



LOCAL PENSION COMMITTEE – 17 JANUARY 2017

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

DRAFT INVESTMENT STRATEGY STATEMENT

Purpose of the Report

1. To recommend the approval of an Investment Strategy Statement (ISS) for the Leicestershire County Council Pension Fund, a copy of which is attached as the appendix to this report.

Background

2. For many years Local Government Pension Funds have been required to maintain a Statement of Investment Principles (SIPs). In broad terms this document laid out the things that were considered by the Fund when making investment decisions and included such things as the types of investment that could be held, how the various risks were taken into account and what the Fund's objectives were.
3. New Local Government Pension Scheme (LGPS) Investment Regulations became effective on 1st November 2016. These Regulations removed the restrictions on investments that were formerly in place for the LGPS (none of which had any practical impact onto the Leicestershire Fund) and, in effect, allowed individual Funds complete discretion about where and how to invest. The Regulations also introduced a requirement for administering authorities to formulate, publish and maintain an Investment Strategy Statement and this needs to be approved by 1st April 2017. The ISS is simply a more detailed version of the SIPs, with the SIPs being no longer necessary.

Statutory Background

4. The Investment Strategy Statement 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

5. As with all policy documents it would be possible for the ISS to go into great depth, but this could potentially be counterproductive. Ideally a Pension Fund should have flexibility to be able to take into account changes in the market situation in order to be able to enhance or protect returns. Within the Leicestershire Fund there is clearly defined governance around the setting of a Strategic Benchmark for the Fund by this Committee, with this strategy being implemented based on decisions agreed either by this Committee or the Investment Subcommittee. There is the ability to utilise the Director of Corporate Resources' delegated powers, subject to consultation with the Chairman, but this is used sparingly and generally only within the parameters provided by the Strategic Benchmark. As a result it is considered preferable that the ISS is written in such a way that it does not require amendment unless there are fundamental changes to the Fund's approach.
6. The appendix to this report is a draft version of the recommended ISS. The document has to be approved before 1st April 2017, so there is one further Local Pension Committee meeting at which this could be done (17th March), but it is hoped that it can be agreed at today's meeting.
7. The draft ISS is based on a template produced by Hymans Robertson, the Fund's investment advisor, and covers all the necessary areas. For ease it has been written as if it has already been approved at this meeting; if it is not, then the dates can be changed.

Recommendation

8. The Committee is recommended to approve the Investment Strategy Statement that is attached as the appendix to this report.

Equal Opportunities Implications

None specific.

Background Papers

None.

Appendix

Draft Investment Strategy Statement

Officers to Contact

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