



# AUDIT AND PENSIONS COMMITTEE

15<sup>th</sup> March 2012

**CONTRIBUTORS**

DF

**ALTERNATIVE INVESTMENTS**

This report prepared by Psolve gives various options for investing in alternative investments.

**WARDS  
All**

**RECOMMENDATION:**

1. That the committee agree to increase the allocation of the Pension Fund's investments to Ruffer by 5% of the total value of the fund with 2.5% coming from each of Majedie and MFS.

**LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext. of Holder of File/Copy</b>	<b>Department/ Location</b>
1	Psolve File	B Pearce Extension 1808	16 <sup>th</sup> Floor, Westminster City Hall,

## **1. Introduction**

1.1 Members will recall that at a briefing meeting on the 22<sup>nd</sup> November 2011, Psolve proposed a change in the investment strategy of the fund to include an allocation of the fund's investments to Alternative Investments.

1.2 At the last Audit and Pensions Committee on 8<sup>th</sup> December 2011 members received a presentation from Ruffer on their investment strategy and their opinion on Alternative Investments. It was proposed that Psolve prepare a paper for the next committee.

1.3 Psolve has now produced their paper which is attached. In the paper they have proposed two main options for investing in Alternative Investments:

a) Allocate more funds to Ruffer to manage with the same mandate as at present. Ruffer invests in a broad range of equities, bonds, different regions, credit and alternative investments. This will give access to Alternative Investments chosen by Ruffer as and when they think fit but not as much as the second option.

b) Go through OJEU procedures to arrive at preferred manager(s). Psolve propose three different options for this route.

1.4 Of the four options, the Ruffer option has the lowest fees.

1.5 Psolve are proposing that 10% of the fund (approx £60million) be invested in Alternative Investments and that this money should come from Majedie's UK Equity mandate.

## **2. Options**

2.1 Officers have considered the proposal by Psolve and believe that there are two options for consideration:

a) Do nothing and leave the investments strategy as it is now. The current strategy has served the fund well and officers are not convinced that a move into Alternative Investments will add much to the Fund apart from diversification and would increase fees. There also does not seem to be much information about the returns they have produced over the long term compared to conventional investments. Alternative Investments by their nature are often illiquid and not easily realisable, which would mean that the fund would not be able to move the assets back into equities or other investments quickly should it be felt necessary.

b) Increase the allocation to Ruffer with the same mandate as at present which will give some exposure to Alternative Investments. The choice of investments will be theirs. Ruffer will be able to switch quickly between asset classes as they can now. Officers only recommend an extra allocation of 5% (Psolve recommend 10%) of the fund with 2.5% coming from both Majedie and MFS. Officers feel that taking the monies only from Majedie (UK Equities) will increase the fund's exposure to currency movements as well as too much from one manager.

### **3. Recommendation**

3.1 That the committee agree to increase the allocation of the Pension Fund's investments to Ruffer by 5% of the total value of the fund with 2.5% coming from each of Majedie and MFS.