

REVIEW OF LIMITS ON INVESTMENT

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<i>Papers with this report</i>	Revised Statement of Investment Principles LGPS (Management and Investment Funds) Regulations 2009
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SUMMARY

As a result of continuing drawdowns into Private Equity Investments and the investment of monies transitioned from Marathon to SSgA the Fund in is breach of investment limits within the Local Government Pension Scheme (Management and Investments Funds) Regulations 2009. However, under regulation 15 of those regulations, an administering authority has the power to increase those limits. This report requests that Pension Committee exercise that authority to increase the limits.

RECOMMENDATIONS

That Committee agree under Regulation 15 of the Local Government Pension Scheme (Management and Investments Funds) Regulations 2009, for the period from 13 December 2012 to 12 December 2013, to:

- 1. increase in the limit of contributions to any single partnership from 2% of Fund value to 5%;**
- 2. increase in the limit of contributions to partnerships from 5% of Fund value to 15%;**
- 3. increase in the limit of any single insurance contract from 25% of Fund value to 35%; and**
- 4. approve the amendment to Appendix B of the Statement of Investment Principles to reflect these decisions.**

Information

1. Recent investments into Private Equity have resulted in our investments in a single partnership breaching the 2% limit as detailed in regulation 14 "Restrictions on Investments" of the LGPS (Management and Investment Funds) Regulations 2009. This has occurred as a result of ongoing drawdowns which are not known to us in advance. However, under regulation 15 of the same regulations, the Council has discretion to temporarily increase the 2% limit to 5%. Increasing the limit to 5% will ensure that there is sufficient capacity to continue this investment.
2. Similarly, overall investments in Private Equity as at 30 November 2012 now total £38m (6% of the current fund value) which breaches the current 5% limit on investments in all partnerships as also detailed in regulations 14 of the above

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regulations. Again, under regulation 15 of the same regulations, the Council has discretion to temporarily increase the 5% limit to 15%. Increasing the limit to 15% will ensure that there is sufficient capacity to continue these investments.

3. Following the disinvestment of funds from Marathon, the funds were placed temporarily with SSgA. As a result the investment in a single Insurance contract now stands at £192m, approximately 32% of fund value. This again breaches regulation 14 of the above regulation. As before, under regulation 15 of the same regulations, the Council has discretion to temporarily increase the 25% limit to 35%. Increasing the limit to 35% will ensure that there is sufficient capacity to continue this investment. This change will provide the fund the necessary flexibility to achieve investment objectives without breaching set regulations as the SSgA portfolio is also used for safekeeping of assets from disengaged managers pending appointment of preferred ones.

FINANCIAL IMPLICATIONS

The financial implications are explained within the report.

LEGAL IMPLICATIONS

To follow