

Pension Fund Committee

Meeting to be held on 22 March 2013

Electoral Division affected: None

The Management of Local Investment Allocations

(Appendix 'A' refers)

Contact for further information:

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Executive Summary

At its last meeting the Pension Fund Committee requested that officers bring forward proposals for the management of a local investment allocation. Following detailed discussion by the Investment Panel, the report at Appendix 'A' sets out various principles which it is proposed to adopt in managing an allocation of this sort, including:

- At least initially local investment should be concentrated in the area of property in line with the Investment Strategy's preference for real income generating assets;
- The Fund should avoid exposure to construction risk; and
- Any allocation should be managed by an external manager in line with a clear investment mandate.

Recommendation

The Committee is recommended to:

1. Approve the implementation, in line with the Investment Strategy of an allocation of 3% of the Fund to local property within the Lancashire area as set out in Appendix 'A'.
2. To instruct officers to bring forward a procurement strategy paper for the appointment of an appropriate manager together with details of the relevant investment mandate to the next meeting of the Committee.

Background and Advice

The Fund's approved Investment Strategy includes provision for a local investment allocation of up to 3% of the Fund. Members of the Committee have asked officers to bring forward proposals as to how such an allocation might be managed.

While accepting that there are a range of wider considerations related to any investment, which are dealt with elsewhere on the agenda for this meeting of the Committee, it needs to be remembered that any investment which the Fund makes needs to meet the primary criteria of being a “good investment” in terms of delivering the optimum combination of risk and return required to ensure the Fund has resources available to meet its liabilities when they fall due. The report at Appendix 'A' sets out how this can potentially be achieved in the particular context of local investment and reflects the advice of the Investment Panel.

The approach set out is considered to be a prudent approach designed to allow confidence in the arrangements to grow over time.

Consultations

The Investment Panel have considered the issues raised in this report, and their advice is set out in the report.

Implications:

This item has the following implications, as indicated:

Risk Management

The proposal to appoint a specific manager for this allocation is intended to manage certain of the key risks inherent in local investment and in particular to ensure that a focus on the Fund’s investment objectives is retained by ensuring that any investment proposal is subject to objective appraisal.

Financial

The process of procuring a manager for this allocation can be managed within existing internal resources.

Local Government (Access to Information) Act 1985 List of Background Papers

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Reason for inclusion in Part II, if appropriate		
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