

Report for: ACTION



Contains Confidential or Exempt Information	NO - Part I
Title	Investments – Asset Class Limits
Responsible Officer(s)	Nick Greenwood, Pension Fund Manager
Contact officer, job title and phone number	Nick greenwood Pension Fund Manager 01628 796701
Member reporting	Investment Working Group
For Consideration By	Berkshire Pension and Pension Fund Advisory Panels
Date to be Considered	11 April 2016
Implementation Date if Not Called In	N/A
Affected Wards	None

REPORT SUMMARY

1. This report recommends limits for the maximum proportion of the Fund that can be invested in any one asset class, fund or issue. The Fund will be required to publish an Investment Strategy Statement later in 2016 which, inter-alia, must include asset class limits.

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. Compliance with the Local Government Pension Scheme Regulations	Immediate

1. DETAILS OF RECOMMENDATIONS

RECOMMENDATION: That Panel agree the investment limits as set out in Table 1 in this report.

2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 1.1 On November 25th 2015 the Department for Communities and Local Government published a draft of the Local Government Pension Scheme (Management and Investment of funds) 2016 Regulations. Consultation on these regulations closed on 19 February 2016 and it was expected that the regulations would come into force on 1 April 2016. It now looks unlikely that the commencement date objective (1 April 2016) due to the huge volume of responses on the requirement for administering authorities to publish an “Environmental, Social and Governance” policy as part of their Investment Strategy Statement.
- 1.2 The regulations will, when they come into force, require administering authorities to publish an Investment strategy Statement which, inter-alia, sets out the maximum percentage of the total value of all fund money that it will invest in particular investments or classes of investments.
- 1.3 The table below sets out the recommendations of the Investment Working Group for these limits:

Asset Class	Current %	Proposed Max %	Single Investment Limit % (of fund)
Bonds	14.5	35	n/a
“Conventional” Gilts	0.0	25	25% in any single issue
“Index-Linked” Gilts	1.4	25	25% in any single issue
Investment Grade Bonds	0.0	25	2% in any single issue
Non-investment grade bonds (“High Yield”)	0.0	10	0.5% in any single issue or 5% in any single fund
Private Fixed Interest	9.6	20	5% in any single fund
Convertible Bonds	3.5	10	5% in any single fund
Equities	43.6	60	n/a
Developed World Listed Equities	21.6	40	5% in any single company
Emerging & Frontier Market Equities	11.7	25	5% in any single fund
Private Equity	10.3	15	5% in any single fund 0.5% in any single co-investment
Absolute Return (“Hedge Funds”)	18.4	20	2.5% in any single fund

Infrastructure	4.6	15	n/a
Global Infrastructure Funds	4.6	7	2.5% in any single fund
UK Infrastructure	0	5	5% in any single fund
Commodities	3.2	5	n/a
Commodity funds	2.1	3	3% in any single fund
Single Commodity Exchange Traded Funds	1.1	2	2% in any single commodity
Property	11.3	20	n/a
UK Funds	3.9	5	5% in any single fund of funds
Global Funds	7.1	10	10% in any single fund of funds
Private Rented Residential	0.3	5	3% in any single development
Cash	6.0	15	2% in any single “money fund”

- 1.4 Members are requested to approve these limits for future incorporation into the Fund’s Investment Strategy Statement which will be submitted to Panel for approval before publication

Option	Comments
Approve the proposed limits	Recommended. It demonstrates good governance of the Fund and will be a legal obligation later in 2016.
Do not approve the proposed limits	Not recommended. As note above later in 2016 it will be a legal requirement for the Fund to have such limits in place.

3. KEY IMPLICATIONS

- 3.1 The Royal Borough as administering authority for the Pension Fund will be required to publish these limits in any case.

4. FINANCIAL DETAILS

There is no financial impact on the budget

5. LEGAL IMPLICATIONS

5.1 Compliance with LGPS Regulations

6. VALUE FOR MONEY

6.1 N/A

7. SUSTAINABILITY IMPACT APPRAISAL

7.1 None

8. RISK MANAGEMENT

8.1 The imposition of asset class limits (even if broadly set) ensures that the Fund's investments will be broadly diversified at all times.

9. LINKS TO STRATEGIC OBJECTIVES

9.1 N/A

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION

10.1 None

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS

11.1 None

12. PROPERTY AND ASSETS

12.1 None

13. ANY OTHER IMPLICATIONS

13.1 None

14. CONSULTATION

14.1 Investment Working Group 24 March 2016.

15. TIMETABLE FOR IMPLEMENTATION

15.1 Immediate

16. APPENDICES

- None

17. BACKGROUND INFORMATION

- The Draft Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 published on 25 November 2016 (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479562/draft_LGPS_Investment_Regulations_2016.pdf)