




Report for:	Corporate Committee 20 th March 2014	Item number	
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Title:	Pension Fund Investment in Recommended Investment Funds
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Report authorised by :	 Assistant Director – Finance (CFO)
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Lead Officer:	George Bruce, Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 8621
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Ward(s) affected: N/A	Report for Non Key Decision
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1. Describe the issue under consideration

1.1 Allocations to two new assets classes were agreed at the January 2014 meeting and officers were delegated to identify suitable investment funds for consideration by the Committee.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 The Committee agree to invest in the recommended investment funds that will be named at the meeting and delegate authority to the CFO and / or Assistant Director of Corporate Governance to complete all required documentation.

4. Other options considered

4.1 None.



5. Background information

- 5.1 The January meeting of the Committee agreed to include allocations to infrastructure debt and multi sector credit within the investment strategy (appendix 1) and delegated authority to officers bring forward recommended funds. Each new mandate will be approximately £45 million.
- 5.2 The process to identify recommended funds is underway with presentations from short listed candidates held on 6th & 17 March. It is intended that details of the selected investment funds will be provided at the 20 March meeting. Presentations will be given by the two preferred funds in advance of the 20th March.

6. Comments of the Chief Finance Officer & financial implications

- 6.1 Delegated authority was received to recommend appropriate funds for the two new asset classes. The process has been reviewed by Legal and Procurement and has been conducted with support from Mercer and the Independent Advisor. At the time of writing the paper the appointment process is ongoing and the recommendations will be discussed at the Committee meeting.

7. Assistant Director of Corporate Governance comments and Legal Implications

- 7.1 The Council as administering authority for the Haringey Pension Fund has the power to invest fund monies as set out in Local Government Pension Scheme (Management and Investment Funds) Regulations 2009.
- 7.2 The Council is seeking to invest in two investment funds based on the selection process outline in this report. The investment fund is set up under a trust deed and the Council will be a beneficiary under the trust. The investment of funds in this way does not raise any procurement issues.

8. Equalities and Community Cohesion Comments

- 8.1 Not applicable.

9. Head of Procurement Comments

- 9.1 Not applicable.



10. Policy Implications

10.1 None.

11. Use of Appendices

Appendix 1: Investment Strategy Allocations

Appendix 2: Notes of Shortlisting Meeting (exempt)

12 Local Government (Access to Information) Act 1985

12.1 This report contains exempt and non-exempt information. Exempt information is contained in Part B and is not for publication. The information is exempt under the following category (identified in the amended Schedule 12 A of the Local Government Act 1972):

Information relating to the business or financial affairs of any particular person (including the Authority holding that information).

13. Selection Process

13.1 Following the Committee's decision to invest in multi sector credit and infrastructure debt a process has been commenced to identify suitable funds. The steps in the process are set out below:

- a) These types of investments are best suited to pooled investments, which are likely to incur lower all in costs than segregated mandates for the proposed portfolio values. In addition, investing through funds is treated as an investment rather than a fund manager appointment and entails less procurement rules.
- b) The proposed selection process was cleared with Legal and Procurement Services.
- c) Mercer's produced a long list of eight investment funds for each mandate using their manager ratings. Following discussion, four suitable candidates for each mandate were shortlisted to receive a questionnaire. One investment fund subsequently withdrew. Notes of the Shortlisting meeting are attached (appendix 2). Copies of Mercer's notes on each candidate are available from the Lead Officer.
- d) While the selection process is outside of European procurement rules it does have to meet internal standards of objectivity, fairness, transparency and best value. To achieve these requirements a questionnaire and scoring system has been developed that will allow



candidates' responses to be evaluated and a preferred fund identified for each mandate.

- e) Presentations from the short listed investment funds took place on 6th March (Infrastructure debt) with a further presentation to be held on 17th March (Multi Sector Credit) at the offices of Mercer. The presentations are being used to confirm the responses to the tender questionnaire and also the scoring / preferred candidate.
- f) Recommended funds will be discussed with the Committee on 20th March. Both recommended funds will be asked to present to Committee Member's immediately prior to the meeting.
- g) Delegation is sought for the CFO (or Head of Legal Services) to complete the investments, including signing appropriate documentation.

13.3 The short listed funds selected are discussed below with further details in appendix 2. Both recommended funds will present immediately prior to the Committee meeting

14. Multi Sector Credit

14.1 After discussion of the eight investment funds identified by Mercer, the following four shortlisted candidates were agreed:

- BlueBay
- CQS
- Stone Harbor
- Wellington

14.2 The first three have the highest A manager rating from Mercer. Wellington is rated one level lower at B+; a classification that retains an above average expectation of out-performance. Wellington provided training to the Pension Working Group last December and being a global diversified fund manager group offer a different option to the other three more focused organisations.

14.3 All four funds have investment professionals based in the UK that allows greater visibility of the investment process.

14.4 As three of the four names are likely to be relatively unknown to the Committee, consideration was given to adding one or two additional B+ rated managers that have greater name recognition. The two possible candidates have significant concerns relating to team stability and investment process and it was agreed not to add to the shortlist.



15. Infrastructure Debt

15.1 The three preferred investment funds are:

- Allianz
- Macquarie
- AMP

15.2 The funds selected were based both on their capabilities and experience of the sector but also on the availability of suitable funds.

15.3 Initially a 4th candidate was selected, Westbourne, who indicated that they could accommodate an investment by Haringey. Subsequently, that position was reversed and they have no available investment opportunities. Discussions with Mercer indicated that there is a significant overlaps in the strategies of AMP and Westbourne and the three remaining candidates provide a good spread of strategies and a credible choice.

Suggested Recommendations to Corporate Committee in respect of the Pension Fund Strategic Asset Allocation

Strategic Asset Allocation Proposal

Asset Class	Actual Dec-13	Strategy Current	Strategy Future
Equities	75.9	70.0	60.0
Index Linked	13.8	15.0	15.0
Property	6.0	10.0	10.0
Private equity	4.0	5.0	5.0
Multi asset credit			5.0
Infrastructure debt			5.0
Cash	0.3		
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>