

PENSIONS COMMITTEE – 16 MARCH 2018

Report of the Director of Finance & Resources

Funding Strategy Statement and Investment Strategy Statement

Recommendations of the Chairman

1. That the Pensions Committee notes the minor amendments to the Funding Strategy Statement (FSS).
2. That the Pensions Committee notes the updates made to the Investment Strategy Statement (ISS) to more accurately reflect the governance arrangements in relation LGPS Central Ltd and also the reference to the Responsible Investment Policies of LGPS Central Ltd.

Background

3. All Local Government Pension Scheme (LGPS) Funds are required to prepare, maintain and publish FSS and ISS documents. The FSS must be formulated, maintained and published in accordance with the Public Service Pension Act 2013, whilst the ISS must be formulated, maintained and published in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
4. In preparing maintaining and reviewing both statements, the administering authority must have regard to guidance published by CIPFA. The latest such guidance for both documents was published in September 2016.
5. Whilst a full review of the FSS should be undertaken at each valuation and at least every three years for the ISS, it is considered good practice to review and update both documents annually, to reflect changes in the year.

Funding Strategy Statement (FSS)

6. The FSS governs how employer liabilities are measured, the pace at which these liabilities are funded and how employers, or pools of employers, pay for their own liabilities.
7. The changes to the CIPFA guidance meant that the Fund's FSS required major alterations to maintain compliance with the new guidance and the current LGPS and Fund environment. The FSS was consulted upon and approved by the Pensions Committee at its meeting in March 2017.
8. The FSS has been reviewed in conjunction with the Pension Fund's advisors Hymans Robertson, and this has resulted in several minor amends. The full document can be viewed at:

Investment Strategy Statement (ISS)

9. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force in 2017 and under Regulation 7(6) and 7(7), the ISS had to be published by 1 April 2017 and kept under review and revised from time to time and at least every three years.
10. The ISS is a document that replaced and largely replicates, the previous Statement of Investment Principles (SIP). Authorities are required to prepare and maintain an ISS which documents how the investment strategy for the Fund is determined and implemented. The ISS is required to cover a number of areas, specifically:
 - The requirement to invest money across a wide range of investments.
 - An assessment of the suitability of particular investments and investment types.
 - The maximum percentage authorities deem should be allocated to different asset classes or types of investment, although limits on allocations to any asset class are not prescribed as they previously were under the 2009 Regulations.
 - The authority's attitude to risk, including the measurement and management of risk.
 - The authority's approach to investment pooling;
 - The authority's policy on social, environmental and corporate governance considerations.
 - The authority's policy with regard to stewardship of assets, including the exercise of voting rights.
11. The April 2017 version of the ISS has been reviewed and changes are considered necessary to better reflect the arrangements in place for asset pooling with effect from 1 April 2018. And also to better reflect LGPS Central's policies on social, environmental and corporate governance (Responsible Investment) which the Fund will be adopting as assets move into the management of company. The full document can be viewed at:

<https://www.staffspf.org.uk/Finance-and-Investments/Statement-of-Investment-Principles/Investment-Strategy-Statement.aspx>

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Background Documents:

Public Service Pensions Act 2013
The Local Government Pension Scheme (Management and Investment of Funds)
Regulations 2016

Appendix 1

Legal implications: The legal implications are considered in the body of his report.

Resource and Value for money implications: The direct cost of producing the FSS is relatively small. It is published only on the web site. The resource and value for money implications are included in the body of the ISS report.

Risk implications: The publication of an FSS and an ISS are requirements of the Local Government Pension Scheme Regulations 2016.

Climate Change implications: There are no direct implications arising from this report.

Health impact assessment screening: There are no direct implications arising from this report.

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