



LOCAL PENSION BOARD – 2 DECEMBER 2019

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INVESTMENT STRATEGY STATEMENT UPDATE

Purpose of the Report

1. The purpose of this report is to advise the Local Pension Board of the consultation on the updated draft Investment Strategy Statement (ISS) for the Leicestershire County Council Pension Fund, a copy of which is attached as the appendix to this report, and seek the Board's views as part of the consultation.

Background

2. On 1st November 2016 new Local Government Pension Scheme (LGPS) Investment Regulations became effective. 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.
3. The Investment Strategy Statement was first agreed by the Local Pension Committee on 17 January 2017. The Appendix is a updated version, however the principals within it have remained the same.
4. At its meeting on 8th November 2019, the Committee considered a report on the draft ISS. The resolutions included approval to undertake consultation on the draft strategy with employers and employee's, ending 31st December 2019. The outcome of the consultation and a final version of the ISS will be brought to the Local Pension Committee for approval at its meeting on 24 January 2020.

Statutory Background

5. 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

6. 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.
7. Within the Leicestershire Fund there is clearly defined governance around the setting of a Strategic Benchmark for the Fund by the Local Pension Committee, with this strategy being implemented based on decisions agreed either by the Committee or the Investment Subcommittee. There is the ability to utilise the Director of Corporate Resources' delegated powers, subject to consultation with the Chairman of the Committee, 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 regular amendment unless there are fundamental changes to the Fund's approach.

Next Steps

8. The report will be updated for relevant feedback received before 31st December 2019, final approval by the Local Pension Committee on 24 January 2020.

Recommendation

9. It is recommended that the Local Pension Board comment on the draft Investment Strategy Statement.

Equal Opportunities Implications

None specific.

Background Papers

17 January 2016 – Local Pension Committee - Draft Investment Strategy Statement
<http://politics.leics.gov.uk/documents/s125629/Appendix%20-%20Draft%20Investment%20Strategy%20Statement.pdf>

Appendix

Draft Investment Strategy Statement

Officers to Contact

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