



The Surrey Local Pension Board 12 October 2017

Pension committee update: Investment Strategy Statement

Recommendations:

1. The Board is asked to **note** the content of this report.

Detail:

2. Following the 2016 actuarial valuation, the Fund's investment adviser, Mercer, advised the Pension Fund Committee to initiate a review of the Investment Strategy Statement (shown as Annex 1).
3. In addition, at its meeting of 15 March 2017, the Local Pension Board requested that the Pension Committee consider what appropriate measures could be taken in order to reduce risk in response to the increasing funding level.
4. The Pension Fund investment adviser, Mercer, completed a review of the Investment Strategy Statement on 31 August 2017. The review presented six key questions to the Pension Fund Committee:
 - i) Should the Committee consider a larger allocation to illiquid assets, given the Fund's position as a very long term investor?
 - ii) Is the Committee comfortable maintaining the same allocation to equities as the funding position continues to improve?
 - iii) Would the Committee consider triggers for future de-risking in the event that the funding position continues to improve?
 - iv) What alternative ways to reduce risk would the Committee be comfortable to consider (e.g. equity protection strategies)?
 - v) What options for further ESG integration do the Committee feel are worth further investigation?
 - vi) Does a "one size fits all" investment strategy remain appropriate for all employers?
5. In response to the review the Committee considered in some depth whether the Fund should decrease the exposure to equities in line with the improved funding level. The significance of the Fund's stabilisation funding strategy in volatile market conditions was included in these deliberations.
6. The Committee's response to Mercer's six key questions was as follows:
 - i) The Committee would consider a larger allocation to illiquid assets, given the Fund's position as a very long term investor.

- ii) The Committee were comfortable maintaining the same allocation to equities as the funding position continues to improve.
- iii) Triggers for future de-risking would be considered when the funding position had been defined.
- iv) Alternative ways to reduce risk (e.g. equity protection strategies) would be considered.
- v) The role of the Local Pension Board was central to the question regarding options for further ESG integration. A joint letter to be sent to Border to Coast Pension Partnerships to regarding the ESG policy of the asset pool.
- vi) It was agreed that a “one size fits all” investment strategy was not appropriate for all employers and that this would need to be pursued further as part of 2019 valuation planning.

Next steps

- 7. The Local Pension Board will ensure the continued compliance with the LGPS Regulations and CIPFA guidance of the Investment Strategy Statement.

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Sources/background papers:

The Investment Strategy Statement

Annexes: