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| Non-Executive Report of the: PENSIONS COMMITTEE Monday, 13 March 2023 |  TOWER HAMLETS |
| Report of: Caroline Holland, Corporate Director Resources | Classification: Appendix 1 to this report is exempt |
| Investment Strategy Statement (ISS) draft | |

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| Originating Officer(s) | Miriam Adams |
| Wards affected | (All Wards) |
| Exempt information | The appendix to this report include information that has been exempted from publication. Information relating to the financial or business affairs of any particular person (including the authority handling the information) |

This report and appendices are not for publication as they contain exempt information relating to the financial or business affairs of a particular person as defined in and paragraph 3 of schedule 12A of the Local Government Act 1972.

Executive Summary

The Local Government Pension Scheme (LGPS) – Management & Investment of Funds Regulations 2016 introduced a prudential framework for investment decision making, introduced a Power of Direction for the Secretary of State to intervene in the investment function of an Administering Authority of deemed necessary, and required all funds to publish an Investment Strategy Statement (ISS).

Recommendations:

The Pensions Committee is recommended to:

1. Note the content of this report.
2. Approve the draft Investment Strategy Statement as set out in Appendix 1 which includes a Statement of Commitment with the UK Stewardship Code.

1. REASONS FOR THE DECISIONS

- 1.1 It is a regulatory requirement for the Fund to produce a Investment Strategy Statement.

2. ALTERNATIVE OPTIONS

- 2.1 There is no alternative to this report because it is a regulatory requirement for Members of the Pensions Committee to publish a Investment Strategy Statement and associated policies.

3. DETAILS OF THE REPORT

- 3.1 The ISS is drafted in accordance with Regulation 7 of the Regulations and guidance issued from time to time by the Secretary of State. The ISS must include:
- A requirement to invest money in a wide variety of investments.
 - The authority's assessment of the suitability of particular investments and types of investments.
 - The authority's approach to risk, including the ways in which risks are to be measured and managed
 - The authority's approach to pooling of investments, including the use of collective investment vehicles and shared services.
 - 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 investment.
 - The authority's policy on the exercise of rights (including voting rights) in relation to investments.

Summary of main changes are as follows:

- 3.2 The Strategic Asset Allocation (SAA) and balance of investments have been updated to include a 5% reduction in Diversified Growth Fund and addition of a 5% asset allocation to Affordable Housing.

Review

- 3.3 Under [7] of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the administering authority must after taking proper advice, formulate an investment strategy.
- 3.4 The ISS has been prepared having taken advise from the investment adviser to the Fund Mercer, the actuary Hymans Robertson and the Fund's Independent Adviser.

Key Considerations for the Committee

- 3.5 As background, it is expected that the Department for Levelling Up, Housing and Communities (DLUHC) will consult on LGPS pooling and other investment issues in 2023. This may result in further amendment to the ISS depending upon the outcome.

Consultation

- 3.6 This draft ISS will be presented to the Board in and circulated to employers for consultation using email software. The final version will be presented to the Committee in June.

Publication

- 3.7 The ISS is made available through the following routes:
- A full copy linked in the annual report and accounts of the Fund.
 - Copy sent to the Fund actuary.
 - Copies made available on request.
 - Copy sent to employee/pensioner representative published on the Fund's website.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no direct equalities implications.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.
 - Data Protection / Privacy Impact Assessment.

Risk Management

- 5.2 Risk management is central to the LGPS; which are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are no direct resources issues for the Council however changes in the financial performance of the pension fund affects the pension fund deficit reflected in the council's account and the level of contributions payable by the Council and other employers.
- 6.2 Investment management expenses are met directly from the Fund.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Constitution delegates to the Pensions Committee the function of settling the overall strategic objectives for the Pension Fund.
- 7.2 The LGPS (Management and Investment of Funds) regulations 2016 (Regulation 7(7) requires the Committee to periodically (at least every three years) to review and if necessary, revise the investment strategy.
- 7 When performing its functions as administrator of the LBTH pension fund, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).
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Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

- Appendix 1 – Investment Strategy Statement 2023

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

List any background documents not already in the public domain including officer contact information.

- These must be sent to Democratic Services with the report
- State NONE if none.

Officer contact details for documents:

Miriam Adams Interim Head of Pensions & Treasury Ext 4248

Email: miriam.adams@towerhamlets.gov.uk