
FUND STRATEGY STATEMENT AND STATEMENT OF INVESTMENT PRINCIPLES 2022

Report by Director - Finance & Corporate Governance

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

17 March 2022

1 PURPOSE AND SUMMARY

- 1.1 This report proposes the revised Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP) for 2022. 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:**
 - (a) Note the Funding Strategy Statement set out in Appendix A and;**
 - (b) Approve 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 maintain a Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP), which are reviewed on a regular basis.
- 3.2 Local Government Pension Scheme (LGPS) 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 2020 Valuation of the Fund reported a 110% 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 4 March 2021. A review has been undertaken of the Strategy and no changes have been identified.

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	Amendment
4.8	Updated to reflect strategic asset allocation review undertaken in June 2021 and updated in December 2021
4.10	Updated to reflect changes in asset managers
4.14	Updated to reflect revised asset return target agreed as part of the triennial valuation
4.26	New bullet point added to highlight cashflow monitoring and reporting Second and third bullet points updated to reflect revised asset allocation
5.2	Updated to remove UBS passive equity and replaced with LGIM
Appendix 3	Updated to reflect approved strategic asset allocation and managers
Appendix 4	Updated to reflect changes in managers
Appendix 5	Replaced with Responsible Investment Policy approved Sept 21

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. A risk register is maintained and reviewed quarterly in line with CIPFA Pension Fund Risk Register guidance.

6.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance required under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing this report.

6.4 **Sustainable Development Goals**

The UN sustainability goals have been examined and there are no negative impacts arising from this report.

6.5 **Climate Change**

The recommendations of this report, per the Funds Responsible Investment Policy, will further strengthen the Funds commitment to reducing climate change. Although no direct impact on climate change the policy continues the Funds commitment to encourage Managers and Companies invested in to ensure the environmental impact of their operations are considered and encourage them to act in a sustainable way.

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 **Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

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

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

7 CONSULTATION

- 7.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications and any comments have been incorporated into the final report.

Approved by

David Robertson

Director – Finance & Corporate Governance

Author(s)

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Background Papers:

Previous Minute Reference: Joint Pension Fund Committee & Board – 4 March 21

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