

5 May 2016**Agenda Item:****REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT & IMPROVEMENT****WORKING PARTY RECOMMENDATIONS****Purpose of the Report**

1. To report the discussions at the Pensions Working Party in respect of the Fund's equity benchmarks and the Specialist Portfolio.

Information and Advice

2. This report is to inform the Sub-Committee of the discussions at the Pensions Working Party. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position in relation to the Pension Fund. The exempt information is set out in the exempt appendices.
3. A meeting of the Pensions Working Party was held on 28 January 2016 to discuss proposals relating to the Fund's equity benchmarks and the Specialist Portfolio. The following members of the Sub-Committee attended:

Councillor Reg Adair	County Councillor
Councillor Mike Pringle	County Councillor
Councillor Chris Barnfather	County Councillor
Councillor Mrs Kay Cutts	County Councillor
Councillor John Wilkinson	County Councillor
Chris King	Union Representative
William Bourne (City Noble Ltd)	Independent Adviser

4. The first part of the meeting considered a paper prepared by William Bourne, the Fund's independent advisor, regarding changes to the equity benchmarks. When the revised equity benchmarks were approved, it was agreed that ranges should be set around the regional allocations to allow for market movements and active asset allocation decisions. Members of the Working Party were happy with the recommended ranges.
5. It was also agreed that:
 - Discussions should be held with external managers regarding the proposed new benchmark and possible changes to performance targets.

- A staged approach should be taken in moving to the new benchmarks and further reports brought to update the Sub-Committee as appropriate.
6. Discussions have been held between Schroders (the Fund's main external active equity manager) and the Fund's independent adviser and officers, and interim and final benchmarks have been set. Changes to Schroders' investment management agreement have been agreed as an operational matter falling under the responsibility of the Service Director, Finance, Procurement & Improvement exercised by the Senior Accountant (Pensions & Treasury Management). The move to the new benchmarks will be implemented in two stages and will be completed by 31 December 2016. Reports to Pensions Investment Sub-Committee (PISC) will take account of the revised benchmarks as appropriate.
 7. The second part of the meeting considered the Fund's Specialist Portfolio, in particular the benchmark used to assess performance of the investments within the portfolio. It was agreed that:
 - The benchmark for the portfolio should be set as the triennial valuation discount rate plus 0.5%
 - The assets within the portfolio should be reviewed (apart from private equity and infrastructure which have been considered recently by the Working Party)
 - Private equity performance should be reported to PISC
 8. The change to benchmark will take effect from 1 April 2016. An initial meeting has been held with the Fund's independent adviser to begin to assess the assets within the portfolio and further reports will be brought to the Sub-Committee to inform members of progress and recommendations. Private equity performance will be included in quarterly reports to PISC.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That the report be noted

Report Author:

Simon Cunningham

Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Simon Cunningham

Constitutional Comments

10. Because this report is for noting only, no Constitutional Comments are required.

Financial Comments (SRC 14/04/16)

11. There are no direct financial implications arising from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None