



Report of: Corporate Director of Finance and Resources

Meeting of:	Date	Agenda item	Ward(s)
Pensions Sub-Committee	9 March 2015		n/a

Delete as appropriate	Non-exempt	
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Appendix A attached is Private and Confidential

SUBJECT: Investment Strategy Asset Allocation Implementation – Infrastructure Briefing

1. Synopsis

- 1.1 To consider an Infrastructure presentation paper prepared by Mercer attached as Appendix A (private and confidential).
- 1.2 This is a follow on paper to enable Members to set a framework to implement the Fund's agreed investment strategy in November to allocate assets to infrastructure. This should form part of its 25% defensive basket.

2. Recommendations

- 2.1 To consider Mercer's presentation on Infrastructure set out in Appendix A (private and confidential)
- 2.2 To discuss and agree the following:
 - Objectives- what role will infrastructure play?
 - What is our risk and return requirement
 - What are the Fund's constraints- eg liquidity, amounts, speed of deployment and investment choice
- 2.3 Subject to decisions taken at 2.2 above;
Consider the next following steps:
 - Geography, sector, development stage
 - Type (listed equity, unlisted equity, debt)

- Implementation method such as fund of funds, direct investment or direct funds
- Governance

3. Background

- 3.1 Members agreed at the November 2013 meeting to maintain the current split of 75% in growth assets and 25% in defensive assets. A further paper in March 2014 provided information on alternative asset types, expected returns and associated risk and it was agreed to reduce the Fund's equity allocation by 10% to invest in a diversified growth fund and to consider further the restructuring of the current bond investments. A follow on paper on credit and liability hedging approaches was discussed at the July meeting.
- 3.2 Members agreed in November 2014, a new asset allocation and an implementation plan over the short to medium term period, in particular
- To allocate part of its assets to new areas of investment, namely frontier emerging markets, infrastructure and social housing, coupled with the DGF allocation.
 - Identify implementation considerations of the proposed investment strategy; and
 - Identify the governance requirements of the proposed investment strategy
- 3.3 A Diversified Growth Fund manager was recommended for appointment and £100million is to be allocated to this manager. Contract and legal negotiations are now underway and the anticipated funding will be post April 2015 once the year end accounts are closed.
- 3.4 Infrastructure has a wide scope and complex parts and therefore Mercer have been asked to prepare this presentation to enable Members to define their objectives, risk and return. These parameters once agreed will enhance and clarify the basis for further considerations such as the type, sector, geography, and implementation and governance structure.

4. Implications

4.1 Financial implications

Fund management and administration fees are charged directly to the pension fund. The transfer of assets will generate some costs.

4.2 Legal Implications

None applicable to this report.

4.3 Environmental Implications

None applicable to this report.

4.4 Equality Impact Assessment

None applicable to this report.

5. Conclusion and reasons for recommendation

- 5.1 Members are asked to consider the presentation Appendix A (private and confidential), discuss and agree recommendations outlined in 2.2 to 2.3 and receive a further progress report at the next meeting in June.

Background papers:

None

Final report clearance:

Signed by:

Received by: Corporate Director of Finance & Resources Date

Head of Democratic Services Date

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