

Agenda Item

Pensions Panel

On 21 November 2005

Report title: **Review of Investment Strategy**

Report of: **The Director of Finance**

Ward(s) affected: All

Report for: Decision

1. Purpose

1.1 To consider the appended report from Hymans Robertson that details initial work that has been completed in line with the outline timetable of work reported to the last meeting of the Panel on 10 October 2005.

2. Recommendations

2.1 That Trustees consider the attached report and agree the way forward.

Report authorised by: Andrew Travers – Director of Finance

Contact officer: John Hardy – Chief Accountant tel: 020 8489 3726

3. Executive Summary

3.1 Pensions Panel on 10 October 2005 agreed to commission a full review of the Fund's investment strategy and also a healthcheck of investment fund arrangements.

3.2 This report sets out initial work that has been completed in line with the outline timetable of work reported to the last meeting of the Panel on 10 October 2005.

4. Reasons for any change in policy or for new policy development (if applicable)

There are no changes proposed at this stage.

5. Local Government (Access to Information) Act 1985

The following background papers were used in the preparation of this report:

Review of Investment strategy - report of Director of Finance to Pensions Panel on 10 October 2005

Healthcheck of investment fund arrangements – report of Director of Finance to Pensions Panel on 25 January 2005

6. Report

- 6.1 Pensions Panel on 25 January 2005 agreed to commission a full review of the Fund's strategy as part of the Healthcheck of investment fund arrangements.
- 6.2 Pensions Panel on 10 October 2005 agreed a proposal from our external advisors Hymans Robertson. It was agreed to commission a full review of the Fund's investment strategy and also a healthcheck of investment fund arrangements.
- 6.3 The full review of investment strategy includes asset liability modelling work and risk budgeting modelling. In addition an annual review of investment managers (a healthcheck) will be undertaken. The review will use cash flows from the 2004 actuarial valuation. This includes consideration of employer specific investment strategies and subject to the outcome of this part of the review it may be necessary to commission an additional exercise to consider implementation issues in more detail.
- 6.4 This report sets out initial work that has been completed in line with the outline timetable of work reported to the last meeting of the Panel on 10 October 2005.
- 6.5 Trustees are asked to consider the attached report and agree the way forward.

7. Recommendations

- 7.1 That Trustees consider the attached report and agree the way forward.

8. Legal Comments

- 8.1 The Head of Legal Services has been consulted on the content of this report and comments that, in considering its recommendations, the Members of the Pensions Panel should bear in mind their duties to: -

- Act prudently and in good faith
- Act in the best interests of the beneficiaries as a whole

- Seek to maximise the assets of the scheme
- Take relevant advice from professional and other appropriate advisors and giving proper consideration to that advice

8.2 The provisions of the 1998 Regulations place specific duties on administering authorities with regard to investment regimes and decisions. Under Section E7 of the Council's Constitution the responsibility for the management and monitoring of the Council's pension fund has been delegated to the Pensions Panel. Thus Regulation 9 of the 1998 Regulations places a duty on the administering authority to invest the pension fund money that is not needed immediately and a duty to formulate an investment policy with a view to: -

- the advisability of investing fund money in a wide variety of investments; and
- the suitability of particular investments and types of investments.

8.3 An administering authority must obtain proper advice at reasonable intervals about their investments and must consider that advice in taking any steps about their investments.

9. Use of Appendices

Appendix 1. Report by Hymans Robertson.