

Report of: Corporate Director of Resources

| Meeting of: | Date | Agenda item | Ward(s) |
|--------------------------------------|-----------------|--------------------|----------------|
| Pension Board/Pensions Sub-Committee | 8 December 2020 | | n/a |

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| Delete as appropriate | Exempt | Non-exempt |
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SUBJECT: INVESTMENT STRATEGY STATEMENT UPDATE**1. Synopsis**

- 1.1 The LGPS (Management and Investment of Funds) Regulation 2016, were laid before parliament on 23 September 2016 and came into force from 1st November 2016 and required all funds to publish an Investment Strategy Statement (ISS) by 1 April 2017.
- 1.2 The ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused. The ISS must also include 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.
- 1.3 As part of the Actuarial valuation process the existing strategic asset allocation was reviewed. Members have since had the strategy COVID 19 stress-tested and agreed the new allocation at the September meeting. The draft ISS (attached as Appendix 1) is now being updated to reflect the new strategic asset allocation and agreed before it can be published.

2. Recommendations

- 2.1 To note the draft ISS document tracked (attached as Appendix 1)
- 2.2 To agree the changes and instruct officers to publish the new ISS.

3. Background

Introduction

- 3.1 The LGPS (Management and Investment of Funds) Regulation 2016, were laid before parliament on 23 September 2016 and came into force from 1st November 2016 and required all funds to publish an Investment Strategy Statement (ISS) by 1 April 2017.
- 3.2 The ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused. The ISS must also include 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.
- 3.3 As part of the 2019 actuarial valuation process the investment strategy was reviewed to ascertain the risk and return parameters that could deliver the long-term investment target return to maintain affordability and pay our pensioners. The existing strategic asset allocation was amended. Post March 2020, the Covid 19 pandemic had an adverse impact on economic outlook and as such, the asset allocation was stress tested to ensure it was still suitable. Members agreed the strategy in their last meeting in September and the ISS needs to be amended to reflect the changes.
- 3.4 The main changes are the addition of private debt and multi asset credit asset classes and the removal of diversified growth and corporate bonds in the table of "paragraph 3- *Investment strategy and the process for ensuring suitability of investments.*" Members are asked to agree the tracked changes to the ISS so it is up to date, and published.
- 3.5 In order to comply with the guidance administering authorities must take proper advice, however the source is not prescribed. The Fund will therefore take advice from its investment advisors and actuary as well as consult the Pension Board.

4. Implications

4.1 Financial implications

- 4.1.1 The cost of providing independent investment advice is part of fund management and administration fees charged to the pension fund.

4.2 Legal Implications

- 4.3 The LGPS (Management and Investment of Funds) Regulation 2016, were laid before parliament on 23 September 2016 and came into force from 1st November 2016 and requires all funds to publish an Investment Strategy Statement (ISS) by 1st April 2017. The ISS must include 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.

The ISS has been designed to be a living document and is an important governance tool for the Fund and must be consulted and receive advice on its preparation.

- 4.4 **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:**

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

4.4 **Resident Impact Assessment**

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

- 4.4.1 An equalities impact assessment has not been conducted because this report is an update on existing exercise and the consultation of employers will mitigate any inequality issues.

5. **Conclusion and reasons for recommendation**

- 5.1 Members asked to review and agree the updates to the draft ISS (attached as Appendix 1) and instruct officers to publish the updated document.

Background papers:

None

Final report clearance:

Signed by: Corporate Director of Resources Date

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