

# Pensions Committee

## 22 March 2017

<b>Report title</b>	Investment Strategy Statement	
<b>Originating service</b>	Pension Services	
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### Recommendations for approval:

The Committee is asked to approve the Investment Strategy Statements (ISSs) drafted for the West Midlands Pension Fund (WMPF) and West Midlands Integrated Transport Authority Pension Fund (WMITAPF), noting that:

1. The ISSs have been prepared to replace the existing Statement of Investment Principles (SIPs) in line with the statutory requirement from 1 April 2017.
2. In line with guidance issued by DCLG, the ISSs include details of the Funds' approach to investment pooling and further details on responsible investment activity.
3. The WMPF ISS has been updated to reflect the restructuring of the Strategic Investment Allocation Benchmark (SIAB) proposed following the Investment Strategy review.
4. A copy will be published on the Funds website and has been reviewed by the Fund's advisors.

## **1.0 Purpose**

- 1.1 To present for Committee review and approval, the Investment Strategy Statements prepared for the WMPF and WMITAPF.

## **2.0 Background**

- 2.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, in force from 1 November 2016, require Administering Authorities to publish their first Investment Strategy Statement (ISS) by 1 April 2017. The ISS replaces the current Statement of Investment Principles (SIP) and under the new Regulations must be prepared in accordance with the statutory guidance issued by DCLG in September 2016.
- 2.2 To comply with the new regulations and guidance, the ISS must include
- a) A requirement to invest 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 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 rights (including voting rights) attaching to investments.

## **3.0 Preparation of the new Investment Strategy Statements**

- 3.1 The current Statements of Investment Principles (SIPs, last reviewed and updated in September 2016) already cover the vast majority of information required for inclusion in the ISS. The Fund has an established Responsible Investment Framework.
- 3.2 Draft wording for inclusion in the ISS was considered by the Investment Advisory Panel (WMPF) and Investment and Funding Strategy Panel (WMITAPF) in November/December 2016. The Fund's compliance statement, setting out how the Fund supports and applies the principles of the UK Stewardship Code for Institutional Investors was review and updated in December 2016. This is published on the Fund website together with the Fund's Responsible Investment Framework and details of the Fund's voting and engagement activity.
- 3.3 Following review of the WMPF investment strategy, the Strategic Investment Allocation Benchmark (SIAB) contained within the ISS has been updated to reflect the strategic allocation of Fund assets and the benchmarks and bandings these will be managed within.

- 3.4 In preparing the ISSs, the supporting investment benefits have also been reviewed and updated to ensure these capture the views underlying the investment strategies adopted by the Pensions Committee.
- 3.5 The SIAB is reviewed annually and both Fund's ISSs are reviewed annually to ensure they remain up to date and reflect any changes to implementation of the investment strategy.
- 3.6 The proposed Investment Strategy Statement for the WMPF is contained in Appendix A and WMITAPF in Appendix B. The Compliance Statement relating to the UK Stewardship Code is included in Appendix C

#### **4.0 Financial implications**

- 4.1 This report contains no direct financial implications

#### **5.0 Legal implications**

- 5.1 Regulation 8 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with the guidance issued by DCLG.

The Secretary of State's power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

The power of Direction can be used in all or any of the following ways:-

- a) To require an administering authority to make changes to its investment strategy in a given timescale;
- b) To require an administering authority to invest assets as specified in the Direction;
- c) To transfer the investment functions of an administering authority to the Secretary of State or a person nominated by the Secretary of State; and
- d) To require an administering authority to comply with any instructions from either the Secretary of State or the appointed person in circumstances when the investment function has been transferred.

#### **6.0 Equalities implications**

- 6.1 This report contains no equal opportunities implications.

#### **7.0 Environmental implications**

- 7.1 This report contains no direct environmental implications.

## **8.0 Human resources implications**

8.1 This report contains no direct human resources implications.

## **9.0 Corporate landlord implications**

9.1 This report contains no direct corporate landlord implications.

## **10.0 Appendices**

10.1 Appendix A – Investment Strategy Statement for the WMPF

10.2 Appendix B – Investment Strategy Statement for the WMITAPF

14.2 Appendix C – Compliance with the UK Stewardship Code for Institutional Investors 2016

## **11.0 Schedule of background papers**

11.1 DCLG guidance on preparing and maintaining an investment strategy statement (September 2016)

<https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement>

11.2 Statement of Investment Principles (September 2016)

<http://www.wmpfonline.com/CHttpHandler.ashx?id=7813&p=0>