

STATUTORY STATEMENTS AND TERMS OF REFERENCE– ANNUAL REVIEW

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Board before taking effect.
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Recommendation: that the Board review the Investment Strategy Statement and Compliance Statement and consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

1. Introduction

1.1. It is considered to be best practice to regularly review Fund policies and statements. There are a total of four statutory policies that the Fund is required to have and maintain which are:

- Funding Strategy Statement (review due April 2020)
- Investment Strategy Statement
- Communications Policy (review due October 2019)
- Governance Policy and Compliance Statement. (review January 2020)

1.2. In conducting the annual review of the Fund's policies, the Fund needs to consider whether current versions are still relevant, whether any new requirements have been imposed by legislation together with considering whether the Fund is conducting its business in the most efficient way securing the best outcomes for the members.

2. Investment Strategy Statement

2.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require each LGPS administering authority to have in place an Investment Strategy Statement. The guidance requires that the Investment Strategy Statement should be revised at least every three years, and when any significant changes are made to the Fund's investment strategy.

2.2. The Investment Strategy Statement required by the regulations must include:-

- (a) A requirement to invest money in a wide variety of investments;
- (b) The authority's assessment of the suitability of particular investments and types of investments;
- (c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- (d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- (e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

- (f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

- 2.3. Following the review of investment strategy undertaken by Mercer, a revised Investment Strategy Statement (ISS) was put together to reflect the outcome of the review. This sets the strategic asset allocation for 2019/20 and the opportunity was also taken to make other minor amendments. The revised Investment Strategy Statement attached as Appendix 1 was approved by the Investment and Pension Fund Committee in February 2019.
- 2.4. Section 2 of the ISS sets out the Fund's investment beliefs, and its strategic asset allocation. The strategic review carried out by Mercer proposes a direction of travel over the next five years, looking at the current scenario and how the asset allocation should develop following the transition to Brunel. The ISS sets out the target allocations proposed for 2019/20, and then a medium term target based on the direction of travel set out in Mercer's report, and the advice of the Fund's officers and the Independent Advisor. These include the new allocation to Low Volatility Equities and an increased allocation to infrastructure.
- 2.5. Section 3 of the ISS sets out the Fund's approach to risk and the ways in which risks are to be measured and managed. This section sets out the key risks facing the fund and how they are to be managed. The investment strategy needs to be set in such a way that appropriate risk is taken to generate the required returns, whilst minimising volatility and downside risk as much as is feasible.
- 2.6. Section 4 of the ISS sets out the Fund's policy in relation to the pooling agenda. This section has been updated to reflect the fact that the Brunel Pension Partnership is now operational, and managing some of the Fund's assets.
- 2.7. Following last year's review, the Financial Reporting Council has reassessed the Fund's stewardship policies and has determined that we have met the requirements to be designated as tier 1 signatories to the UK Stewardship Code. This is a significant step forward for the Fund and the previous aspiration to tier 1 status in the ISS has been amended to reflect that this has now been achieved.
- 2.8. The only other change is to update the list of priorities in Section 6 (d) to include Board Diversity, an issue raised by the Pension Board.

3. Pension Board Terms and Reference

- 3.1. Following the introduction of the Local Pension Board under the Public Service Pensions Act 2013, The Devon Pension Board formally adopted its terms of reference in its creation meeting in July 2015.
- 3.2. As a matter of good practice and effective governance, the Board is required each year to review their Terms of Reference ensuring they remain effective and reflective of the work and focus of the board.

4. Conclusion

- 4.1. The Board is asked to review the Investment Strategy Statement and consider whether it wishes to make any comments to the Investment and Pension Fund Committee.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

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