

Decision Maker: Pensions Investment Sub-Committee

Date: 11th February 2014

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **REVISED INVESTMENT STRATEGY - TRANSITION TO GLOBAL EQUITIES (PHASE 2)**

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Chief Officer: Director of Finance

Ward: All

1. Reason for report

This report presents a report by the Fund's advisers, AllenbridgeEpic, on the completion of Phase 2 (Global Equities) of the revised strategy agreed by the Sub-Committee in February 2012.

RECOMMENDATION

The Sub-Committee is asked to note the report.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007, for the purpose of providing pension benefits for its employees. These regulations allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: No cost
 2. Ongoing costs: Recurring cost. Total fund administration costs estimated at £2.0m in 2013/14 (includes audit fee, fund manager/actuary/external advice fees, Liberata charge and officer time)
 3. Budget head/performance centre: Pension Fund
 4. Total current budget for this head: £35.0m expenditure (pensions, lump sums, admin, etc); £38.8m income (contributions, investment income, etc); £618.8m total fund value at 31st December 2013)
 5. Source of funding: Contributions to Pension Fund
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Staff

1. Number of staff (current and additional): 0.4 fte (current)
 2. If from existing staff resources, number of staff hours: c14 hours per week
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Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2007 and LGPS (Administration) Regulations 2008
 2. Call-in: Call-in is not applicable.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 5,126 current employees; 4,852 pensioners; 4,741 deferred pensioners as at 31st December 2013
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 In February 2012, the Sub-Committee agreed a future strategy for the Fund, comprising a 10% allocation to Diversified Growth, a 70% allocation to global equities and a 20% allocation to fixed income. It was agreed that the revised strategy would be implemented in three separate phases and, following a “beauty parade” in November 2012, Phase 1 was completed on 6th December 2012 with the award of two £25m mandates to Baillie Gifford and Standard Life.
- 3.2 On 17th October 2013, at a “beauty parade” for Phase 2 of the revised strategy, the Sub-Committee received presentations from four global equity managers (Baillie Gifford, Blackrock, MFS and Threadneedle) and agreed to award mandates to three of them (Baillie Gifford £200m, Blackrock £120m and MFS £120m). Transition to the new mandates was completed on 20th December 2013 and this report presents a report on that transition by the Council’s advisers, AllenbridgeEpic (attached at Appendix A).

4. POLICY IMPLICATIONS

- 4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007, for the purpose of providing pension benefits for its employees. These regulations allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

- 5.1 There will be additional costs from the advertising and award of new mandates and a contract for procurement advice for all three phases of the revised strategy has been awarded to AllenbridgeEpic at a total cost of £35k plus VAT. Fund management fees will, in all likelihood, be higher than those we currently pay, but it is anticipated that higher returns would more than compensate for these. All costs will be chargeable to the Pension Fund as administration costs.

6. LEGAL IMPLICATIONS

- 6.1 The statutory provisions relating to the administration of the Local Government Pension Scheme are contained in the Local Government Pension Scheme (LGPS) Regulations 2007 and LGPS (Administration) Regulations 2008, which are made under the provisions of Section 7 of the Superannuation Act 1972.

Non-Applicable Sections:	Personnel Implications
Background Documents: (Access via Contact Officer)	LGPS Regulations 2007 & LGPS (Administration) Regulations 2008. Reports to Pensions Investment Sub-Committee in February, May, September and November 2012 and in May, September and October 2013