

# CAMBRIDGESHIRE PENSION FUND



## Pension Fund Board

Date: 12 April 2017

Report by: HEAD OF PENSIONS

<b>Subject</b>	<b>Investment Strategy Statement</b>
<b>Purpose of the Report</b>	To present the Investment Strategy Statement to the Pension Fund Board.
<b>Recommendations</b>	<b>That the Pension Fund Board:</b>  1. Note the contents of the report
<b>Enquiries to</b>	Name: Paul Tysoe Tel: 01604 368671 Email: <a href="mailto:PHTysoe@northamptonshire.gov.uk">PHTysoe@northamptonshire.gov.uk</a>

## 1. Background

- 1.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") came into force on 1<sup>st</sup> November 2016 and revoke The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009(b) and The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2013(c).
- 1.2 The Regulations set out the requirement for the preparation and publication of the Fund's Investment Strategy Statement by no later than 1<sup>st</sup> April 2017.
- 1.3 The Investment Strategy Statement ("ISS") is a living document which will evolve as the Fund reviews its strategy and asset allocation as a result of the funding valuation. This will be via a process of consultation and approval by the Pensions Fund Committee over the next 12-18 months.
- 1.4 The ISS is a fund specific document but has drawn upon the agenda of collaboration and will benefit from evolving with pooling colleagues as the asset pooling strategy develops.
- 1.5 The Investment Sub Committee ("ISC") at its meeting on 16 February 2017 reviewed the draft ISS and agreed that it be put forward for approval to the Pension Fund Committee at the 23 March 2017 meeting,

## **2. Purpose of the report**

- 2.1. The purpose of this report is to present the ISS to the Pension Fund Board

## **3. Key points**

- 3.1. The ISS restructures the investment policy documentation of the Fund to comply with current guidelines and regulations.
- 3.2. The ISS contains a high level, dynamic asset allocation structure, which supports the long term focus of institutional investing mitigating the risk of reacting to short term market behaviors.
- 3.3. The asset allocation is structured around three main headings; Equities, Fixed Income and Alternatives. Tolerances are in line with those previously stated in the Statement of Investment Principles but are reported at a headline, rather than specific asset class basis.
- 3.4. Under asset pooling, passive equities will be pooled by summer 2017, with liquid, active assets expected to be pooled by 2021. Illiquid, long dated assets will continue to be managed on fund basis for at least the forthcoming asset allocation cycle.
- 3.5. Environmental, Social and Governance policies are to be stated in line with the Regulations. The Fund's Responsible Investment principles have been set out, and will evolve in line with collaborative efforts to develop a pool wide principles and policies.
- 3.6. The Regulations require that the Fund must consult such persons as it considers appropriate as to the contents of the ISS. Following the approval of the ISC to submit the ISS to the PFC for approval the ISS was published on the Fund's web site and notification sent to all stakeholders such as employers and the Chairman of the Local Pension Board inviting feedback.

## **4. Next Steps**

- 4.1. To develop the work programme for 17/18 to incorporate post valuation review of strategy asset allocation, and to update the Investment Strategy Statement as appropriate.

## **5. Recommendation**

- 5.1 That the Pension Fund Board:

1. Note the contents of the report

## **6. Relevant Pension Fund Objectives**

Have robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
Maximise investment returns over the long term within agreed risk tolerances.
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

## **7. Finance & Resources Implications**

7.1 Not applicable.

## **8. Risk Implications**

8.1 Risk(s) associated with the proposal:

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
None		

8.2 Risk(s) associated with not undertaking the proposal:

<b>Risk</b>	<b>Risk Rating</b>
The Fund may not publish its Investment Strategy Statement in line with the Regulations.	Amber

## **9. Communication Implications**

9.1 Not applicable.

## **10. Legal Implications**

10.1 Failure to publish the Fund's Investment Strategy Statement by 1<sup>st</sup> April 2017 would result in a breach of the Regulations.

## **11. Consultation with Key Advisers**

11.1 This paper has been produced in conjunction with the Fund's Investment Consultants, Mercer.

## **12. Alternative Options Considered**

12.1 Not applicable.

## **13. Background Papers**

13.1 Not applicable.

## **14. Appendices**

14.1 Appendix A – Investment Strategy Statement.

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	Not applicable.
Will further decisions be required? If so, please outline the timetable here	Not applicable.
Is this report proposing an amendment to the budget and/or policy framework?	No.
Has this report been cleared by Head of Pensions?	Mark Whitby – 21 March 2017