

## West Northamptonshire Council

### Local Pension Board

27/01/2022

### Mark Whitby – Head of Pensions

Report Title	Investment Strategy Statement
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#### Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	14/1/2022
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#### List of Appendices

**Appendix A – Report to the Pensions Committee 15 December 2021 – Investment Strategy Statement – without Appendices**

**Appendix B - Revised Investment Strategy Statement**

#### **1. Purpose of Report**

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1.1. To present to the Pension Board a report on the revised Investment Strategy Statement (ISS) incorporating the Fund's Responsible Investment Policy.

#### **2. Executive Summary**

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2.1 Following a significant amount of work over the last eighteen months by the Pension Committee (PC), 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 26 March 2021.

- 2.2 Subsequent to the 26 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 Responses to the consultation were strongly supportive of the ISS and RI policy. As a result, no substantive changes were made to the RI policy or other sections of the ISS, but the opportunity was taken to revisit the wording to improve the consistent usage and explanation of terminology.
- 2.4 A final draft of the ISS was approved by the PC on 15 December 2021. A copy of the covering report to the PC is attached as Appendix A and the approved ISS is attached as Appendix B.
- 2.5 The ISS has been published on the Fund's web pages together with a briefing on the outcome of the employer and scheme member consultation.

### **3. Recommendations**

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- 3.1 The Pension Board is asked to note the contents of the report.

### **4. Issues and Choices**

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- 4.1 The Fund is required to maintain an ISS as described by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 4.2 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.
- 4.3 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.
- 4.4 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 23 March 2018.
- 4.5 The Fund must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.
- 4.6 The Fund has recently undertaken a major review of its investment strategy to strengthen its RI principles.
- 4.7 Scheme employers and members were invited to feedback on the revised RI strategy incorporated in a draft ISS.

- 4.8 Responses received were strongly supportive of the ISS and RI policy. As a result, no substantive changes were made to the RI policy or other sections of the ISS, but the opportunity was taken to revisit the wording to improve the consistent usage and explanation of terminology.
- 4.9 A final draft ISS was presented to the PC for approval on 15 December 2021. The PC paper is attached as Appendix A and a copy of the approved ISS attached as Appendix B. The ISS has been published on the Fund’s web pages.

## 5. Implications (including financial implications)

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### 5.1 Resources and Financial

- 5.1.1 There are no resources or financial implications arising from the proposals.

### 5.2 Legal

- 5.2.1 There are no legal implications arising from the proposals.

### 5.3 Risk

- 5.3.1 The mitigated risks associated with the Fund’s investment strategy have been captured in the Fund’s risk register as detailed below.

Risk No.	Risk	Residual risk rating
Investment (Risk 3)	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund’s investments.	Amber
Investment (Risk 5)	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	Amber
Investment (Risk 20)	Failure to act appropriately upon expert advice and/or risk of poor advice.	Green
Investment (Risk 24)	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

The Fund’s full risk register can be found on the Fund’s website at the following link:  
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

### 5.4 Relevant Pension Fund Objectives

- 5.4.1 The following objectives have been considered in this report -

- To 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.
- To 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.
- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances, and affordability constraints of each employer.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.

## 5.5 **Consultation**

5.5.1 The scheme members and employers have been consulted as set out in section 4.

## 6. **Background Papers**

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6.1 None.