

Report Title:	<b>Investment Strategy Statement</b>
Contains Confidential or Exempt Information	No - Part I
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 Member's 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 and;**

- 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 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
- 2.3 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.
- 2.4 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.

- 2.5 The Fund's Governance review, presented to the Committee on 19 October 2020, provided a recommendation that "the decision to approve an updated Investment Strategy Statement (ISS) should be postponed and, before the ISS is approved, it should be checked to ensure that it meets the requirement to provide a performance level that will reduce the funding deficit for the RCBPF." This updated ISS (including the revised SAA) has been reviewed and approved by the Investment Advisors (LPPI), the Fund's Actuary (Barnett Waddingham) and the Fund's Independent Advisors, as an appropriate ISS to reduce the funding deficit for the RCBPF. The proposed ISS revision is therefore compliant with the governance recommendation.

### **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;
- 3.1.1 sets the Strategic Asset Allocation (SAA) as per section 7 (3);
- 3.1.2 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);
- 3.1.3 is presented for approval within 3 years of the last revision (11 March 2019) as per section 7 (6);
- 3.1.4 and 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 section (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 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 future capital allocation and investment decisions.
- 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 (risk appetite statement). The most recent SAA modification has occurred in tandem with the development and approval of this ISS, which aims to maximise future risk-adjusted returns within the fund's risk appetite metrics and consequently sets 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.

- 3.4 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 proposing a revised SAA for this ISS.
- 3.5 This ISS also 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 come into conflict with these.
- 3.6 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](#). There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 2 to this report
- 7.3 Climate change/sustainability: Environmental, Social and Governance factors are carefully considered in the revised ISS in several sections (investment principals, investment objectives and investment risks).
- 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 2 Appendices:
- Appendix 1 – Investment Strategy Statement
  - Appendix 2 - EQIA

## 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	22/02/2022	24/02/2022
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	22/02/2022	
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	22/02/2022	25/02/2022
Elaine Browne	Head of Law (Deputy Monitoring Officer)	22/02/2022	28/02/2022
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	22/02/2022	25/02/2022
<i>Other consultees:</i>			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	22/02/2022	

## REPORT HISTORY

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

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Report Author: Damien Pantling, Head of Pension Fund
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# Royal County of Berkshire Pension Fund

## Investment Strategy Statement – March 2022

### 1. Introduction

- 1.1.** This is the Investment Strategy Statement (“ISS”) adopted by the Royal County of Berkshire Pension Fund (“the Fund”), which is administered by the Royal Borough of Windsor and Maidenhead (“the Administering Authority”).

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (section 7) the Fund is required to publish this ISS at least every 3 years, it was last approved in March 2019. The Regulations require administering authorities to outline how they meet each of 6 objectives aimed at improving the investment and governance of the Fund.

- 1.2.** This Statement addresses each of the objectives included in the 2016 Regulations:

- a) A requirement to invest fund money in a wide range of instruments;
- b) The authority’s assessment of the suitability of particular investments and types of investment;
- 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;
- 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.

*Each of the above are dealt with in turn in [Section 3](#) of the ISS*

- 1.3.** The Pension Fund Committee (the “Committee”) oversees the management of the Fund’s assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council-tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

- 1.4.** The relevant terms of reference for the Committee within the Council’s Constitution are as follows:

To exercise the general powers and duties of an Administering Authority in the maintenance of the Royal County of Berkshire Pension Fund as may be required in accordance with the Superannuation

Fund Act 1972, The Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations existing under those Acts including, but not restricted to the following;

- (i) Setting of the Investment Strategy and Funding Strategy Statements and determination of the Strategic Asset Allocation of the Pension Fund's assets in the light of professional advice and other suitably qualified independent advice, legislative constraints and Codes of Practice.
- (ii) Responsibility for the statutory policies and administration of the Royal County of Berkshire Pension Fund maintained by the Administering Authority in accordance with the Local Government Pension Scheme Regulations, The Local Government Pension Scheme (Management of Investment of Funds) Regulations, all other associated legislation and Pension Regulator Codes of Practice.
- (iii) Determination of the arrangements for obtaining appropriate investment advice including the appointment of a suitably qualified independent person or persons to give expert advice on Pension Fund investment and management arrangements.
- (iv) The periodic review and monitoring of the Pension Fund's investment performance in line with the Advisory and Management Agreement entered into with the Local Pensions Partnership (Investments) Limited (LPPI).
- (v) To consider the Annual Report and Accounts of the Fund.
- (vi) The reporting of any breaches of the law to the Pensions Regulator.

The Director of Resources (S.151 officer) , the Head of Finance (Deputy S.151 officer), the Head of Pension Fund, the appointed independent advisors and actuaries support the Committee. The day-to-day management of the Fund's assets in accordance with this strategy is delegated to LPPI ("the Investment Manager").

- 1.5.** This ISS will be reviewed at least once every three years as per the statutory guidance, or more frequently as required - in particular following valuations, future asset/liability studies, performance reviews, or legislation changes (i.e. TCFD) which may indicate a need to change investment policy, or significant changes to the Funding Strategy Statement ("FSS").
- 1.6.** The Administering Authority confirms (as per section 7 (4)) that the Royal County of Berkshire Pension Fund has no investments in entities that are connected with the authority but if in future it does these will be limited to no more than 5% of the Fund's assets.
- 1.7.** The Administering Authority confirms (as per Section 7 (8)) that the Royal County of Berkshire Pension Fund will invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund. [Section 4](#) of the ISS sets the strategic allocation target and maximum percentage of total Fund value for fund Cash holdings.

## 2. Investment Principles

**2.1.** Governing all investment decisions are the Committee's core investment principles, beliefs and philosophy. They have been established based on the views of the members, capitalising on the expert advice of the Investment Manager, and are listed below:

### **2.1.1. Investment Governance**

- a) The Fund has access to the necessary skills, expertise, and resources to manage the whole Fund, as well as managing the Fund's cash needs internally.
- b) The Investment Manager, independent advisors, officers and the local pension board are a source of expertise and research to inform and assist the Committee's decisions.
- c) The ultimate aim of the Fund's investment activities is to pay pension liabilities when they become due. The Committee will therefore work with the Investment Manager to ensure that the liquidity profile of the Fund is appropriate to ensure the long-term ability of the Fund to meet these obligations.
- d) The Fund is continuously improving its governance structure through bespoke training to make well informed strategic allocation decision but acknowledges that it is not possible to achieve optimum market timing.
- e) All meetings and investment decisions relating to the setting of Investment Strategy and Strategic Asset Allocation will be minuted.

### **2.1.2. Long Term Approach**

- a) The strength of the majority of employers' covenant allows the Fund to take a long-term approach to its investment strategy, approve that the Investment Manager employ less liquid assets and assess performance of the Investment Manager over a long-term time frame.
- b) The most important aspect of risk is not the volatility of returns, but the risk of absolute loss of capital over the medium and long term. An important focus for the Fund is to ensure stability of employer contributions over the long-run.
- c) Illiquidity is a risk which offers a potential source of additional compensation to the long-term investor. As a long term investor, the Fund should look to be a liquidity provider which presents opportunities in times of market stress.
- d) Over the long term, equities are generally expected to outperform other liquid assets, particularly government bonds and cash.

### **2.1.3. Environmental, Social and Governance ("ESG") factors**

- a) Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.
- b) All things being equal, well governed companies that manage their business in a responsible manner are generally less vulnerable to downside risk and may therefore produce higher returns over the long term.



- c) In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they significantly invest in.
- d) The Fund's Responsible Investment Policy reflects the urgency of the threat that ESG risks present to the fund and includes the expectation that the Investment Manager will pursue a policy of active, effective engagement with companies in which ownership stakes are held.
- e) The Committee recognises the Administering Authority's net-zero commitment along with that of many of the other scheme employers. The Committee also recognises that a growing number of scheme members want to see significant weight given to these issues. Due consideration to these issues shall be made throughout the investment process.

#### **2.1.4. Asset allocation**

- a) Allocations to asset classes other than equities, cash and government bonds (e.g., corporate bonds, private markets, property, infrastructure and diversifying strategies) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).
- b) Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.
- c) As the funding level improves, the Committee may look to certain lower risk strategies to reduce the volatility of the Fund's actuarial funding level.
- d) To reduce longevity risk, a longevity insurance contract has been entered into covering all pensioner members of the Fund who had started receiving their pension by the end of July 2009 including their dependants.

#### **2.1.5. Management Strategies**

- a) Active management will typically incur higher investment management fees but can provide additional return. Fees should be carefully considered and aligned to the interests of the Fund.
- b) Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.
- c) Employing a range of management styles can reduce the volatility of overall Fund returns.

**2.2.** The fund has a total return target of 6.5% annually (paragraph 3.2.5), will aim for an appropriate level of risk within its asset allocation, so as to achieve a long-term funding aim (paragraph 3.2.6) while aiming to deliver an appropriate investment income yield to maintain a positive Fund cash-flow position (paragraph 2.4).

**2.3.** The Fund aims to, where possible, ensure that the portfolio is inflation resilient.

**2.4.** The Fund aims to keep asset value drawdowns to a minimum, recognising the positive non-investment cashflows through contributions employer deficit recovery payments, plus the appropriate minimum investment income yield. Based upon the 2019 Triennial Valuation the Fund is expected to remain net cash-flow positive in the near term, although progressively, and likely following the 2025 Triennial Valuation, this position is expected to change.

### 3. ISS Objectives

#### 3.1. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

**3.1.1.** Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences of these risks.

**3.1.2.** To control risk, the Committee recognises that the Fund should have an investment strategy that has:

- a) Exposure to a diverse range of sources of return, such as market return, manager skill and using fewer illiquid holdings.
- b) Exposure to a range of instruments for specific risk hedging purposes to be used where appropriate (longevity, currency etc.).
- c) Diversity in the asset classes used.
- d) Diversity in the approaches to the management of the underlying assets.
- e) Adaptability to be able to maintain liquidity for the Fund.

**3.1.3.** This approach to diversification has seen the fund dividing its assets into seven distinct categories; public equities, fixed income, credit, infrastructure, private equity, real estate and cash as well as entering into a longevity insurance contract. These may be broadly grouped by 4 categories: equities, bonds, real assets and cash. The size of the assets invested in each category will vary, the strategic asset allocation can be found in [Section 4](#) of the ISS. It is important to note that each category is itself diversified. As a result, the Fund's assets are invested in a wide range of instruments.

**3.1.4.** The main risk the Committee are concerned with is to ensure the long-term ability of the fund to meet pension and other benefit obligations as they fall due. As a result, the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Committee considers excessive.

**3.1.5.** The Fund currently has a positive cash flow position, however, the gap between contributions received and benefits paid is narrowing and consequently the fund will progressively evolve to being cash-flow negative. The Fund may at times have a negative cash flow position, consequently the Fund liquidity must be closely monitored by the Investment Manager. In addition, a portion of the Fund's assets are invested to generate an appropriate yield.

**3.1.6.** At all times the Committee seeks to ensure that their investment decisions, including those involving diversification, are in the best long-term interest of Fund beneficiaries and seeks appropriate advice from the Investment Manager and independent investment advisors as appropriate.

**3.1.7.** To mitigate these risks the Committee regularly (at least on a quarterly basis) reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its return objective. The Committee will keep this ISS under review to ensure that it reflects the approaches being taken by the Investment Manager.

**3.1.8.** The Fund aims to allocate up to 5% of its Assets for investment in local projects which support local areas, subject to all suitability criteria in Objective 7.2(b) being met and the Fund having no conflict in undertaking its fiduciary duty to scheme members and employers.

### **3.2. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment**

**3.2.1.** Suitability is a critical test for whether a particular investment should be made. When assessing the suitability of investments, the Investment Manager (as delegated by the Committee) considers the following from its due diligence:

- a) Prospective return
- b) Risk
- c) Concentration
- d) Risk management qualities the asset has when the portfolio as a whole is considered
- e) Geographic and currency exposures
- f) Possible correlation and interactions with other assets in the portfolio
- g) Whether the management of the asset meets the Fund's ESG criteria.

**3.2.2.** Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against.

**3.2.3.** The Committee monitors the suitability of the Fund's assets on a quarterly basis. The committee do not have access to data on individual investments and therefore monitor performance at the asset class level unless LPPI report exceptions. To that end LPPI monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk whilst the committee consider this wholistically asset-class and whole-fund level. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood.

**3.2.4.** Where comparative statistics are available for presentation by the Investment Manager or other external body, the Committee will also compare the Fund's asset performance with those of similar funds. The Committee relies on external advice in relation to the collation of the statistics for review.

**3.2.5.** The Fund targets a long-term absolute return of 6.5% per-annum, a rate advised by the actuary at the last triennial valuation (equivalent to CPI + 3.75% at 31 March 2019). This is referred to by the fund as the 'Actuarial Benchmark', or the required rate of annual return to achieve a 100% funding level at the end of the deficit recovery period without additional deficit recovery (secondary) contributions from employers. This rate is subject to further change and shall be revised at the next triennial valuation. For the avoidance of doubt – this is not the actuarial discount rate.

**3.2.6.** The Fund will aim for an appropriate level of risk within its asset allocation, so as to achieve a long-term funding aim. No explicit volatility target is set in this statement.

**3.2.7.** Investments are assessed by the Investment Manager to determine suitability considering all factors but not limited to; consideration of the long-term absolute return target, portfolio volatility and the suitability indicators as listed in paragraph 3.2.1.

### **3.3. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed**

**3.3.1.** The fund has adopted the CIPFA (2018) framework for managing risks in the LGPS, to assist it in risk identification, assessment, and mitigation. In line with best practice, the Fund maintains a risk register with all known material risks, each with several mitigation measure and several carefully calculated risk scores. The main risks to the Fund, however, are highlighted within the Funding Strategy Statement (FSS).

**3.3.2.** The Committee recognises that there are several risks involved in the investment of the assets of the Fund amongst which are the following:

#### **Investment Manager risk:**

- a) Selection of investment strategies is delegated to LPPI. LPPI select and monitor investment managers on behalf of The Fund. This oversight includes manager performance and associated risks. LPPI regularly reviews the risk and return objectives of these investment managers, evaluates their performance and appraises management processes

#### **Geopolitical and political risks:**

- a) Geopolitical risks are considered, where appropriate, by the Investment Manager. They are expected to be managed by the avoidance of high levels of concentration risk.
- b) Political risks are considered, where appropriate, by the Investment Manager. They are expected to be managed by pursuing investments in countries that the "rule of law" prevails and the institutional set up is strong. Avoiding high levels of concentration risk is also a route to managing these risk".

#### **Currency risks:**

- a) Currency risks are tolerated and managed within the parameters set in the Fund's Risk Appetite Statement. Currency risk is incorporated in any analysis that guides the Fund's strategic asset allocation and thus ultimately is considered as part of pursuing the Fund's long term funding objectives.

#### **Solvency and mismatching risk:**

- a) Is monitored and managed, taking into account the Fund's risk appetite statement, through an assessment of the expected development of the liabilities relative to the expected development of the current and alternative investment policies; and
- b) Is monitored by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

#### **Liquidity risk:**

- a) Is a function of liquid asset holdings and expected portfolio income relative to the level of cash flow required over a specified period; and
- b) Managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy.

**Custodial risk:**

- a) Is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

**3.3.3.** The risks to the Fund concerned with the investment of Fund assets are controlled in the following ways:

- a) The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the Investment Manager from deviating significantly from the intended approach while permitting the flexibility to enhance returns.
- b) The appointment of more than one manager by the Investment Manager with different mandates and approaches provides for the diversification of manager risk.

**3.3.4.** The Advisory Management Agreement (AMA) agreement constrain the Investment Manager's actions in areas of particular risk and sets out the respective responsibilities of both the Investment Manager and the Fund.

**3.3.5.** The Committee are aware investment risk is only one aspect of the risks facing the Fund.

**3.3.6.** The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy the Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate. Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them.

**3.3.7.** To help manage risk, the Committee (formerly the Investment Working Group) agreed a risk appetite statement on 11 March 2019 which is still fit for purpose at the date of this review, this is subject to further review alongside the triennial valuation and publication of the funding strategy statement. Within this, the Investment Manager is engaged to monitor and manage the risk focusing on four key parameters; funding level, contributions, liquidity and asset allocation. In addition, when carrying out their investment strategy review the Committee had several different investment advisers' assess the level of risk involved.

**3.3.8.** When reviewing the investment strategy on a quarterly basis the Committee considers advice from their Independent Advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this the risk register is updated on a quarterly basis.

**3.3.9.** At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

### **3.4. Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles**

- 3.4.1.** The Government requires LGPS funds to pool their investments as a solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost. The Funds approach to pooling arrangements meet the criteria set out in the Local Government Pension Scheme: investment reform criteria and guidance.
- 3.4.2.** The Fund became an investment client of LPPI as part of the Government's pooling agenda on 1 June 2018, outsourcing all active day-to-day asset management activities along with pooling funds into LPPI's investment buckets as appropriate. LPPI was launched in December 2015 by two pension funds; LCPF and LPFA with the RCBPF later joining in 2018. LPPI now has circa £20bn under direct management, with 8 funds launched as at February 2022.
- 3.4.3.** The Fund has transitioned c.80% of assets to the LPPI pooled investment vehicles as of 7 March 2022. Going forward the Fund will look to transition further assets as and when there are suitable investment opportunities available that meet the needs of the Fund and where there are no excessive cost, legal or other restraints such as those caused by the legacy investments in illiquid private market investments. As such, the remaining c20% is currently held outside of the remit of LPPI pooled funds but are also externally managed by LPPI as the Investment Manager under the AMA. The Committee is aware that certain assets held within the Fund have limited liquidity and disposing/transferring them would come at a significant cost. The position is periodically reviewed by the Investment Manager
- 3.4.4.** LPPI's Investment Committee is responsible for scrutinising the actions of its investment team, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, responsible investment and emerging issues. The LPPI Investment Committee meets on a quarterly basis. LPPI regularly hosts investment/client conferences, to which all members and clients are invited. External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the Department for Levelling Up, Housing and Communities (DLUHC).

### **3.5. Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments**

- 3.5.1.** The Fund released an ESG statement in December 2020 followed by publishing a revised Responsible Investment policy in March 2021 which clearly sets out its purpose to detail the approach that RCBPF aims to follow in integrating Environmental, Social and Governance (ESG) issues into its investments. The Responsible Investment Policy is broadly aligned to that of LPPI's so there are no conflicts between the Fund and its Investment Manager.
- 3.5.2.** A working group (task and finish group) for responsible investment (RI) was approved by the Committee in December 2021; The working group is to be established for members (committee/board/advisory-panel), officers and advisors to have a forum to ensure that RI policy remains up to date, fit for purpose and reflects any relevant external developments. A revised RI policy is expected to be brought to the Committee for approval in December 2022.
- 3.5.3.** The guiding Responsible Investment values contained within the Fund's current RI policy are as follows;
- a) Consultative
  - b) Being Proactive
  - c) Engagement
  - d) Collaborative
  - e) Flexible
- 3.5.4.** The key principles contained within the Fund's current RI policy are as follows;
- a) Effectively manage financially material ESG risks to support the requirement to protect returns over the long term;
  - b) Apply a robust approach to effective stewardship;
  - c) Seek sustainable returns from well governed and sustainable assets;
  - d) Responsible investment is core to our skills, knowledge and advice;
  - e) Seek to innovate, demonstrate and promote RI leadership and ESG best practice;
  - f) Achieve improvements in ESG through effective partnerships that have robust oversight;
  - g) Share ideas and best practice to achieve wider and more valuable RI and ESG outcomes.
- 3.5.5.** The guiding priorities of the Fund's current Responsible Investment policy are as follows;
- a) Climate Change
  - b) Corporate Governance
- 3.5.6.** Several factors are to be considered in terms of implementation of the Fund's Responsible Investment policy, these are listed as follows, but the Committee advise that the RI policy is read in full to understand how each area of activity is applied as appropriate;
- a) Voting globally
  - b) Engagement through partnership
  - c) Shareholder litigation
  - d) Active investing
  - e) Divestment
- 3.5.7.** Taskforce for Climate Related Financial Disclosures (TCFD) guidance is expected imminently from DLUHC regarding statutory disclosures by the fund, its officers and its committee members. The fund's ISS and RI policies shall be revised as appropriate once due guidance is received.

### **3.6. Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments**

- 3.6.1.** The Committee has delegated the Fund's voting rights to the Investment Manager, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the Investment Manager to vote in the best interests of the Fund. In addition, the Fund expects its Investment Manager to work collaboratively with others, particularly other LGPS Investment Managers, if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.
- 3.6.2.** As the role of voting and engagement is outsourced to LPPI, the Fund has included the Investment Manager's shareholder voting policy on the Fund's website, which was last approved in March 2021 and shall be kept under review.
- 3.6.3.** The Fund through its participation with LPPI and through other means will work closely with other LGPS Funds to enhance the level of engagement both with external managers and the underlying companies in which invests.
- 3.6.4.** In addition, the Fund:
- a) Is a member of the Pension and Lifetime Savings Association (PLSA) and the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners; and
  - b) Joins wider lobbying activities where appropriate opportunities arise.
- 3.6.5.** Ongoing voting and engagement is covered within the Funds Responsible Investment Policy
- 3.6.6.** The Committee expects LPPI and any other directly appointed asset managers to comply with the Stewardship Code (2020) and this is monitored on a regular basis.



## 4. Strategic Asset Allocation

- 4.1.** Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (section 7) (3), “The authority’s investment strategy must 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.”
- 4.2.** The table below sets out the strategic asset allocation weightings (or target weightings) for each asset class, along with the minimum and maximum tolerance ranges, the investment return benchmark and the target rate of return (or investment objective) for each asset class

**4.3. Table 1: RCBPF Strategic Asset Allocation**

Asset Class	Asset Allocation	Tolerance Range	Benchmark	Investment Objective
Global Equity	47%	40%-55%	MSCI All Country World (net dividends reinvested) Index (GBP)	Benchmark plus 2%
Private Equity	12.50%	7.5% - 17.5%	MSCI World SMID (net dividends reinvested) Index (GBP)	Benchmark plus 2% -4%
Fixed Income	2.50%	0% - 7.5%	Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged)	Benchmark plus 0.25%
Credit	13%	8% - 18%	50% S&P/LSTA Leveraged Loans Index (GBP Hedged), 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged)	Benchmark plus 1% - 3%
Real Estate	12%	7% - 17%	MSCI UK Quarterly Property Index (GBP)	UK CPI + 3%-5%
Infrastructure	12%	7% - 17%	UK CPI + 4% p.a	UK CPI + 3%-5%
Cash	1%	0% - 5%		

- 4.4.** The fund entered a Longevity insurance contract in 2009 to effectively hedge longevity increases for all retired members and their dependants as at the time of entering into the contract. Changes in longevity and mortality assumptions present liquidity strain. This has been considered in setting the funds Strategic Asset Allocation (SAA).

**ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD**  
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**Essential information**

Items to be assessed: (please mark 'x')

Strategy		Policy		Plan		Project	x	Service/Procedure	
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Responsible officer	Damien Pantling	Service area	Pension Fund	Directorate	Finance
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Stage 1: EqlA Screening (mandatory)	Date created: 25/02/2022	Stage 2 : Full assessment (if applicable)	N/A
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**Approved by Head of Service / Overseeing group/body / Project Sponsor:**

*"I am satisfied that an equality impact has been undertaken adequately."*

**Signed by (print):**

**Dated:**

# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqlA : Investment Strategy Statement

#### **Guidance notes**

##### **What is an EqlA and why do we need to do it?**

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqlAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqlA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

##### **What are the "protected characteristics" under the law?**

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

##### **What's the process for conducting an EqlA?**

The process for conducting an EqlA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

##### **Openness and transparency**

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

##### **Enforcement**

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

**ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD**  
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**EqlA : Investment Strategy Statement**

**Stage 1 : Screening (Mandatory)**

**1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?**

This report brings to Member's 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.

**1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as "Not Relevant".**

# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqlA : Investment Strategy Statement

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age				Key data: The estimated median age of the local population is 42.6yrs [Source: <a href="#">ONS mid-year estimates 2020</a> ]. An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020, taken from <a href="#">Berkshire Observatory</a> ]
Disability				
Gender re-assignment				
Marriage/civil partnership				
Pregnancy and maternity				
Race				Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from <a href="#">Berkshire Observatory</a> ]
Religion and belief				Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from <a href="#">Berkshire Observatory</a> ]
Sex				Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020, taken from <a href="#">Berkshire Observatory</a> ]
Sexual orientation				

**ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD**

**EQUALITY IMPACT ASSESSMENT**

**EqlA : Investment Strategy Statement**

**Outcome, action and public reporting**

<b>Screening Assessment Outcome</b>	<b>Yes / No / Not at this stage</b>	<b>Further Action Required / Action to be taken</b>	<b>Responsible Officer and / or Lead Strategic Group</b>	<b>Timescale for Resolution of negative impact / Delivery of positive impact</b>
<b>Was a significant level of negative impact identified?</b>	No	No	Damien Pantling	N/A
<b>Does the strategy, policy, plan etc require amendment to have a positive impact?</b>	No	No	Damien Pantling	N/A

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

**ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD**  
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**Stage 2 : Full assessment**

**2.1 : Scope and define**

**2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.**

**2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? *List those groups who the work is targeting/aimed at.***

# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqlA : Investment Strategy Statement

#### 2.2 : Information gathering/evidence

**2.2.1 What secondary data have you used in this assessment?** *Common sources of secondary data include: censuses, organisational records.*

**2.2.2 What primary data have you used to inform this assessment?** *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

Eliminate discrimination, harassment, victimisation



# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqlA : Investment Strategy Statement

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

**Advance equality of opportunity**

# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqlA : Investment Strategy Statement

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

# ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

## EQUALITY IMPACT ASSESSMENT

### EqlA : Investment Strategy Statement

#### Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

**2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates.**

*These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.*

**ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD**  
**EQUALITY IMPACT ASSESSMENT**  
**EqlA : Investment Strategy Statement**