

PENSION FUND COMMITTEE – 5 DECEMBER 2014

FUND MANAGER MONITORING ARRANGEMENTS

Report by Chief Financial Officer

Introduction

1. Each year the Pension Fund Committee considers the arrangements for monitoring the performance of its Fund Managers. This report sets out the proposed schedule for 2015/16, and recommends the Committee to approve the arrangements.

Proposed Arrangements

2. Under the current arrangements, the performance of all Fund Managers is reviewed every three months, either by the full Committee, or by officers in conjunction with the Independent Financial Adviser to the Fund. For those quarters that the Committee does not see the Fund Manager, the officer meeting is held in advance of the Committee to allow the Independent Financial Adviser to report all key issues at the next Committee meeting.
3. Traditionally, the Committee have seen the three actively managed equity fund managers every 6 months, the fixed income and passive equity manager once a year, and the two private equity managers once every two years. In March, the Committee agreed to invest 5% of the Pension Fund's assets in a Diversified Growth Fund. Officers have recently undertaken a procurement exercise to select a fund manager and believe that the DGF fund should be included in the monitoring schedule for the next financial year.
4. Due to the current frequency of fund manager reviews, the Pension Fund Committee has limited time available to consider strategic issues. Strategic decisions, such as asset allocation normally have a greater impact on overall fund performance than individual fund manager investment decisions. It is therefore proposed that the frequency of direct committee monitoring of the active equity managers is reduced to once a year, in line with the active fixed income monitoring frequency.
5. Officers and the IFA will continue to monitor manager performance during the year and regularly report to the Pension Fund Committee. However, in order to use resources more effectively, it is proposed that officers and the IFA will no longer meet with the fund managers during the quarter immediately following their presentations to the Pension Fund committee, unless there are concerns regarding the manager's performance, or other issues to be addressed. Due to the short time frame between the date of a committee meeting and the reporting deadline in advance of the next committee meeting, officers have found that meetings with fund managers are less beneficial in the quarter following their attendance at committee.

6. The proposed detailed monitoring arrangements are as follows:

	Committee	Officer/IFA meetings
Quarter 1 Committee 5 June 2015	DGF	Baillie Gifford Legal and General Private Equity
Quarter 2 Committee 4 September 2015	Baillie Gifford Legal and General	UBS Wellington Private Equity
Quarter 3 Committee 4 December 2015	Adams Street Private Equity	UBS Wellington DGF
Quarter 4 Committee 11 March 2016	UBS Wellington	Baillie Gifford Legal and General DGF

RECOMMENDATION

7. The Committee is **RECOMMENDED** to approve the Fund Manager monitoring arrangements as set out in this report.

Lorna Baxter
Chief Financial Officer

Background papers: Nil
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