

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Pension Fund Committee

Date: 15 November 2023

Subject: Investment Strategy Statement

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Responsible Director: Phil Triggs, Tri-Borough Director of Treasury and Pensions

SUMMARY

- 1.1 The Local Government Pension Scheme (LPGS) Management and Investment of Funds Regulations 2016 requires LGSP funds to publish an Investment Strategy Statement (ISS). Attached is a draft ISS for 2023, which sets out the Fund's policy on investment, risk management, pooling and ethical, social and governance (ESG) issues for both its own investments and those being managed through the London CIV.
 - 1.2 Following the review of the investment strategy that commenced in February 2023, this paper introduces the draft Investment Strategy Statement for the LBHF Pension Fund, which is attached as Appendix 1 to this paper.
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RECOMMENDATIONS

The Committee is invited 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.

Wards Affected: None

| Our Values | Summary of how this report aligns to the H&F Values |
|--|---|
| Being ruthlessly financially efficient | Being an outperforming investor means that as part of the Pension Fund's fiduciary duty, its investments should be able to assist in making a positive financial contribution, sharing prosperity and lessening the financial impact on council taxpayers |

Financial Impact

The financial implications of the introduction of this policy will be continually monitored to ensure that members' pensions are safeguarded.

Legal Implications

None

DETAILED ANALYSIS

1. Overview of the Investment Regulations: Investment Strategy Statement

- 1.1. The ISS sets out the requirements of the LGPS legislation and the Committee's terms of reference.
- 1.2. The six main objectives of the legislation are then detailed in relation to the London Borough of Hammersmith and Fulham Pension Fund's policies and strategies. There are:
 - 1.3. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments – this sets out how the Fund's investment strategy deals with diversification and investment return to meet the long-term objectives of the Fund;
 - 1.4. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment – this sets out how the Committee assesses the suitability of Investments and measures that suitability;
 - 1.5. 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 Committee assesses the different types of risk in order to establish what is acceptable to ensure that the Fund meets its obligations;
 - 1.6. Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles – this sets out the Committee's approach to pooling and also what the London Collective Investment Vehicle (London CIV) can offer in terms of investment opportunities;
 - 1.7. Objective 7.2(e): How social, environmental and governance (ESG) 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;
 - 1.8. 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.

1.9. The ISS also deals in turn with the Fund's 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:

- 1.9.1. Effective decision-making
- 1.9.2. Clear objectives
- 1.9.3. Risk and liabilities
- 1.9.4. Performance assessment
- 1.9.5. Responsible ownership
- 1.9.6. Transparency and reporting

1.10. The Fund's 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.

1.11. 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.

2. Equality Implications

2.1. None

3. Risk Management Implications

3.1. The ISS presented sets out the requirements of regulation in regard to the London Borough of Hammersmith and Fulham Pension Fund.

4. Other Implications

4.1. None

5. Consultation

5.1. None

List of Appendices:

Appendix 1: LBHF Investment Strategy Statement 2023/24