

Agenda Item:

Pension Fund Committee

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Dorset County Council



Date of Meeting	4 March 2014
Officer	Pension Fund Administrator
Subject of Report	Review of the Fund’s Strategic Asset Allocation
Executive Summary	<p>In 2013 the Fund reviewed its alternatives portfolio and the conclusion, was presented to the Committee in June 2013. The conclusion at that time was that as there were no other compelling asset classes it was sensible to wait until after the triennial actuarial valuation to assess the position of the Fund’s liabilities and consider the strategy in light of these results.</p> <p>Members will be aware that the Fund has now received the results of the 2013 Actuarial Valuation, and received a presentation from the Fund’s Actuary at the meeting in November 2013. The valuation shows a small increase in the funding level from 79% in 2010 to 81%, due in the main to excellent investment performance over the period, offset somewhat by changing demographics, and changes to workforces driven by the cuts in funding to local government. Having received these results the officers have been working with JLT to analyse the Fund’s overall investment strategy and reviewing potential alternative approaches.</p> <p>The objectives of the Fund’s investment strategy are set out in the Statement of Investment Principles, and have remained unchanged for some time. These state that:</p> <ul style="list-style-type: none"> • The investment policy of the Fund is intended to ensure that all statutory payments made from the Fund are at the least possible cost to the local taxpayers. • Investment returns are a key factor and achieving satisfactory returns will to a considerable degree reflect the risks taken • Consideration is given to the ongoing risks which may arise

	<p>through a mismatch, over time, between the assets of the Fund and its liabilities.</p> <p>All of the Fund’s objectives could be summarised in a single aim; to ensure that the fund has the most efficient investment strategy with respect to risk-adjusted return.</p> <p>With these objectives in mind, the starting point for the review is an assessment of the risk currently within the Fund’s investment portfolio, and to look to reduce these risks, where possible, without adversely affecting return.</p> <p>The Appendices to this report are JLT’s full assessment of the Fund’s current asset allocation, with particular consideration given to the risks embedded with it. Given the thorough review and subsequent changes that were made to the asset allocation in 2012, following the last review, this report takes a lighter touch approach, accepting that a lot of the hard work has already been done, and that the current allocation is a good starting point. The report looks at the work that has been undertaken, analyses the current position, and recommends some changes that will better help the Fund meet its objectives.</p> <p>Due to the relatively complex nature of the review process, and the ultimate recommendations it is appropriate that the Committee spends the necessary amount of time considering and understanding them. Therefore, on 4 March, the Committee will spend the morning in a training session with JLT reviewing the recommendations contained within this report, and assessing the alternative asset allocation strategies. JLT will spend some time reviewing the key ingredients of a successful Investment Strategy, and then apply it to the Dorset Fund.</p> <p>John Finch of JLT will present the reports contained in the Appendices at the Committee meeting in the afternoon on the 4 March. Should there be any significant changes as a result of the training session in the morning, then it may be necessary to reflect this in the recommendations.</p> <p>The paper has two appendices, the first of these (Appendix 1) is entitled Strategic review contains the recommendation on future strategy. The second appendix (Appendix 2) is entitled Infrastructure concept report, looks in specific detail at this area of investment which is new to the Dorset Fund.</p>
<p>Impact Assessment:</p> <p><i>Please refer to the protocol for writing reports.</i></p>	<p>Equalities Impact Assessment:</p> <p>N/A</p> <hr/> <p>Use of Evidence:</p>
<p>The review of the Strategic Asset Allocation has used evidence from the Fund’s Actuarial Valuation, and projected investment</p>	

	<p>return analysis from JLT.</p>
	<p>Budget:</p> <p>Any new changes in fund management arrangements will have a budgetary impact on the Fund, and will be considered as part of the overall review.</p>
	<p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the County Council’s approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk LOW</p>
	<p>Other Implications:</p> <p>None</p>
Recommendation	<p>That the Fund adopts the strategic asset allocation framework contained on page 2 of the executive summary in Appendix 1, and that the Committee authorise the officers to proceed with the work required to achieve this.</p>
Reason for Recommendation	<p>To ensure that the fund has the most efficient investment strategy with respect to risk-adjusted return.</p>
Appendices	<p>Appendix 1: JLT Paper – Strategic review Appendix 2: JLT Paper – Infrastructure concept report</p>
Background Papers	<p>Actuarial Valuation 2013</p>
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