

INVESTMENT STRATEGY REVIEW

Report of the Director of Resources

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1. Purpose of the Report

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

2. Summary

- 2.1 It was anticipated that an initial draft of the new investment strategy would be brought to this Pension Committee meeting for review and comment; however, the working group of officers/members has only had an opportunity to have two meetings to discuss the strategy since the last Pension Committee and the draft investment strategy will now come to this Committee at its meeting of 31 March 2017.

- 2.2 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 at 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. A verbal update from this meeting on the progress in the work to deliver the revised investment strategy will be provided at this Pension Committee meeting.

- 2.3 The next meeting of the ISWG will take place on the 7 March 2017. A draft investment strategy will come to this Committee on 31 March 2017 for review and approval. The Fund is required to have a new investment strategy in place by 1 April 2017.

3. Recommendations

3.1 That the Pensions Committee 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 will 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 come to this Committee on the 31 March 2017 for final review and agreement.

References:

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