore responsible for ensuring that the Administering Authority fulfils its statutory responsibilities in accordance with the Regulations and the Public Service Pension Act 2013
- 2.4 In accordance with Section 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the authority must

review and if necessary, revise its investment strategy from time to time, and at least every 3 years.

- 2.5 The purpose of this paper is to set out the revised Investment Strategy Statement (ISS), last approved on 11 March 2019, with revisions in line with best practice and to ensure the Fund's investment strategy remains fit for purpose.

3. KEY IMPLICATIONS

- 3.1 The Investment Strategy Statement addresses the 6 key points required under section 7 (2) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; sets the Strategic Asset Allocation (SAA) as per section 7 (3); includes a statement that is compliant with section 7(4) (i.e. that no more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority); is presented for approval within 3 years of the last revision (11 March 2019) as per section 7 (6); and clearly states as per section 7 (8) that the authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.
- 3.2 As per the above (3.1), the Fund is fully compliant with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. However, the revised Investment Strategy Statement includes an optional section for Investment Principals. This sets out the Fund's investment beliefs, investment philosophy and 5 headline investment principals which should be adhered to by the Fund in making any future investment decisions. This section aims to act as a supplementary framework for investment decision making that the Committee can refer to when making capital allocation and investment decisions in future.
- 3.3 The Strategic Asset allocation (SAA) has been revised several times since March 2019 to reflect the funds target rate of return whilst maintaining low volatility and adhering both to the ISS and the fund's risk appetite metrics. The most recent SAA modification has occurred in tandem with the approval of this ISS, which aims to maximise future risk-adjusted returns within the fund's risk appetite metrics and therefore set an appropriate discount rate to be used by the fund at the 31 March 2022 triennial valuation. For the avoidance of doubt, the Fund's actuarial discount rate reflects the future expected returns to the fund. Detailed advice has been provided by LPPI (the Fund's Investment Manager), Barnett Waddingham (the Fund's Actuary) and the Fund's Investment Advisors in making this decision.
- 3.4 This ISS reflects the most recent levelling up white paper, targeting up to 5% of the Fund's investments in projects which support local areas. For the avoidance of doubt, this is intended to be ancillary to the Fund's fiduciary duty and other investment principals/objectives and therefore should not conflict with these. The committee are also asked to note that this 5% local investment target is distinct from section 7(4) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which states that no more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority).

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 Implementation of the revised ISS is at no material additional cost to the fund

5. LEGAL IMPLICATIONS

- 5.1 As per section 3.1, the Authority is fully compliant with the relevant legislation.

6. RISK MANAGEMENT

- 6.1 Key investment risks are referred to in the ISS, the Fund also reviews, approves and publishes a risk-register on a quarterly basis which addresses all known risks to the fund, including those key investment risks.

7. POTENTIAL IMPACTS

- 7.1 Failure to comply with Pension legislation could result in the Administering Authority being reported to the Pensions Regulator where failure is deemed to be of a material significance.
- 7.2 Equalities: Equality Impact Assessments are published on the [council's website](#): N/A
- 7.3 Climate change/sustainability: N/A
- 7.4 Data Protection/GDPR. N/A

8. CONSULTATION

- 8.1 As per Section 7 (5) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; "the authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy". The Fund's Investment Manager, the Fund's Actuary, the Fund's Investment Advisors, relevant fund officers, the Pension Fund Committee and the Pension Board have all been consulted in preparation of this final ISS.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 31 March 2022 – the date of the Triennial Valuation

10. APPENDICES

- 10.1 This report is supported by 1 Appendix:
- Appendix 1 – Investment Strategy Statement

11. BACKGROUND DOCUMENTS

11.1 This report is supported by 0 background documents:

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		

REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Pension Fund Committee decision	Yes/No	Yes/No

Report Author: Damien Pantling, Head of Pension Fund
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