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## **FUND STRATEGY STATEMENT AND STATEMENT OF INVESTMENT PRINCIPLES 2019**

Report by Chief Financial Officer

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### **JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD**

**13 June 2019**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 **This report proposes the revised Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP) for 2019. Both these documents should be kept under review and be updated and approved annually in line with the Pension Fund's business plan. This report discharges that requirement.**
- 1.2 The Pension Fund is required by the Local Government Pension Scheme (LGPS) Regulations to have an up-to-date Statement of Investment Principles and Funding Strategy Statement.
- 1.3 **Appendix A** contains the Funding Strategy Statement
- 1.4 **Appendix B** contains the revised Statement of Investment Principles (SIP) for approval.

#### **2 RECOMMENDATIONS**

- 2.1 **It is recommended that committee approve:**
  - (a) **the Funding Strategy Statement set out in Appendix A and;**
  - (b) **the Statement of Investment Principles set out in Appendix B**

### 3 BACKGROUND

- 3.1 It is a requirement of the Local Government Pension Scheme (LGPS) Regulations that the Pension Fund maintains a Statement of Investment Principles (SIP) and keeps this under review.
- 3.2 Local Government Pension Scheme (LGPS)GPS administering authorities are also required by regulation to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These are referred to as the "Myners Principles" and the reporting of compliance with these principles, must be included in the SIP.
- 3.3 **Myners Principle 2: Clear Objectives** states that:  
An overall investment objective(s) should be set out for the fund that takes account of the schemes liabilities, the potential impact on local tax payers, the strength of covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

**Myners Principle 3: Risk and Liabilities** states that:

- In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.

These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

- 3.4 An authority can demonstrate compliance with these Myners Principles through the review of its investment objectives and the strategic asset allocation in light of updated actuarial valuations of the Fund's liabilities.
- 3.5 The 2017 Valuation of the Fund reported a 114% funding position in relation to the estimated assets held against future liabilities. This is a strong position for the Fund and it is important to continue to ensure that this position is maintained in the long term in order to meet the Fund's primary aim:

*"To provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefits basis."*

### 4 FUNDING STRATEGY STATEMENT

- 4.1 **Appendix A** contains the Funding Strategy Paper as approved by the Pension Fund Committee on 14 June 2018. The only change to the Statement is in para 2.3 to reflect the appointment of Hyman Robertson as the Funds actuary.

## 5 STATEMENT OF INVESTMENT PRINCIPLES

- 5.1 **Appendix B** contains the revised Statement of Investment Principles (SIP). The main amendments to the Statement are listed below:

Para		
4.5	Updated to reflect the mature position of the fund from a cash flow perspective.	
4.10	Updated to reflect revised fund managers	
4.14	Updated to reflect the revised target following the 2017 actuarial valuation and asset review	
4.19	Updated to reflect the mature position of the fund from a cash flow perspective.	
4.21	Updated to reflect appointment of Hyman Robertson as Actuary	
4.26	Updated to reflect revised asset allocation	
6.4	Updated to reflect Responsible Investment Policy approved 30 November 2018.	
Appendix 3	Updated to reflect revised asset allocation approved 13 September 2018.	
Appendix 4	Updated to reflect appointment of new managers.	
Appendix 5	Inclusion of approved Statement of Responsible Investment.	

## 6 IMPLICATIONS

### 6.1 Financial

The Statement of Investment Principles sets out the strategic framework to deliver the target returns required to meet the Fund's funding objectives. Successful delivery of these principles should ensure the stability of the funding position of the Pension Fund and therefore the stability of employer contribution rates.

### 6.2 Risk and Mitigations

This report is part of the governance framework to manage the operation of the Pension Fund and reflects the compliance with the best practice recommendations.

### 6.3 Equalities

An Equalities Impact Assessment has been carried out on this proposal and it is anticipated that there are no adverse equality implications.

### 6.4 Acting Sustainably

Social and environmental issues are set out in Section 6 of this report which demonstrates that the Council is acting sustainably.

### 6.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

**6.6 Rural Proofing**

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

**6.7 Changes to Scheme of Administration or Scheme of Delegation**

No changes are required as a result of this report.

**7 CONSULTATION**

7.1 The Monitoring Officer, the Chief Legal Officer, Chief Officer Audit and Risk, the Chief Officer HR, and the Clerk to the Council have been consulted and comments incorporated within the report.

**Approved by**

**David Robertson**  
**Chief Financial Officer**

**Signature .....**

**Author(s)**

Name	Designation and Contact Number
Kirsty Robb	Pension & Investment Manager

**Background Papers:**

**Previous Minute Reference:** Pension Fund Committee, 14 June 2018

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Pension & Investment can also give information on other language translations as well as providing additional copies.

Contact us at Pension & Investment Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 PSA  
Tel: 01835 825016  
email: t&cteam@scotborders .gov.uk