



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	23 January 2020
Classification:	General Release
Title:	Draft Investment Strategy Statement and Investment Beliefs
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1. EXECUTIVE SUMMARY

- 1.1 As per the Local Government Pension Scheme (LPGS) Management and Investment of Funds Regulations 2016 the Fund is required to publish an Investment Strategy Statement (ISS). Attached is a draft ISS for 2020, which sets out the Council's policy on investment, risk management, pooling and ethical, social and corporate governance issues for both its own investments and those being managed through the London CIV.
- 1.2 The Funds investment consultant, Deloitte, has also drafted a questionnaire with the aim of establishing a set of investments beliefs for the Fund which will be adopted and form a core part of the investment strategy going forward.

2. RECOMMENDATIONS

- 2.1 The Committee is invited:
 - a. To comment on the Investment Strategy Statement (ISS) and delegate authority to the Director of Treasury and Pensions in consultation with the Chairman to publish the final ISS.

- b. To consider and comment on the investment beliefs within the questionnaire as prepared by the investment advisor, this will assist in developing a set of core beliefs to be adopted by the Fund.

3. PROPOSALS AND ISSUES

Overview of the Investment Regulations – Investment Strategy Statement

- 3.1 The ISS sets out the requirements of the LGPS legislation and the Investment Committee's terms of reference. The ISS has been prepared in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) guidance on Preparing and Maintaining an Investment Strategy Statement. The six main objectives of the legislation are then detailed in relation to Westminster City Council's Pension Fund policies and strategies. These are:
- 3.2 Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments – This sets out how the investment strategy deals with diversification and return to meet the long term objectives of the fund;
- 3.3 Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment – this sets out how the Investment Committee assesses the suitability of Investments and measures their suitability;
- 3.4 Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed – this sets out how the Investment Committee assesses the different types of risk in order to establish what is acceptable to ensure that the fund meets its obligations;
- 3.5 Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles – this sets out the Investment Committee's approach to pooling and also what the London Collective Investment Vehicle (CIV) can offer in terms of Investment opportunities;
- 3.6 Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments – this sets out how the fund meets these obligations and also how potential investments with the London CIV will comply with these obligations;
- 3.7 Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments - this sets out how the fund meets these obligations and also how potential investments with the London CIV will be dealt with.
- 3.8 The ISS also deals in turn with the Funds compliance with the CIPFA Pensions Panel Principles for investment decision making in the LGPS (appendix A, ISS). These six principles cover a range of factors as follows:

- Effective decision-making
- Clear objectives
- Risk and Liabilities
- Performance Assessment
- Responsible Ownership
- Transparency and Reporting

- 3.9 The Funds compliance with the Stewardship Code (2020) guidance is set out within appendix B of the ISS. The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so. The London CIVs stewardship statement can be found within appendix C of the ISS.
- 3.10 The Funds Responsible Investment policy can be found within appendix D of the ISS. The purpose of this policy document is to lay out the fund's approach to how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.
- 3.11 The strategic asset allocation of the Fund can be found within Appendix E of the ISS (as per the recommended asset allocation following Deloitte's investment strategy review), this sets out the target allocation to a variety of assets as well as the review ranges. Once the review range of an asset is triggered a rebalancing exercise is undertaken to ensure the Fund stays within its target allocation limits. It is recommended that the Committee approves these asset review ranges.

Statement of Core Beliefs

- 3.12 The objective of the statement of investment beliefs is to set out the Fund's key investment beliefs. These beliefs will form the foundation of discussions, and assist decisions, regarding the structure of the Fund, strategic asset allocation and the selection of investment managers.
- 3.13 When considering the Committee's investment beliefs, it is useful to consider the six objectives within the LGPS (Management and Investment of Funds) regulations, as listed in section 3.1-3.7 of this report. A clear set of investment beliefs can help achieve good governance by providing a framework for all investment decisions.
- 3.14 There are a number of investment beliefs listed with the questionnaire drafted by the investment advisor, the Committee are invited to consider their views these statements as well as offering any of their own.

4 IMPLICATIONS FOR THE PENSION FUND COMMITTEE

- 4.1 The ISS presented, sets out the requirements of the MHCLG legislation in regards to the City of Westminster Pension Fund. It includes elements of the London CIV's ISS which will apply, to those items the Fund has invested through the London CIV.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS:

None.

APPENDICES:

Appendix 1 – Investment Strategy Statement

Appendix 2 – Investment Beliefs Questionnaire