

By: Chairman Superannuation Fund Committee
Corporate Director of Finance & Procurement

To: Superannuation Fund Committee – 4 November 2016

Subject: **INVESTMENT STRATEGY STATEMENT GUIDELINES**

Classification: Unrestricted

Summary: To report the new guidelines

FOR INFORMATION

INTRODUCTION

1. In September 2016 the Department for Communities and Local Government published new guidelines. This report summarises the main issues.

GUIDELINES

2. The guidelines are attached in the Appendix.
3. The main issues to highlight are:

- (1) 7(1) The requirement for the preparation of an Investment Strategy Statement by 1 April 2017.
- (2) 8 A new power for the Secretary of State:

“to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with the guidance.”

This is a new and very far reaching power and one of the issues specified is:

“To require an administering authority to invest in assets as specified in the Direction.”

It is difficult to avoid a conclusion that this could be a means of directing investment in UK Infrastructure.

- (3) 7(2)(b) The “suitability” test for a particular investment. Which whilst not a specific requirement currently is clearly an issue that the Committee would fully consider with advice. The guidelines are silent on what might be considered unsuitable.
- (4) 7(2)(d) A new requirement to set out “their approach to pooling and the proportion of investments which will be invested in the pool.”

The value for money of assets held outside the pool must be demonstrated.

Given that the first ISS will be published by April 2017 and updated every three years this could be seen as quite a light touch approach to “policing” pooling. It also leaves the door open for the Committee to consider maintaining investments outside of the pool if that gives better value for money ie lower investment manager fees.

- (5) 7(2)(e) This paragraph seems to support the Committee’s position of viewing Environmental, Social and Governance issues from a perspective of what is in the best financial interests of the Fund. The guidelines state:

“However, the Government has made clear that using pension policies to pursue boycotts, disinvestment and sanctions against foreign nations and UK defence industries are inappropriate, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government”

4. A draft ISS will be submitted to the Committee on 24 March.

RECOMMENDATION

5. Members are asked to note this report.

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Background documents - none