

Cambridgeshire
Pension Fund

Pension Fund Board
28 January 2022

Report by: Head of Pensions

Subject: Investment Strategy Statement

Purpose of the Report: 1. To present to the Pension Board a report on the revised Investment Strategy Statement (ISS) incorporating the Fund's Responsible Investment Policy.

Recommendations: The Pension Board is asked to note the report.

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1. Background

- 1.1 The Fund is required to maintain an Investment Strategy Statement as described by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 1.2 The ISS should set out the approach of the Pension Fund to investments that includes, amongst other things:
 - (a) a requirement to invest fund money in a wide variety of investments;
 - (b) the assessment of the suitability of different types of investments;
 - (c) the approach to risk, including the ways in which risks are assessed and managed;
 - (d) the approach to pooling investments;
 - (e) the policy on how social, environmental and corporate governance considerations are taken into account; and
 - (f) the policy on the exercise of the rights (including voting rights) attaching to investments.
- 1.3 The Fund's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.
- 1.4 The Fund must review and if necessary, revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions. The Fund last approved its ISS on 29 March 2018.
- 1.5 The Fund must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.
- 1.6 The Fund has recently undertaken a major review of its investment strategy to strengthen its RI principles.

2. Revised ISS

- 2.1 Following a significant amount of work over the last eighteen months by the Pension Fund Committee (PFC), Pensions Board and Fund Officers, with support from third party advisors, an enhanced approach to RI matters was incorporated in a draft of the Fund's ISS presented for review to the PC on 25 March 2021.
- 2.2 Subsequent to the 25 March meeting, a consultation was launched inviting feedback from Pension Fund employers and members on the contents of the draft ISS, with specific questions relating to the RI section.
- 2.3 Members of the Board and PFC reviewed the responses to the consultation at a workshop on 4 August 2021. Feedback from the survey was strongly supportive of the ISS and RI policy.
- 2.4 Following discussion, the attendees on 4 August requested that the RI policy should be enhanced by adding a commitment for the Fund's investments to have net zero carbon emissions by 2050, a date consistent with UK Government targets.
- 2.5 No other substantive changes were made to the RI policy or other sections of the ISS arising from the consultation, but the opportunity was taken to revisit the wording to improve the consistent usage and explanation of terminology.
- 2.6 A paper was presented to the PFC on 15 December 2022 with a final draft of the Investment Strategy Statement for approval. A copy of the PFC report is attached as Appendix A.
- 2.7 The approved ISS is attached as Appendix B and has been published on the Fund's web pages.

3. Public questions

- 3.1 It is noted that ahead of the PFC on 15 December seven questions were received from members of the public relating to a specific elements of the Fund's RI policy – primarily divestment from holdings in fossil stocks and the Fund's preference for engagement rather than divestment.
- 3.2 In response to the seven questions read out at the start of the meeting, the Head of Pensions read a prepared statement that re-iterated the policies set out in the ISS and noted that in early 2022 the Fund (at the Investment Sub Committee) will be considering plans for decarbonising the investment portfolio and to have clearly expressed carbon reduction targets as milestones. A copy of the questions and the Head of Pensions' statement is attached as Appendix C.
- 3.3 Individual tailored responses were also emailed to each of the questioners where additional detail had been requested.

3. Relevant Pension Fund Objectives

- 3.1 To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- 3.2 To ensure the long-term solvency of the Fund, taking a prudent long-term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.

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- 3.4 To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.

4. Risk Management

- 4.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

Risk	Residual risk rating
Failure to understand and monitor risk and compliance	Green
Failure to provide relevant information to the Pension Committee/Local Pension Board to enable informed decision making.	Green

- 4.2 The Pension Committee and Pension Board has a responsibility to ensure the ACCESS pool meets the Government's published criteria on asset pooling within the Local Government Pension Scheme universe.
- 4.3 The Fund's full risk register can be found on the Fund's website at the following link: [Pension Fund Risk Register hyperlink](#)

5. Finance & Resources Implications

- 5.1 There are no resources or financial implications arising from the paper.

6. Communication Implications

- 6.1 None.

7. Legal Implications

- 7.1 None.

8. Consultation with Key Advisers

- 8.1 Not applicable.

9. Alternative Options Considered

- 9.1 Not applicable.

10. Appendix

- 10.1 Appendix A - Report to the Pensions Committee 15 December 2021 – Investment Strategy Statement – without Appendices.
- 10.2 Appendix B - Revised Investment Strategy Statement.
- 10.3 Appendix C – Questions submitted to Pension Fund Committee by members of the public.
- 10.4 Appendix D - Statement read at the Pension Fund Committee on 15 December.

Checklist of Key Approvals

Has this report been cleared by Head of Pensions? Mark Whitby 11/01/2021