

HERTFORDSHIRE COUNTY COUNCIL

LGPS PENSION BOARD

TUESDAY 14 MARCH 2017 AT 10:00AM

Agenda Item No:

8

INVESTMENT STRATEGY REVIEW

Report of the Director of Resources

Author: Patrick Towey, Head of Specialist Accounting (Tel: 01992 555148)

1. Purpose of the Report

- 1.1 To inform the Pension Board of the work of the investment strategy working group (ISWG) in the review of the Fund's investment strategy.

2. Summary

- 2.1 The investment strategy working group met for the first time on the 19 December 2016 and at this meeting the working group reviewed:

- The current risk and return objectives of the Fund
- How the funding level of the Fund had progressed since the investment strategy was last reviewed in 2010/11; and
- Whether 65/35 growth/defensive strategy was still reasonable.

The Mercer investment strategy update, attached as appendix A, provides some additional information on the working group discussion and strawmen portfolios that were considered at the meeting of this working group on the 8 February 2017.

- 2.2 The next meeting of the ISWG is scheduled to take place on the 7 March 2017. A verbal update from this meeting on the progress in the work to deliver the revised investment strategy will be provided at this Pension Board meeting. A draft investment strategy will go to the Pension Committee on 31st March 2017 for review and approval. The Fund, under the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, is required to have a new investment strategy in place by 1 April 2017.

- 2.3 The investment strategy will be approved by the Pension Committee at its meeting on the 31 March 2017. Given that there is no meeting of the Board before approval by the Committee, we propose circulating the draft strategy for comment by e-mail which will provide an opportunity for any feedback to the next Pension Committee meeting on 31 March 2017 for consideration.

3. Recommendations

3.1 That the Pension Board notes the content of this report.

4. Background

4.1 At the Pension Committee of 24 November 2016, the Committee agreed to establish a cross party working group of members to work with officers and the Fund's investment consultant Nick Sykes, Mercer to review the current investment strategy of the Fund and develop a new investment strategy which will meet the requirements of the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4.2 The guidance from Government requires Funds to look at a number of areas when reviewing and putting in place its new investment strategy and these are as follows:

- Investment strategy and the process for ensuring suitability of investments;
- Risk measurement and management;
- Approach to asset pooling;
- Social, environmental and corporate governance policy; and
- Policy of the exercise of rights (including voting rights) attaching to investments.

4.3 All Funds are required to have in place a revised investment strategy by the 1 April 2017.

5. Future meetings of the Investment Strategy Working Group review

5.1 The ISWG is due to meet on the 7 March 2017 to review the environmental, social and governance (ESG) policy for the Fund, and finalise any outstanding work from its meeting of the 8 February 2017.

5.2 The draft investment strategy will be approved by the Pension Committee on the 31 March 2017.

References:

Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.