

Investment Strategy Statement

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<i>Executive Portfolio Holder:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Summary

- 1.1 The Fund is required under section 7 of the LGPS (Management and Investment of Funds) Regulations 2016 to publish and maintain an Investment Strategy Statement (ISS). The ISS sets out the Somerset Fund's strategy for investing funds not immediately required to pay pensions, covering areas such as strategic asset allocation, ESG and pooling.
- 1.2 The current version of the ISS was adopted in June 2017, the regulations suggest this should be revisited at least every 3 years however it was always the Fund's intention to revisit the ISS and update as appropriate at the end of the initial transition process into the Brunel pool. It was expected this would fit within the 3-year window but the COVID pandemic led to some delays.
- 1.3 Following a number of informal sessions attended by both Pensions Committee and Board members a draft has been produced of a revised ISS for formal consideration.

2. Issues for consideration

- 2.1 The Committee is asked to consider the draft ISS attached as appendix A and if content recommend to the section 151 officer he formally adopt the ISS .

3. Changes from the current adopted ISS

- 3.1 Section 1 is largely unchanged.
- 3.2 Section 2 shows a revised strategic allocation to reflect the new position of the Fund's investments being almost exclusively managed via Brunel.
- 3.3 Section 3 has been significantly re-written to provide much more detail around the investment risks facing the Fund.
- 3.4 Section 4 has been significantly re-written to describe pooling in its post transition set-up, the previous ISS was written before Brunel was launched.
- 3.5 Section 5 has a specific 2-page section on climate change, which has been added since the previous version.
- 3.6 Section 6 on Stewardship has been completed re-written and significantly enhanced to reflect the greater expectations now placed on Stewardship.
- 3.7 Sections 7 and 8 are largely unchanged.

4. Consultations undertaken

- 4.1 The Pension Board considered a draft of the ISS at their meeting on 23rd November. They requested that "or sooner if investment products allow" to the pledge to be net zero by 2040 in section 5. The Board also requested that in the bullet point referring to active management in section 2 that "after all relevant fees and charges" be added.
- 4.2 Offices felt that both of these points were already implied in the draft of the ISS and therefore it was not controversial to make the amendments as requested. The version in appendix A has been amended to include these changes.

5. Financial Implications

- 5.1 The ISS is a key component of managing the Investments.

6. Background Papers

None

Note For sight of individual background papers please contact the report author.