

Non-Executive Report of the: PENSIONS COMMITTEE 25 March 2021	
Report of: Kevin Bartle, Interim Corporate Director, Resources	Classification: Restricted
Investment Strategy Statement	

Originating Officer(s)	Miriam Adams, Interim Head of Pensions & Treasury
Wards affected	All

This report is exempt for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

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:

Pensions Committee is recommended to:

1. Note the content of this report.
2. Approve the Investment Strategy statement as set out in Appendix 1 which includes a Statement of Commitment with the UK Stewardship Code.
3. Agree to set a separate date for training and drafting of the Responsible Investment Policy and Climate Change Policy.

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 because it is a regulatory requirement for Members of the Pensions Committee to publish a Investment Strategy Statement and associated policies.

3. DETAILS OF REPORT

BACKGROUND INFORMATION

- 3.1 The ISS sets out the requirements of the LGPS legislation
- 3.2 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.
- 3.3 The ISS also covers the Fund's compliance with the CIPFA Pensions Panel Principles for investment decision making in the LGPS. The strategic asset allocation of the Fund can be found in section 4 of Appendix A of the ISS.

Consultation

- 3.4 The ISS has been prepared having taken advice from the investment adviser to the Fund Mercer, the actuary Hymans Robertson and the Fund's Independent Adviser.

Review

- 3.5 The ISS, which was previously approved by the Committee, is subject to periodic review at least every three years and without delay after any significant change in investment policy.

Proposed revisions

- 3.6 The proposed ISS, attached as appendix A, contains amendments incorporating recent recommendations agreed by Committee at its November and December 2020 meetings.

- 3.7 Aside from general cosmetic changes to remove sections no longer relevant, the main areas of amendment relate to the Equity allocation and Renewable Energy fund. Contained in para 4.0 and 6.0 in the attached appendix.

Publication

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

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 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 accounts and the level of contributions payable by the Council and other employers.
- 4.2 Investment management expenses are met directly from the Fund.

5. LEGAL COMMENTS

- 5.1 The Constitution delegates to the Pensions Committee the function of setting the overall strategic objectives for the Pension Fund.
- 5.2 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.
- 5.3 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).

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The London Borough of Tower Hamlets Pension Fund represents an asset to the Council in terms of its ability for attracting and retaining staff who deliver services to residents. The adoption of a Work Plan should lead to more effective management of the Fund.
- 6.2 A significant element of the Council's budget is the employer's contribution to the Fund. Therefore, any improvement in the efficiency of the Fund that leads

to improvement in investment performance or cost savings will likely reduce contributions from the Council and release funds for other corporate priorities.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 The preparation and production of the ISS ought to result in a more efficient process of managing the Pension Fund.
- 7.2 Without sound financial management of the Pension Fund, the Council and other employers in the Pension Fund could see increased volatility in their contribution rates and increases in the cost of providing for the benefits of scheme members.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 The Investment Strategy Statement addresses Sustainable Actions for the Fund.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 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.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 There are no any crime and disorder reduction implications arising from this report.
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Linked Reports, Appendices and Background Documents

Linked Report - NONE

Appendices

Appendix 1 – Investment Strategy Statement 2021

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

List of “Background Papers” used in the preparation of this report - NONE

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