

<b>REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES</b>		
<b>Transitions Update and Investment Strategy Statement Update</b>  <b>Pensions Committee</b> <b>23rd November 2021</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b> <b>Three</b>
	<b>Ward(s) affected</b>  <b>ALL</b>	<b>AGENDA ITEM NO.</b>  <b>9</b>

## **1. INTRODUCTION**

- 1.1. This report provides an update for the Committee regarding the implementation of Phase 1 of the approved investment strategy as approved at the Pensions Committee in January 2021, including a post trade report setting out the planning and execution of three major transitions completed during September and October 2021.
- 1.2. The report also sets out an updated interim Investment Strategy Statement for approval by Committee, taking account of the approved investment strategy.

## **2. RECOMMENDATIONS**

### **2.1. The Committee is recommended to:**

- **Note the reports at Appendix 1 and 2 setting out details regarding the implementation of the approved investment strategy.**
- **Approve the interim Investment Strategy Statement for publication on the Fund's website and within the Annual Report and Accounts.**

## **3. RELATED DECISIONS**

- Pensions Committee 14th January 2021 – Investment Strategy Review
- Pensions Committee 24 June 2020 - Investment Strategy Statement Update

## **4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES**

- 4.1. This paper sets out details of the implementation of the approved investment strategy, including the execution of three major transitions and the costs associated with these. It also presents a draft interim Investment Strategy Statement for Committee approval.

- 4.2. The Investment Strategy Statement helps to ensure that the Pensions Committee are fulfilling their responsibilities as quasi Trustees of the Fund and that the Fund's investment objectives and policies are clearly set out in line with the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016
- 4.3. There are no direct financial implications arising from this report.

## **5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE**

- 5.1. The Committee has responsibility for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions. Reviewing the execution of the implementation of the approved changes to the Fund's investment strategy clearly helps to fulfil this responsibility.
- 5.2. Regulation 7 of the 2016 Regulations requires the Administering Authority to formulate an Investment Strategy Statement (ISS) in line with guidance published by the Secretary of State. Broad powers allow the Government to intervene if an Administering Authority does not publish and maintain an ISS as set out in the guidance. Updating the ISS at this time ensures that the Fund remains compliant with Regulation 7.

## **6. INVESTMENT STRATEGY IMPLEMENTATION**

- 6.1. Appendix 1 to this report presents a report from the Fund's investment advisers summarising the implementation to date of the approved changes to mandates arising from the investment strategy review earlier this year.
- 6.2. It sets out the progress to date and shows that the vast majority of approved phase 1 has now been completed, with significant values amounting to an additional c30% of the fund's assets now transferred or committed to mandates offered via the London CIV.
- 6.3. Appendix 1 goes on to suggest further future actions that are required to complete the implementation of phase 1 and to progress phase 2. This looks at further opportunities to transition additional assets to mandates via the London CIV.
- 6.3. Appendix 2 provides a detailed analysis of the execution of the planning and implementation of three major transitions to LCIV. This report has been produced by MJ Hudson, appointed by LCIV to provide strategic oversight, advice and pre and post event analysis.

## **7. INTERIM INVESTMENT STRATEGY STATEMENT**

- 7.1. Appendix 3 to this report presents a draft interim Investment Strategy Statement (ISS) for review by the Committee. The statement is based on the Fund's current strategy and investments and is required to ensure that the statement reflects the approved strategy changes approved by the Committee earlier in the year.

- 7.2. The Committee last formally reviewed the ISS in June 2020.
- 7.3. The updates made to the statement relate primarily to the Fund's asset allocation, which has changed significantly since the statement was last approved.
- 7.4. It is intended that the ISS will be reviewed again after the Committee has finalised its review of the Fund's Responsible Investment approach.

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### **Appendices**

Appendix 1 - Hymans Transition Summary Report

Appendix 2 - Emerging Markets, Global Equities & DGF Transitions Post-Trade Report

Appendix 3 - Updated Investment Strategy Statement