

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	7 DECEMBER 2018	AGENDA ITEM NUMBER
TITLE:	Draft Revised Investment Strategy Statement	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Draft Investment Strategy Statement Appendix 2 – Regulations checklist Appendix 3 – Pension Board comments		

1 THE ISSUE

- 1.1 The Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016 (the regulations), require administering authorities to publish and maintain an Investment Strategy Statement (ISS). There is also guidance accompanying the Regulations.
- 1.2 The regulations state that the ISS must be kept under review and revised from time to time particularly when there is a material change in risk, and reviewed at least every three years. The current statement has been revised to include changes made to the Investment Strategy (specifically the Risk Management Framework and Equity Protection Strategy) and the Brunel Pension Partnership.
- 1.3 The Pension Board have reviewed the Draft ISS for compliance with the regulations. The Committee is asked to consider the Board's comments before agreeing the final version of the ISS for publication.

2 RECOMMENDATION

That the Committee:

- 2.1 **Notes the conclusion from the Pension Board that the Draft ISS complies with the regulations and statutory guidance.**
- 2.2 **Notes the comments from the Pension Board and agrees a process for consulting with the Board on Social, Environmental and corporate governance factors when reviewing policy as articulated in 5.6 below.**
- 2.3 **Approves the ISS for publication.**

3 FINANCIAL IMPLICATIONS

- 3.1 There is provision in the 2018/19 budget for the advisors to review the Investment Strategy Statement.

4 INVESTMENT STRATEGY STATEMENT

- 4.1 The regulations provide a prudential framework within which the Fund is required to manage the investment assets in the best long term interests of scheme members and other stakeholders.
- 4.2 The ISS must be consistent with the Funding Strategy Statement to ensure that there will be sufficient funds to meet the pension benefit payments as they fall due over time.
- 4.3 The ISS will be reviewed regularly during the transition of assets to Brunel, at least annually. Officers will update the investment mandates (Appendix 1 to the ISS) and any other implementation aspects as required between annual reviews.

5 REVIEW BY PENSION BOARD

- 5.1 The Pension Board is responsible for ensuring the Fund complies with the regulations, including those relating to its statutory documents such as the ISS.
- 5.2 The Board's comments are in Appendix 3 with the responses from Officers which were discussed with the Board at their meeting on 8 November 2018. The comments fall into 3 categories
- a) drafting and presentational;
 - b) queries regarding our Environmental, Social and Governance policies and
 - c) how the Board engages on such issues in the future.
- 5.3 The Board confirmed that the draft ISS complies with the regulations and statutory guidance.
- 5.4 In addition, the Board has a statutory role under LGPS Regulation 7 (2) concerning how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention, and realisation of investments.
- 5.5 The statutory guidance on this regulation is as follows:
- In formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority
- a) must take proper advice
 - b) **should explain the extent to which the views of their Local Pension Board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors**
 - c) must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments
 - d) should explain their approach to social investments.
- 5.6 Most of the Board's comments refer to this guidance. The Board have highlighted policy issues around Environmental, Social and Governance factors which would need to be discussed within the full Responsible Investing Policy

(RIP). It was agreed to invite the Board to relevant strategic review meetings in order that

- a) They understand the context of the Fund's RIP,
- b) They understand the issues debated by the Committee and how these are considered within the wider strategic policy framework
- c) Their views can be taken into account on non- financial factors.

5.7 It was agreed that the Board would only review the ISS when material changes were made to the strategic policy (normally following a strategic review). The ISS will be circulated informally following revisions due to implementation changes including the transition of assets to Brunel, in line with Committee arrangements.

5.8 The Draft ISS is in Appendix 1 for Committee to approve. It has been revised following comments from the Board to clarify and improve understanding.

5.9 A checklist against the regulations and guidance is set out in Appendix 2.

6 RISK MANAGEMENT

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

6.2 The Investment Strategy Statement is the main investment document that addresses the management of the investment risks identified in the Risk Register.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary.

8 CONSULTATION

8.1 Pension Board; Investment Consultant.

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 Set out in the report.

10 ADVICE SOUGHT

10.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	Liz Woodyard, Investments Manager 01225 395306
Background papers	LGPS Regulations and Government Guidance
Please contact the report author if you need to access this report in an alternative format	