

REPORT FOR: PENSION FUND INVESTMENT PANEL

Date of Meeting: 25 July 2011

Subject: Investment Strategy Options

Responsible Officer: Julie Alderson, Interim Director Finance

Exempt: No

Enclosures: Aon Hewitt Strategy Options Paper

Section 1 – Summary

Aon Hewitt will lead a discussion on the development of the current investment strategy and will set out areas in which further investigation is proposed.

Recommendation:

The Panel is invited to ask Aon to develop proposals to improve the current investment strategy through enhancing returns or reducing volatility including the wider use of alternative assets.

Section 2 – Report

1. At the January 2011 meeting the Panel received a presentation from Hymans Robertson on alternative proposals to update the investments strategy. Discussion was deferred pending the completion of the investor advisor review.
2. Following their appointment, Aon Hewitt have been asked to review the current strategy in light of the actuarial position, the status of the Scheme as an LGPS and current / projected developments in financial markets and to set out preferred areas in which the strategy can be enhanced. Aon Hewitt will not be bringing proposed solutions, rather recommendations for detailed investigation. No modelling work e.g. asset liability modelling, has been undertaken and the Panel will wish to discuss with Aon Hewitt the extent to which the strategy work undertaken by Hymans can be used to support any new proposals.
3. The initial conclusion from the Aon review is that the current strategy has a high probability of achieving the returns required to pay the pension liabilities. Pages 4 and 9 of the Appendix set out areas in which additional work is suggested to develop proposals to improve the current investment strategy.

Section 3 – Further Information

N/A

Section 4 – Financial Implications

4. The strategic allocations of the pension fund have the greatest impact on fund returns and required future contribution levels.

Section 5 – Corporate Priorities

5. Corporate Priorities are not applicable to Pension Fund as it does not have a direct impact on Council's resources.

Name: Julie Alderson	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 13 July 2011		
Name: Matthew Adams	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 15 July 2011		

Section 6 - Contact Details and Background Papers

Contact: George Bruce (Treasury and Pension Scheme Manager)
Tel: 020-8424-1170 / Email: george.bruce@harrow.gov.uk

Background Papers: Review of Pension Fund's Investment Strategy (paper to PFIP 17 January 2011).