

Proposed Terms Of Reference For The Investment Sub-Committee

Purpose of the Report

1. The purpose of this report is to agree the Terms of Reference for an Investment Sub-Committee (ISC) to consider opportunistic investment proposals.

Background

2. At the Committee meeting on 4 June 2013, it was agreed to set up an ISC for the sole purpose of considering medium term (3-7 years) opportunistic investments. These investment opportunities' can only be considered if they are expected to provide a more attractive risk/reward profile than passive global equities.
3. To take advantage of these opportunities, it may require a decision outside the regular scheduled committee meetings to enable the Fund to act quickly in times of a limited window of opportunity in the markets.
4. The ISC's ability to make delegated decisions would only be in relation to the Fund's strategic asset allocation to Opportunistic Investing which is limited up to a total of 5% of the total assets (circa. £65m).

Consideration for the Committee

5. The rationale for opportunistic investing was outlined in the report by Mercers attached to Agenda Item 15 at the 4 June 2013 meeting. In summary the objective is to capitalise on ideas / themes that look attractively valued on a medium term investment horizon (typically 3-7 years). The intention is that one or two ideas might be considered a year.
6. The expectation is that in most cases the Fund's investment adviser (Mercers) will approach the ISC with ideas, or the main committee may suggest ideas for further research. Therefore, meetings will only take place when required.
7. Mercers would highlight a case to officers for an investment opportunity, with an assessment against set objectives and criteria along with a plan / timetable for implementation.
8. A paper would then be circulated to all members of the Wiltshire Pension Fund Committee and a meeting of the ISC called to discuss the investment case in more detail with a decision to be made to proceed with this investment based on a majority decision.

9. All members of the main committee will be able to attend the meetings or submit comments for consideration but only the membership of the ISC will be eligible to vote.
10. If an opportunity was considered investable then the ISC would agree the most suitable method of investing to ensure a robust process for selecting a product appropriate to the timeframe for this window of opportunity.
11. The Appendix outlines the proposed Terms of Reference (TOR) for the Investment Sub-Committee. The key areas have been summarised below.

Purpose

12. The ISC will be responsible for considering opportunistic investments for assets limited in cumulative value to 5% of the Fund's strategic allocation, using its delegated powers to agree whether to make an investment and to select an appropriate investment vehicle when necessary following a selection process.
13. The ISC may also be occasionally requested to by the Wiltshire Pension Fund Committee to undertake research and report back on a specific investment areas.

Membership

14. The membership will consist of 3 members from the Wiltshire Pension Fund Committee, namely the Chairman, Vice-Chairman and one other co-opted member. Other members to included the Investment Adviser, Independent Governance Adviser, Director of Finance, Head of Pensions and Fund Investment & Accounting Manager.
15. Any member from the Wiltshire Pension Fund may also attend in a non-decision making capacity.

Voting Rights

16. The three members of the Wiltshire Pension Fund will have voting rights with any decision made on a majority basis having taken appropriate advice from the Committee's advisers and officers

Powers

17. The ISC will have delegated authority from the Wiltshire Pension Fund Committee to make opportunistic investments and to disinvest in line with the TOR outlined in the Appendix that meet the specific criteria. The ISC has no remit to make any other investment decisions which will be dealt with by the main committee.

Environmental Impact of the Proposals

18. There are no environmental impacts from these proposals.

Safeguarding Considerations/ Public Health Implications/ Equalities Impact

19. There are no known implications at this time.

Risk Assessment

20. The implementation of the ISC is designed to mitigate the risk of poor investment returns as highlighted within PEN007 of the Risk Register elsewhere on this agenda.

Legal Considerations

21. There are no legal implications other than the amendments to the Wiltshire Pension Fund delegations and reporting structure as outlined in the body of this report.

Financial Considerations

22. The financial implications of the ISC would be minimal and dependent on the number of formal meetings required each year. However, costs for these meetings should not be excessive and funded from the existing administration budget.

Reasons for Proposals

23. The implementation of the ISC will enable the Fund to take advantage of medium term investment opportunities which might only exist for a short timeframe by using this more flexible governance arrangement as and when needed.

The Proposal

24. The Committee is asked to approve the setting up of an Investment Sub-Committee for the purpose of Opportunistic Investing based on the Terms of Reference on the attached Appendix.

MICHAEL HUDSON
Service Director - Finance

Report Author: David Anthony, Head of Pensions

Unpublished documents relied upon in the production of this report:

Appendix A – Draft Terms of Reference

WILTSHIRE PENSION FUND INVESTMENT SUB-COMMITTEE (ISC)

Membership:

Voting Members:

- (i) Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)
- (ii) Vice-Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)
- (iii) A Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee. The intention is this will be the same person for each meeting (or in their absence another member of the Wiltshire Pension Fund Committee appointed by the Chairman and Vice Chairman)

Non-Voting Members

- (i) Investment Adviser to the Wiltshire Pension Fund Committee
- (ii) Independent Governance Adviser to the Wiltshire Pension Fund Committee
- (iii) Director of Finance, Wiltshire Council
- (iv) Head of Pensions, Wiltshire Council
- (v) Fund Investment & Accounting Manager, Wiltshire Council

Observers

- (i) Any member from the Wiltshire Pension Fund Committee is invited to attend in a non-voting capacity as relevant to the subject matter.

Quorum:

The Quorum is three voting members.

Purpose:

The ISC will be responsible for considering and determining opportunistic investments for assets limited in cumulative value to 5% of the Fund's strategic allocation, using its delegated powers to agree whether to make an investment and to select an appropriate investment vehicle when necessary following a selection process.

The ISC may also be occasionally requested to by the Wiltshire Pension Fund Committee to undertake research and report back on a specific investment areas.

All decision taken will be reported back to the next available ordinary meeting of the Wiltshire Pension Fund Committee in the form of the minutes if the ISC.

Authority:

To discharge the functions of the Wiltshire Pension Fund Committee in regard to opportunistic investments up to 5% of the Fund's strategic asset allocation.

Terms of Reference:

1. The ISC, will be responsible for:
 - 1.1 Reviewing proposals put forward by either the Fund's adviser, officers or the Wiltshire Pension Fund Committee in regards to potential opportunistic investments;
 - 1.2 Considering only investments that have the potential to deliver more favourable returns than global passive equities which will be the benchmark for success;
 - 1.3 Considering only investment that have between a 3 to 7 year time horizon and investments must be redeemable after 7 years as a maximum;
 - 1.4 Making decision to invest in an investment that meets the criteria listed in point 1.1 - 1.3;
 - 1.5 Agreeing the most appropriate procurement process for delivering an agreed investment outlined in 1.4;
 - 1.6 Making an appointment in the relevant investment fund on conclusion of a robust process for selection;
 - 1.7 Reporting the outcome of the use of any delegated powers or to make recommendation (where appropriate) to the next meeting of the Wiltshire Pension Fund Committee;
 - 1.8 Making a decision to disinvest in any investment appointed by the ISC with any realised assets being either re-invested in another appropriate vehicle that complies with 1.4 or to be held with the passive global equities allocation;
 - 1.9 Researching and providing a report back to the Wiltshire Pension Fund Committee on any specific investment areas requested.
2. In order to achieve this the ISC will
 - 2.1 Receive reports from either the Investment Adviser, officers, Independent Governance Adviser outlining the case for an medium term investment opportunity which will also be circulated to all Members of the Wiltshire Pension Fund Committee;

- 2.2 Receive advice from Investment Advisers, Independent Governance Adviser, officers or any other product specialist invited by the ISC to the meeting;
- 2.3 Receive monitoring reports when appropriate on investments to inform decision making;
- 2.4 Work within the framework set by the Council's Constitution;
- 2.5 Report to the Wiltshire Pension Fund Committee as necessary on its activities and use of delegated powers;
- 2.6 Investigate other specific areas of investment when requested by the Wiltshire Pension Fund Committee.

Frequency of meetings:

Ad hoc formal meetings as merited in order to utilise the delegated powers to make a decision, with informal meetings as required discussing background issues / seeking clarification prior to any decision being taken.

All meetings will be subject to 5 clear days notice of meeting and access by the public to part 1 and part 2 items as applicable.