

INVESTMENT STRATEGY STATEMENT

Reason for this Report

1. The Pension Committee Terms of Reference set out the Committee's responsibility for the strategic governance of the Cardiff & Vale of Glamorgan Pension Fund.
2. The Terms of Reference include the review and approval of the Fund's Investment Strategy Statement (ISS). The draft ISS is attached as an appendix to this report.

Background

3. The LGPS (Management and Investment of Funds) Regulations 2016 ('The Investment Regulations') came into force on 1 November 2016. The Investment Regulations require each LGPS administering authority to formulate and publish an investment strategy by 1 April 2017.
4. The Fund's initial Investment Strategy Statement (ISS) was approved by the Committee on 15 March 2017.

Issues

5. The Investment Regulations require an administering authority to review its ISS at least every three years.
6. A number of developments have occurred since the initial ISS was prepared which need to be reflected in an updated statement:
 - The launch of the Wales Pension Partnership
 - The amendments to the Strategic Asset Allocation approved by the Pensions Committee in July 2019 and expected to be fully implemented by 31 May 2020.
 - The development of the Fund's investment strategy to incorporate concerns on climate change risk and investment in fossil fuel producers.
7. Other proposed amendments include:
 - Removal of references to stock lending by the Fund's Custodian as the Fund will no longer directly hold segregated assets suitable for lending
 - Removal of references to currency hedging on Overseas Equities

8. The draft ISS is attached as Appendix 1 and the Strategic Asset Allocation for 2020-21 is attached as Appendix 2.

Legal Implications

9. Pursuant to the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2016, Regulation 7 the Administering Authority (“Authority”) is required, to formulate an investment strategy which must be in accordance with any guidance issued by the Secretary of State.
10. The Authority must in accordance with the Investment Regulations review and if necessary revise the ISS from time to time, and at least every 3 years, and publish a statement of any revisions. The Authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.
11. The recommendation seeks approval of the ISS. This is a technical document the content of which Legal Services are unable to comment upon. However, Legal Services understand that the Fund Investment /Advisory Panel have been consulted and that the Funds advisors have made recommendations, which have been incorporated into the ISS as attached in the Appendix hereto.
12. In considering this matter, the decision maker must have regard to the Council’s wider obligations under the Wellbeing of Future Generations (Wales) Act 2015, the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.
13. Any decision must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council’s fiduciary duty to its tax payers; and (h) be reasonable and proper in all the circumstances and comply with any equalities legislation

Financial Implications

14. No financial implications arise directly from this report.

Recommendations

15. That the Committee approves the revised Investment Strategy Statement.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES

Appendix 1 Investment Strategy Statement
Appendix 2 Strategic Asset Allocation 2020-21