

Report



meeting **PENSIONS INVESTMENT SUB COMMITTEE**

date **14 December 2007**

agenda item number

REPORT OF THE STRATEGIC DIRECTOR OF RESOURCES

LIMITS ON INVESTMENTS

1. Purpose

- 1.1 To request approval for increased limits on partnership investments under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

2. Investment Limits for Partnerships

- 2.1 Schedule 1 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (the regulations) specifies limits on certain types of investment. These are expressed as a percentage of total value of all existing investments in the fund.
- 2.2 The normal limits for contributions to partnerships is 2% to any single partnership and 5% to all partnerships. Under the regulations these limits can be increased to 5% and 15% respectively.
- 2.3 In the main fund, investments in partnerships total £120 million, approximately 4.8% of the fund value. Current partnerships include several of the private equity funds, a number of the Hermes investments and the Standard Life European property fund. The highest individual partnership holding is below 1.2% of the fund. With increased allocations to private equity and the possibility of increasing investments in indirect property, it is proposed to increase the limit for contributions to all partnerships in the main fund. This will allow the fund greater flexibility in determining investment decisions.

- 2.4 Approval has recently been given to invest £2 million from the Admitted Bodies Fund with Hermes. However, this would breach the 2% limit for contributions to a single partnership and so only £1.4 million has so far been invested. It is proposed, therefore, to increase the limit for contributions to a single partnership in the admitted bodies fund.
- 2.5 In order for these decisions to take effect, the regulations specify that the Statement of Investment Principles must be revised.

3. Statutory and Policy Implications

- 3.1 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 service. Where such implications are material, they have been described in the text of the report.

4. Recommendations

- 4.1 It is recommended that the following decisions be approved and that the Statement of Investment Principles be amended accordingly.
- 4.1.1 For the main fund, the limit for all contributions to partnerships be increased to 15% in order to allow increased investment in private equity and property. This decision is in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 and will apply until the next review of the Statement of Investment Principles.
- 4.1.2 For the admitted bodies fund, the limit for contributions to a single partnership be increased to 5% in order to allow increased investment with Hermes. This decision is in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 and will apply until the next review of the Statement of Investment Principles.

A L DEAKIN
STRATEGIC DIRECTOR OF RESOURCES

Background Papers Available for Inspection
None