



meeting

PENSIONS INVESTMENTS SUB-COMMITTEE

date

24 MARCH 2006

agenda item number

REPORT OF THE DIRECTOR OF RESOURCES

FUNDS' BUSINESS PLAN 2006/7

1. Purpose

1.1 To agree a business plan for the Pension Funds for 2006/7.

2. Background

2.1 It is considered good practice for Funds to plan their program of work, including possible changes for the coming year.

2.2 The Funds will continue to receive quarterly reports from fund managers on their investment performance.

2.3 There will be an independent assessment and presentation of the Funds' investment performance in 2005/6.

2.4 Information will be provided to employing authorities, as required through the year and at the Annual Meeting, to be held at County Hall on 6 October 2006.

2.5 Members will undertake training, as appropriate, throughout the year.

2.6 Opportunities will be taken to review specific areas of investment activity and pension fund management during the year, as set out in paragraph 3.

3. Areas for Review 2006/7

3.1 Japanese investment

In 2002 the Japanese investments of the In-house portfolio were handed to an external manager to manage on an active basis. The previous 8 years had seen an under-performance of 4% p.a. against the average portfolio performance for this sector from a portfolio that had tracked the Japan index. Unfortunately, The new manager has since under-performed the index by 5% p.a. They claim they are investing in quality stocks whilst the market is investing in poor quality investments

and eventually their strategy will work. The Sub-Committee will need to decide whether to continue with the current arrangements for this portfolio. A paper will be prepared for the Working Party.

3.2 Allocation of cash

Contributions to the two Funds continue to exceed costs, so, each year, cash accrues and decisions are required as to how it is to be invested. A discussion in the Working Party is proposed.

3.3 Private Equity

In 2001 the Pensions Committee agreed to invest 2% of the Fund (then £30 million) in Private Equity. Investments have subsequently been placed with five managers. The nature of Private Equity is that investment is made over a number of years and returns are made to us gradually, such that the maximum invested at any one time is usually only 50% of the sum nominated. There is a need to over-commit in order to achieve your stated investment aims. A report is being prepared for the June meeting of the Sub-Committee.

3.4 Systems

The Funds' investments, purchases, sales, corporate events, dividends etc are recorded on specialist software which provides valuations and other reports. It is proposed to examine a couple of alternative systems during the year and make recommendations.

4. Statutory and Policy Implications

This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder, Human Rights and those using the relevant services. Where such implications are material, they have been described in the text of the report.

5. Recommendation

That the proposals in the report be approved.

A L DEAKIN
DIRECTOR OF RESOURCES

Background Papers available for inspection

None.