



PENSIONS (SPECIAL) COMMITTEE 12 MARCH 2018

Subject Heading:

**Appointment of Investment Manager -
Real Asset Mandate**

CMT Lead:

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Policy context:

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In line with Pension Fund's Investment
Strategy dated November 2017

Financial summary:

Contract value of £85m

**The subject matter of this report deals with the following Council
Objectives**

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

In line with progression of the Investment Strategy this report contains a paper produced by the Fund's Investment Advisor on the suitability of investment managers who have put forward offers to deliver the mandate specification for Real Assets.

Members will receive presentations from each of the shortlisted managers which they will score and evaluate and then give consideration as to the appointment of a manager/s to deliver the Real Asset mandate.

RECOMMENDATIONS

That the Committee:

1. Receive presentations from the shortlisted managers listed in Appendix A (exempt)
2. Give consideration as to whether to appoint a manager/s to implement the Real Asset mandate.

REPORT DETAIL

Background

1. At its meeting on the 19th September 2017 members were provided with an update on the progress of implementing the Investment Strategy and members agreed to undertake the search for a Real Asset Manager in collaboration with Newham, as the London CIV don't currently have any clear plans for the launch of Real asset products.
2. The Committee had agreed to increase the Fund's exposure to Real Assets to 17.5% over the long term. This comprises of the following:

Asset	Target allocation %
UK property (UBS)	6.0
Other Real Estate (unallocated)	4.0
Infrastructure (unallocated)	7.5
Total Real Assets	17.5

3. Following the search for Real Asset manager undertaken by bfinance, the Fund's Investment advisor, has produced a paper attached as Appendix A (Exempt) outlining the offers made by the shortlisted managers who are able to deliver the mandate specification.
4. The Committee will receive training prior to the meeting which will outline what the Real Asset mandate will consist of, the illiquid nature of the product and pricing structures and risk factors.
5. Presentations will be available on the day of the meeting. Members will be guided through each presentation by the Fund Manager.

6. The meeting will be facilitated by the Fund's Investment Advisor (Hymans) and guidance to the evaluation process and score sheets will also be made available at the meeting.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Real Asset target of 17.5% will require additional investments of 11.5% (6% already being delivered by UBS). This equates to a sum in the region of £85m.

This will be funded from reductions in the Multi Asset class allocations.

Implementation/ Transition costs - it is currently too early to provide any detail on what these may be. This will be reported at the meeting once further progress has been made. No costs are payable by the Council's Pension Fund to bfinance as they will pass their costs on to the successful Fund Manager and estimates for transition costs will be included in the overall summary produced by the Fund's Investment Advisor at the meeting.

Advisor fees which cover input/advice on the mandate specification and tender design, the review of long-list managers and advice on short-listing, training materials, attendance at shortlist meeting with Pensions Committee and liaison with bfinance throughout the process will be included in the overall summary produced by the Fund's Investment Advisor at the meeting.

Costs arising from the implementation of the investment strategy will be met from the Pension Fund.

Legal implications and risks:

The Committee has been constituted by the Council to perform the role of administering authority to manage the London Borough of Havering Local Government Pension Scheme Fund (LGPS) and as such has legal authority to make the decisions sought by the recommendations.

Committee Members have a legal responsibility for the prudent and effective stewardship of LGPS funds, and in more general terms, have a fiduciary duty in the performance of their functions. Investments or pensions committee members are often referred to as quasi-trustees. LGPS quasi-trustees are responsible for the:

- oversight of the management and resourcing of all fund activities
- ensuring the best possible outcome for the fund, employers and members
- ensuring the fund is managed in accordance with legal and regulatory requirements

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- taking decisions in accordance with the standing orders of the investments or pensions committee
- acting prudently and impartially on behalf of all the beneficiaries ensuring all decisions are for the benefit of the fund contributors and beneficiaries.

The Local Government Pension Scheme Regulations 2013 provide various powers and duties to the Administering Authority to manage the pension fund, choice of Investment managers and the investment and use of fund money including investment policy and principles

The procurement proposed is outside the Procurement Regulations 2015 by virtue of Regulation 10 which exempts certain investment contracts, although any award must comply with the requirements of openness and transparency.

However the Committee must comply with the Council's Contract Procedure rules and awards of this size must be competitively tendered with the involvement of procurement.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

There are no equality implications or risks as a result of this report.

BACKGROUND PAPERS

Background Papers List

None