

Report for: ACTION



<b>Contains Confidential or Exempt Information</b>	NO– Part I
<b>Title</b>	Investment Governance
<b>Responsible Officer(s)</b>	Nick Greenwood Pension Fund Manager
<b>Contact officer, job title and phone number</b>	Nick Greenwood Pension Fund Manager 01628 796701
<b>Member reporting</b>	N/A
<b>For Consideration By</b>	Berkshire Pension Fund and Pension Fund Advisory Panels
<b>Date to be Considered</b>	18 January 2016
<b>Implementation Date if Not Called In</b>	Immediate
<b>Affected Wards</b>	None

### REPORT SUMMARY

1. This paper seeks to clarify the process for making investment decisions for the Fund and requests Panel to delegate authority to the Investment Working Group and Officers as detailed in Section 2.

### If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
1. A clearly defined investment decision making demonstrates good governance of the Fund	Immediately

## 1. DETAILS OF RECOMMENDATIONS

### RECOMMENDATION: That Panel:

- i. Delegates authority to the Investment Working Group and Officers to make investment decisions on behalf of the Fund.

## 2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

The Council's Constitution currently gives all Officers broad delegated authority to fulfil their duties. The breadth of this delegated authority and the lack of clarity over whom (Panel, Investment Working Group or Officers) has the authority has resulted in Internal Audit recommending that there should be better clarity over the process followed when making investment decisions for the Fund.

The table below recommends specific delegated authorities and gives a rationale for that delegated authority. All decisions by the IWG will require a majority vote in favour by Panel members sitting on the IWG.

<b>Delegate</b>	<b>Delegated Authority</b>	<b>Rationale</b>
Pension Fund Panel	Set Investment Strategy including asset classes and upper limits for investment in those asset classes (required from 1 Oct 2016 via the Investment Strategy Statement).	Prerogative of the administering authority which has delegated this to the Pension Fund Panel
	Award contracts with a value exceeding £50,000 including investment management agreements*	Prerogative of the administering authority which has delegated this to the Pension Fund Panel
Investment Working Group	Recommend changes to the Investment Strategy	A natural function of the IWG; approval of changes will still require Panel approval.
	Set and change asset allocation	Asset allocation is a "by-product" of investment strategy and should be reviewed regularly. IWG was created to periodically review asset allocation and to review investments
	Review investment opportunities/new managers and authorise Officers to make such investments if they comply with the agreed Investment Strategy and do not involve the award of an investment management agreement.	IWG was created to review investments including new investments. Delegating this function to IWG will allow Panel to focus on the overall stewardship of the Fund.
	Terminate mandates/ redeem holdings in pooled funds and Limited Partnerships	Delegating this function to IWG will allow Panel to focus on the overall stewardship of the Fund.
Officers	Undertake due diligence on new investments/managers	Day to day management of the Fund.

	including utilising external resources (e.g. legal assistance) as necessary	
	Complete documentation for making investments	
	Make “capital actions**” decisions where the Capital value of such a decision does not exceed 0.5% (£8.5 million) of the Fund’s assets. Such decisions to include changes to the Absolute Return Portfolio, capital actions for listed equities, co-investment opportunities in private equity, reinvestment of income and capital proceeds from existing investments.	
	Any additional actions that may be required to ensure efficient implementation of the investment strategy or for the efficient management of the Fund. Approval for such actions to be sought from the Chairman or Vice Chairman of the Pension Fund Panel prior to execution.	
Constitutional Emergency Powers	Emergency action to terminate a mandate, redeem a pooled holding or reduce exposure to one or more asset classes	

\* An Investment Management Agreement is a contract between a fund manager and the administering authority to manage a pool of assets for the pension fund.

\*\* For the avoidance of doubt “Capital Actions” refers to actions required to ensure the efficient management of the Fund’s assets and does not enable Officers to make investments not previously approved by IWG or Panel.

Option	Comments
Implement Delegated Authorities as detailed above	<b>Recommended – provides a clear audit trail of how decisions have been made</b>
Do not implement recommended Delegated Authorities	Not recommended – Delegated Authorities demonstrate good governance.

### 3. KEY IMPLICATIONS

3.1 This proposal codifies how investment decisions are made and enables a clear audit trail to be established.

#### **4. FINANCIAL DETAILS**

None

#### **5. LEGAL IMPLICATIONS**

5.1 None

#### **6. VALUE FOR MONEY**

6.1 N/A

#### **7. SUSTAINABILITY IMPACT APPRAISAL**

7.1 N/A

#### **8. RISK MANAGEMENT**

8.1

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
No delegated authorities	Medium	Confirm delegated authorities	Low

#### **9. LINKS TO STRATEGIC OBJECTIVES**

9.1 N/A

#### **10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION**

10.1 Not required

#### **11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS**

11.1 None

#### **12. PROPERTY AND ASSETS**

12.1 N/A

#### **13. ANY OTHER IMPLICATIONS**

13.1 None

#### **14. CONSULTATION**

14.1 Chairman, Vice Chairman of Panel, Head of Finance, External Advisers

**15. TIMETABLE FOR IMPLEMENTATION**

15.1 Immediate

**16. APPENDICES**

16.1 None

**17. BACKGROUND INFORMATION**

17.1 None