

	<h2>Pension Fund Committee</h2> <h3>22 October 2015</h3>
<b>Title</b>	<h2>Review of Pension Fund Asset Allocation</h2>
<b>Report of</b>	Chief Operating Officer
<b>Wards</b>	All
<b>Status</b>	Public Report with Exempt Appendix – Not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Exempt Appendix 1 – Hymans Robertson: Investment Strategy Review October 2015
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<h2>Summary</h2>
<p>The purpose of this report is to present the Pensions Fund Committee with the investment consultant’s second review report on the pension fund investment strategy. It also provides confirmation from the first meeting of the pension fund investment strategy review subgroup to invest in the Schroder Strategic Bond Fund.</p>

<h2>Recommendations</h2>
<p><b>That the Committee</b></p> <ol style="list-style-type: none"> <li>1. <b>Notes the findings set out in the investment strategy report and instruct the Chief Operating Officer and Chief Finance Officer to address any issues that it considers necessary.</b></li> <li>2. <b>Notes the recommendation of the pension fund investment strategy sub group, following its due diligence meeting with Schroder Investment</b></li> </ol>

**Management, to endorse the transfer of initially 10% of the fund out of Corporate Bonds currently managed by Newton Investment Management with the sale proceeds to be invested in the Schroder Strategic Bond Fund.**

- 3. To review the timing and profiling of asset re-allocation from Newton and Schroder following recent market volatility, based on an update from the investment consultant to be presented at the meeting.**

## **1. WHY THIS REPORT IS NEEDED**

- 1.1** The purpose of this report is to present the Pensions Fund Committee with the investment consultant's second report on the review of the pension fund investment strategy plan and to review progress to date on asset re-allocation.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1** Following the re-procurement of the pension fund investment adviser, (Pension Fund Committee, 28 May 2015 COO DPR, 1 June 2015), on appointment Hymans Robertson were commissioned to produce a report for the Pension Fund Committee to initiate a review of the pension fund investment strategy.
- 2.2** On 21 July 2015, the Committee reviewed the allocation of investment assets and agreed a re-allocation subject to a pension fund working group due diligence review of the Schroder strategic corporate bond fund.
- 2.3** On 13 September, following its due diligence meeting with Schroder Investment Management, the pension fund sub group agreed the transfer of initially 10% of the fund out of Corporate Bonds currently managed by Newton Investment Management with the sale proceeds to be invested in Schroder Strategic Bond Fund to maximise long term investment return.
- 2.4** Following recent market volatility and a fall in the market value of externally managed investments, the sub group recommended that the Committee re-consider the profiling and timing of asset re-allocation at its next meeting. The pension fund investment consultant will provide an update at the Committee meeting.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

3.1 Not applicable.

### **4. POST DECISION IMPLEMENTATION**

4.1 A sub-group of the Pension Fund Committee supported by officers and investment advisor Hymans Robertson will consider options for rebalancing the current asset allocation and will present further recommendations and costed options to revise the Pension Fund investment strategy to future meetings of Pension Fund Committee in 2015-2016.

### **5. IMPLICATIONS OF DECISION**

#### **5.1 Corporate Priorities and Performance**

5.1.1 To ensure that the pension fund is being invested prudently and to the best advantage in order to achieve the required funding level. This in return protects Barnet's liabilities and supports the Council's corporate priorities as expressed through the Corporate Plan.

#### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 The cost of the review of the pension fund investment strategy will be met from the pension fund. An update report will set out the proposed cost of any changes to be considered by the Committee.

5.2.2 There are no direct procurement, performance and value for money, staffing, IT, Property or Sustainability implications arising from this report.

5.2.3 To date £40 million has been transferred to Legal and General from the diversified growth funds with the balance due to be paid by July 2016.

#### **5.3 Social Value**

5.3.1 Not applicable.

#### **5.4 Legal and Constitutional References**

5.4.1. This report is based on the provisions of Regulations 10 and 11 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 made under the powers conferred by section 7 and Schedule 3 of the Superannuation Act 1972.

5.4.2 The Council's Constitution – Part 15, Annex A, Responsibility for Functions details the responsibilities of the Committee, including to review and challenge at least quarterly the Pension Fund investment managers' performance against the Statement of Investment Principles in general and investment performance benchmarks and targets in particular.

## **5.5 Risk Management**

- 5.5.1 The current asset allocation will not maximise potential investment return. This can be addressed by restructuring the fund portfolio to reflect changes in market conditions and expectations of future returns.

## **5.6 Equalities and Diversity**

- 5.6.1 Ensuring the long term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to all those eligible, as provided by the criteria set out within the relevant Regulations.

The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups

The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies and the delivery of services.

## **5.7 Consultation and Engagement**

- 5.7.1 Not applicable.

## **6. BACKGROUND PAPERS**

- 6.1 Pension Fund Committee 21 July 2015 Review of Asset Allocation  
<http://barnet.moderngov.co.uk/documents/s24734/Review%20of%20Pension%20Fund%20Asset%20Allocation.pdf>