

<b>Committee:</b> Local Government Pensions Board	<b>Date:</b> 26 April 2017
<b>Subject:</b> Pension Fund – Investment Strategy Statement	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Kate Limna – Chamberlain’s Department	

### **Summary**

As the administrating authority for the City of London Pension Fund, the City of London is required, under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 to publish an Investment Strategy Statement by 1 April 2016.

The Investment Strategy Statement (ISS) replaces the Statement of Investment Principles (SIP) which administering authorities were required to publish under earlier Regulations. Whilst there are similarities between the two documents the key changes include the approach to pooling, an increased emphasis on social, environmental and governance issues and a summary of assets to be held outside the pool.

In order to meet the 1<sup>st</sup> April deadline, at its meeting on 2<sup>nd</sup> February 2017 the Financial Investment Board delegated authority to the Town Clerk in consultation with the Chairman and Deputy Chairman to approve the Investment Strategy Statement. Approval under delegated authority was agreed on 24 March 2017

It should be noted that the ISS is a live document and is expected to be reviewed and if necessary revised from time to time and at least every three years on an ongoing basis .

### **Recommendation**

Members of the Pensions Board are asked to note the Investment Strategy Statement.

### **Main Report**

#### **Background**

1. Members are aware that there is now a requirement for all 89 Local Government Pension Schemes (LPGS) to pool their assets into five or six pools of approximately £25bn. The City of London is the Administering Authority for the City of London Pension Fund and is part of the London pool - the London Collective Investment Vehicle (CIV) - along with the other 32 London authorities.
2. As part of the Government’s new investment regulations, The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, (the

2016 Regulations) came into effect on 1 November 2016. These Regulations replaced the previous 2009 Investment Regulations.

### **Current Position**

3. Under the 2009 Investment Regulations, each administering authority had to prepare and maintain a Statement of Investment Principles (SIP). Under the 2016 Regulations each Administering Authority is required to publish an Investment Strategy Statement (ISS) by 1 April 2017. This is a “living” document and is subject to periodic review at least every three years and without delay after any significant change in investment policy. The ISS directly replaces the SIP. In addition, the Department for Communities and Local Government have issued guidance on preparing and maintaining an ISS.
4. The 2016 Regulations are specific about what is to be included within the ISS. The Administering Authority should consult such persons as it considers appropriate as to the content of the ISS. The ISS must include the following:
  - (a) a requirement to invest fund 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 (ESG) 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 the rights (including voting rights) attaching to investments.
5. The ISS must also disclose the maximum it will invest in any one asset class or investment, as a percentage of the total Fund value. It may not invest more than 5% of the total Fund value in “local” investments. The table below compares the SIP and the ISS.

<b>Regulation</b>	<b>ISS</b>	<b>SIP</b>
7(1) Compliance with any guidance issued by the Secretary of State	Must Comply	Comply or explain
7(2)(a) Requirement to invest in a wide range of investments	Must include	Disclose asset class & allocations
7(2)(b) Assessment of suitability of investments	Yes	Yes
7(2)(c) Approach to risk; including the measurement and monitoring risk	Yes	Yes
7(2)(d) Approach to pooling, including the use of shared services	Yes	N/A
7(2)(e) Policy on how ESG considerations are taken into account when making investment decisions	Yes	Yes(if applicable)
7(2)(f) Policy on the exercising of voting rights	Yes	Yes (if policy in place)
7(3) Maximum % of total investments in particular asset class	Yes	No
7(4) Maximum 5% of total investments in 'local' entities connected with the Council	Yes	No
7(5) Required to consult with appropriate persons	Yes	Yes
7(6) Required to publish no later than 1 April 2017	Yes	Yes
7(7) Required to review investment strategy	Minimum once every three years	Yes
7(8) Invest in accordance with the strategy	Yes	Yes

6. The ISS is a “live” document and it is expected to be refined within the next 12 months.

## **Conclusion**

7. As the administering authority for the City of London Pension Fund, the City of London is required, under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, to publish an Investment Strategy Statement by 1 April 2017. This is a “living” document and is expected to be reviewed and if necessary revised from time to time and at least every three years.

## **Appendix**

City of London Pension Fund – Investments Strategy Statement

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