

Report for: ACTION



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

REPORT SUMMARY

1. This paper clarifies the Investment Working Group's authority to authorise Officers to make investments on behalf of the Pension Fund.

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. Agrees the delegated powers as set out in Annex 1
- ii. Request Council to incorporate these delegated powers within the Council's Constitution.

2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

At its meeting on 9 February 2016 Panel agreed the delegations as set out in the table below subject to a limit being placed on the Investment Working Group's ability to make investments. During the meeting a limit of £20 million was suggested. Following the meeting the Chairman and Vice Chairman raised a concern that this limit would be too low and not alleviate the Panel of any work. It was suggested that a limit of £50 million or 3% of the Fund's net assets as published in the latest Financial Statements would be more appropriate particularly as the Pension Fund Advisory Panel has two members on the Investment Working Group and therefore the Pension Fund Advisory Panel's views would be represented at Investment Working Group Meetings.

The amended Powers of Delegation are set out in Annex 1.

Option	Comments
That the Investment Working Group's ability to authorise Officers to make investments be limited to the higher of £50 million or 3% of the Fund's last published net asset value in any single or series of investments in any one asset class with any single manager.	Recommended – this limit will reduce the workload of the Panel whilst still providing a clear audit trail.
Impose a lower limit	Not recommended – most investments made by the Pension Fund are in the order of £30 million or higher so a lower limit will not reduce the workloads of the Panel.

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

Risks	Uncontrolled Risk	Controls	Controlled Risk
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

Annex 1 – Delegated Powers

Delegator	Delegated Authority	Delegatee	Rationale
RBWM	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).	Pension Fund Panel	Prerogative of the administering authority which has delegated this to the Pension Fund Panel
RBWM	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
Pension Fund Panel	Recommend changes to the Investment Strategy	Investment Working Group	A natural function of the IWG; approval of changes will still require Panel approval.
Pension Fund Panel	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
Pension Fund Panel	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. There will be a limit of the higher of £50 million or 3% of the net asset value of the Fund as published in the Fund’s latest Financial Statements for any single or series of investments in any one asset class with any single manager.		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.
Pension Fund Panel	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.

Pension Fund Panel	Undertake due diligence on new investments/managers including utilising external resources (e.g. legal assistance) as necessary	Officers	Day to day management of the Fund.
Pension Fund Panel	Complete documentation for making investments	Officers	
Pension Fund Panel	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.		
Pension Fund Panel	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.		
Pension Fund Panel	Emergency action to terminate a mandate, redeem a pooled holding or reduce exposure to one or more asset classes and to take any other action necessary to secure/recover Pension Fund Assets	Chairman and Vice Chairman of the Pension Fund Panel or Leader and Lead member of Finance or two strategic directors of RBWM	Constitutional power to protect the fund in times of financial stress.

* 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.