

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 9 <sup>th</sup> February 2022
<b>Report Subject</b>	Proposed Investment Strategy Statement
<b>Report Author</b>	Deputy Head, Clwyd Pension Fund

### **EXECUTIVE SUMMARY**

The LGPS Investment Regulations include a requirement to produce, and maintain an Investment Strategy Statement (ISS). The Fund's first ISS was produced in 2017, and the most recent was approved in February 2020. The Regulation states that statements must be kept under review and revised from time to time and at least every three years.

At the meeting of the Committee in November 2021 Members agreed to the updating of the Fund's ISS to reflect the commitment to setting decarbonisation targets for the Fund including net zero by 2045 and a 50% total portfolio carbon reduction by 2030. The Fund was to consult with Employers on the changes to the ISS and then present it to the Committee for approval.

Following the consultation process, the proposed revised ISS is attached as an Appendix to this report, and has been updated to reflect the agreed net zero targets. There have also been some minor changes including the monitoring of funding levels.

### **RECOMMENDATIONS**

1	The Committee note, comment on and approve the revised Investment Strategy Statement.
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## **REPORT DETAILS**

<b>1.00</b>	<b>2022 Revision of Investment Strategy Statement</b>
1.01	The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provide the statutory framework under which the Administering Authority is required to prepare and publish an Investment Strategy Statement (ISS). The Regulations and accompanying guidance required that Administering Authorities prepared and published their first ISS by 1 April 2017. After this, the requirement is that the ISS is regularly reviewed and updated from time to time; at least every three years.
1.02	The Committee approved the first Clwyd Pension Fund ISS in 2017, and the last revision was February 2020. A full review of the Investment Strategy will be undertaken in tandem with the 2022 actuarial valuation with any changes then reflected in the ISS. However, given the approval of net zero targets for the Fund at the November 2021 Committee the ISS has now been updated to reflect those changes.
1.03	The updated ISS is attached as an appendix to this report and the key changes are highlighted in the document and summarised below: <ul style="list-style-type: none"><li>• Page 5 of the ISS now includes the Fund's net zero target in its list of objectives.</li><li>• Page 26 details the commitment to net zero and key targets.</li><li>• Page 28 includes an additional statement to highlight the risks to be considered in the review of the Investment Strategy and Actuarial Valuation processes.</li></ul>
1.04	The Fund consulted on these proposed changes with its employers during December 2021 and January 2022. The responses received to date have been positive with no amendments being suggested. A verbal update will be provided if more responses are received before the Committee meeting.
1.05	In addition, other inconsequential changes have been made such as updating dates. Furthermore, Page 13 includes a paragraph incorporating the 110% funding trigger as referred to in the separate agenda item "Funding, Flightpath and Risk Management Framework Update".

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The increase in focus on responsible investment and climate change matters increases the amount of work for both officers and advisers. The impact relating to officer resource will continue to be monitored. There will be a cost to implementing the net zero strategy and the costs will be incorporated into the 2022/23 and future year budgets.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	The Administering Authority consulted with Fund's employers over the revisions to the Investment Strategy and Responsible Investment Policy during December 2021 and January 2022.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	This report addresses some of the risks identified in the Fund's Risk Register. Specifically, this covers the following (either in whole or in part): <ul style="list-style-type: none"> <li>• Funding and Investment risks: F2,F3,F4,F6 and F9.</li> </ul>
4.02	The Fund's Investment Strategy aims to achieve the requisite level of investment return to meet the CPF Funding Strategy, whilst at all times managing the levels of risk effectively.  The ISS covers this in some detail, and highlights the focus that the Fund places on risk within the Cash and Risk Management Framework.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Proposed Investment Strategy Statement

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	1. Current ISS available in the strategies and policies section of the CPF website - <a href="#">Investments and Governance - Clwyd Pension Fund</a>  <b>Contact Officer:</b> Debbie Fielder, Deputy Head of Clwyd Pension Fund <b>Telephone:</b> 01352 702259 <b>E-mail:</b> <a href="mailto:debbie.a.fielder@flintshire.gov.uk">debbie.a.fielder@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	A list of commonly used terms are as follows: <ul style="list-style-type: none"> <li>a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region</li> <li>b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the</li> </ul>

management and stewardship of the Fund.

- c) **Absolute Return** – The actual return, as opposed to the return relative to a benchmark.
- d) **Annualised** – Figures expressed as applying to 1 year.
- e) **Duration** – The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.
- f) **Market Volatility** – The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact.
- g) **Money-Weighted Rate of Return** – The rate of return on an investment including the amount and timing of cash-flows.
- h) **Relative Return** – The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on Index or Benchmark.
- i) **Three-Year Return** – The total return on the fund over a three-year period expressed in percent per annum.
- j) **Time-Weighted Rate of Return** – The rate of return on an investment removing the effect of the amount and timing of cash-flows.
- k) **Yield (Gross Redemption Yield)** – The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cash-flows.

**A comprehensive list of investment terms can be found via the following link:**

<https://www.schroders.com/en/uk/adviser/tools/glossary/>