

Local Members Interest	
Nil	

PENSIONS COMMITTEE – 17 MARCH 2017

Report of the Director of Finance & Resources

Funding Strategy Statement and Investment Strategy Statement

Recommendations of the Chairman

1. That the Funding Strategy Statement (FSS) attached as Appendix A is approved.
2. That the Investment Strategy Statement (ISS) attached at Appendix B is provisionally approved, subject to any amendments required following consultation with interested parties. And that the approval of the final version of the document be delegated to the Director of Finance and Resources in consultation with the Chair of the Pensions Committee, in order that 1 April 2017 deadline for publishing the ISS can be met.

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. Both documents must be reviewed annually and issued for consultation during each triennial valuation. The Pensions Committee must formally approve the FSS and ISS as part of the triennial valuation.
4. A full review of the FSS has been undertaken at this valuation and the ISS has been produced in accordance with the new regulations, taking into account the findings of the valuation process.
5. In preparing maintaining and reviewing both statements, the administering authority must have regard to guidance published by CIPFA. The latest guidance for both documents was published in September 2016.

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 draft FSS was submitted to the Committee at its October meeting, as an integral part of the valuation process.
8. Following a consultation with interested parties there were no material responses to return to the committee meeting on 9 December 2016. The Committee should be aware though that during February, after the closure of the consultation, an employer from the education group, challenged the change to the way they are now regarded by the Fund due to their lack of covenant. No further communication has been received at the point of writing this report, so it has to be assumed that the response providing the rationale for the changes has been accepted.
9. The Committee agreed at its meeting on 21 October 2016, that the FSS would be finalised by officers in consultation with the Chair. As this has not yet happened the Committee is being asked to approve the final document at today's meeting.

Investment Strategy Statement (ISS)

10. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 introduced several key areas of reform:
 - (i) The previous 'prescribed' means of securing a diversified investment strategy were removed and instead the onus is now placed on authorities to determine the balance of their investments and take account of risk;
 - (ii) The introduction of safeguards to ensure that the more flexible legislation is used appropriately and that the guidance on pooling assets is adhered to. This includes a power for the Secretary of State to intervene in the investment function of an administering authority where they consider it necessary.
 - (iii) The obligation for administering authorities to formulate an Investment Strategy Statement (ISS) in accordance with the governments' guidance on such and publish it by 1 April 2017.
11. The new 2016 Investment Regulations can be accessed following the link below:

http://www.legislation.gov.uk/uksi/2016/946/pdfs/uksi_20160946_en.pdf
12. The ISS is a document that replaces 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 is currently the case 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.
13. Under Regulation 7(6) and 7(7), the statement must be published by 1 April 2017 and then kept under review and revised from time to time, at least every three years. The draft ISS for the Staffordshire Pension Fund is attached in Appendix B.
14. Under Regulation 7(5), the authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy. In the formulation of our ISS, the Fund has initially consulted with its investment advisors and the Pensions Panel. There is also a current consultation open with employers and other interested parties via the Fund's website. As this consultation does not close until 24 March 2017, the Committee are asked to delegate approval of the final version of the ISS to the Director of Finance and Resources in consultation with the Chair of the Pensions Committee, in order that the 1 April 2017 deadline for publishing the document can be met.

Andrew Burns
Director of Finance and Resources

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Background Documents:

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

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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