

Croydon Council

REPORT TO:	PENSION COMMITTEE 7 March 2017
AGENDA ITEM:	9
SUBJECT:	Investment Strategy Statement
LEAD OFFICER:	Richard Simpson Executive Director of Resources
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Ensuring that the pension fund is being given appropriate guidance and direction through the governance of the Pension Committee.	
FINANCIAL SUMMARY: There are no direct financial consequences to this report. However the implications of decisions taken by this Committee can be significant for the Revenue Account of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1 RECOMMENDATIONS
1.1 That the Committee adopt the Investment Strategy Statement attached at Appendix A.

2 EXECUTIVE SUMMARY

- 2.1 Administering Authorities are required under the Local Government Pension Scheme's regulatory framework requires to publish an Investment Strategy Statement. This is a new requirement introduced by the 2016 regulations. This report presents the Statement.

3 DETAIL

- 3.1 The Department for Communities and Local Government unusually issued guidance on the preparation and maintenance of an Investment Strategy Statement in September 2016, in advance of the regulations being made. This guidance was prepared to assist administering authorities in the formulation, publication and maintenance of their Investment Strategy Statement required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 3.2 Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State. This Statement 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.
- 3.2 The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. This, in effect, replaces Schedule 1 to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the 2009 Regulations"). This is similar to the Prudential approach adopted for treasury management. Given the requirement to set out a maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes on investment, more flexibility has been added to the ranges stated in the Investment Strategy Statement, to ensure the Fund remains compliant with the 2016 Regulations. The desired target asset allocation and range still remains as agreed by the Pensions Committee in September 2015 namely:

Equities including allocation to emerging markets.	42%	+/- 5%
Fixed interest	23%	+/- 5%
Alternates	34%	+/- 5%
<i>Comprised of:</i>		
Private Equity	8%	
Infrastructure	10%	
Traditional Property	10%	
PRS	6%	
Cash	1%	
	100%	

3.3 This statement must be published by 1st April 2017 and then kept under review and revised from time to time and at least every three years.

3.4 Members of the Committee are invited to comment on the statement attached at Appendix A and are recommended to adopt it, subject to any comments being incorporated into a final version.

4 CONSULTATION

4.1 Officers have fully consulted with the Pension Fund's advisers in preparing this report.

5 FINANCIAL CONSIDERATIONS

5.1 This report deals with the governance arrangements for the Local Government Pension Scheme.

6 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Acting Council Solicitor comments that there are no additional legal implications arising from the recommendations within the report beyond those already highlighted within the body of the report.

(Approved for and on behalf of Jacqueline Harris-Baker, Acting Council Solicitor and Acting Monitoring Officer.)

7 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

7.1 There are none.

CONTACT OFFICER:

Nigel Cook – Head of Pensions and Treasury
Resources Department, ext. 62552.

Appendix A:
Draft Investment Strategy Statement