


<b>Report to:</b>	Sutton Pension Committee	<b>Date:</b>	12 December 2016
<b>Report title:</b>	Pension Governance Update		
<b>Report from:</b>	Gerald Almeroth, Strategic Director – Resources		
<b>Ward/Areas affected:</b>	Borough Wide		
<b>Chair of Committee:</b>	Councillor Sunita Gordon		
<b>Author(s)/Contact Number(s):</b>	Lyndsey Gamble, Head of Financial Strategy and Planning, 0208 770 5358		
<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>• A Smart Council</li> </ul>		
<b>Open/Exempt:</b>	Open		
<b>Signed:</b>		<b>Date:</b>	01 December 2016

## 1. Summary

- 1.1 This report updates the committee on governance arrangements including the action plan resulting from the governance review recommendations considered by Pension Committee on 5 September and guidance on proposed changes to investment regulations including the introduction of the new Investment Strategy Statement.

## 2. Recommendations

The Pension Committee is recommended to:

- 2.1 Review and comment on the governance action plan as set out in Appendix A.
- 2.2 Note the changes to investment regulations to include the requirement for the preparation and maintenance of an Investment Strategy Statement.

## 3. Background

### Governance Review

- 3.1 On 6 July 2016 the Pension Board received a report from John Raisin, an independent advisor, following a review of governance arrangements within the pension fund. The report made a number of recommendations for consideration. These recommendations were then presented and discussed at Pension Committee on 5 September 2016. The Committee accepted the report and agreed an action plan be produced.
- 3.2 Officers put together an action plan which addresses each recommendation made within the report. The plan sets out action to be taken, timescales, progress made already and the responsible officer / body. The recommendations have been given a low, medium or high



priority and the proposed timescales reflect this prioritisation. The plan aims for all actions to be completed by September 2017, a period of twelve months after they were presented to Pension Committee.

- 3.3 In addition the pension fund risk register has been updated to include the findings from the governance report and these items will be reviewed and updated at regular periods alongside the action plan.

#### DCLG Guidance

- 3.4 On 15 September 2016, the Department for Communities and Local Government (DCLG) issued guidance on preparing and maintaining an Investment Strategy Statement:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/553342/LGPS\\_Guidance\\_on\\_Preparing\\_and\\_Maintaining\\_an\\_Investment\\_Strategy\\_Statement.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553342/LGPS_Guidance_on_Preparing_and_Maintaining_an_Investment_Strategy_Statement.pdf)
- 3.5 This is a new requirement under the awaited Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. This will include a requirement to publish the new Investment Strategy Statement (ISS) by **1 April 2017**. It is expected that statements will be kept under review and revised from time to time and at least every three years. The ISS will replace the current Statement of Investment Principles document.
- 3.6 The ISS will need to include the following:
- a) A requirement to invest money in a wide variety of investments;
  - b) The authority's assessment of the suitability of particular investments and types of investments;
  - c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
  - d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
  - e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
  - f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.
- 3.7 One of the main aims of the new investment regulations is to transfer investment decisions and their consideration more fully to administering authorities within a new prudential framework with less central prescription. As such authorities will be responsible for setting their policy on asset allocation, risk and diversity amongst other things. In addition, authorities will be required to include details on risk management, their approach to pooling and social environmental and corporate governance factors and engagement with companies through voting rights.
- 3.8 Regulation 8 enables 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 on the investment strategy statement.

**4. Impacts and Implications**Financial

4.1 There are no direct financial implications arising from this report.

Legal

4.2 There are no direct legal implications arising from this report.

**5. Appendices and Background Documents**

<b>Appendix Letter</b>	<b>Title</b>
A	Governance Action Plan

**Background Documents**

DCLG Consultation - Local Government Pension Scheme: Guidance on Preparing and Maintaining an Investment Strategy Statement (September 2016)

**Audit Trail**

Final	Date: 02 December 2016
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**Consultation with other officers**

<b>Officer</b>	<b>Comments Sought</b>	<b>Comments checked by</b>
Finance	Yes	Lyndsey Gamble
Legal	N/A	N/A
Equality Impact Assessment Required?	No	N/A

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