

## **Pension Fund Investment Sub-Committee**

**14 December 2015**

### **Pooling Update**

#### **Recommendation**

**That the Pension Fund Investment Sub-committee approve the proposal.**

#### **1 Introduction**

- 1.1 At the sub-committee meeting on 14 September 2015 it was decided to pool the funds passive assets with one single asset manager in conjunction with six other County Council pension funds. It was also decided that the manager selection process be delegated to officers.
- 1.2 This report details the work that has taken place since this date.

#### **2. The Selection Process**

- 2.1 Following a request for proposal exercise to find a suitable investment consultant, BFinance were appointed by the funds to produce a report scoring potential managers for passive investments which would then lead to shortlisting and manager interviews.
- 2.2 BFinance provided a report following manager submissions to each of the funds for consideration and shortlisting. The results of this report were shared by BFinance to sub-committee members on 22 October which detailed and scored the submissions, with recommendations for manager interviews.
- 2.3 Seven fund managers submitted responses to BFinance. Following talks with BFinance and the other respective pension funds three managers were eliminated from the process, with the remaining four to be invited to interview.

#### **3. Interviews**

- 3.1 A meeting was held on 2 November 2015 at Staffordshire County Council where the following fund managers were interviewed:
  - State Street
  - UBS

- Blackrock
- Legal and General

3.2 Following this process Legal and General were successful.

3.3 Therefore the funds holding with Blackrock and residual assets with State Street will be transferred to Legal and General. Table 1 gives the value of these assets as at 30 September 2015.

**Table 1: Passive Manager Asset Values at 30 September 2015**

	<b>£m</b>
Blackrock (Multi Asset)	265.2
State Street (UK Equity)	21.6
<b>Total</b>	<b>286.8</b>

3.4 Holdings with Legal and General at 30 September totalled £366.7m. Therefore this would take their holding in the fund from 25% to around 40%. There is currently a restriction in investment regulations which places a cap of 35% that funds can invest in a single insurance policy. However this is being revisited as part of the wider Government consultation on asset pooling. Therefore officers are working with Legal and General to open another insurance policy to split the asset base into two contracts

#### **4. Progress since interviews**

4.1 Legal and General are confident that they have the capability to complete the transition within this calendar year. A transition report will be circulated to sub-committee members when completed.

4.2 Legal and General have confirmed that that the re-balancing function they currently undertake for the fund can continue to be provided.

4.3 As a large proportion of the funds emerging market assets are currently with Legal and General, transition costs will be lower than if another manager had been selected. However since appointment Legal and General have stated that they will cover the cost of transition.

4.4 Fee savings, whilst still a projection will be considerable. From the documentation and interviews typical fees will reduce from around 8 bpts to 3 bpts.

### **Background Papers**

BFinance Manager Search Report.

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