COMMITTEE	PENSIONS COMMITTEE
DATE	25 FEBRUARY 2008
TITLE	PROPOSAL TO INCREASE THE INVESTMENT LIMIT ON ANY SINGLE INSURANCE CONTRACT
AUTHOR	STRATEGIC DIRECTOR RESOURCES

1. Introduction

1.1 In January 2008 we received a request from Hymans, regarding increasing the limit on the amount of investment held in any single insurance contract. The reason for the decision is a temporary change in investment structure as a result of our recent discussions regarding performance.

1.2 The matter has been discussed at a previous meeting of the Investment Panel when it was decided that the limit would be increased from 33% to 35%.

2. The Regulations

2.1 On the 19th November 2003, the Local Government Pension Scheme (Management and Investment of Funds)(Amendment) Regulations 2003 came into force. These regulations provide Administering Authorities with the opportunity to increase their exposure to certain types of investments up to a maximum limit set out in the Regulations.

2.2 Before an Administering Authority can decide to increase investment limits they must comply with the following requirements:

- they must have taken proper advice;
- their investment policy must be formulated with a view to the advisability of investing fund money in a wide variety of investments and to the suitability of particular investments and types of investments;
- the decision must specify:-
    a) the description of investment to which it applies;
    b) the limit on the amount of the investment;
    c) the reason for that decision;
    d) the period for which the decision will apply;
    e) if the authority intend to review the decision before the end of the period in (d), the date when the decision will be reviewed; and
    f) that the decision complies with these Regulations.

2.3 However, before a decision to increase limits can take effect, the Administering Authority must also revise and publish their written Statement of Investment Principles (SoIP).

3. Proposal to Increase the Limit on Investments

3.1 I have sought the advice of George Henshilwood, the Fund's Adviser, on the issue of increasing our investment limit in any single insurance contract.

3.2 The reason for the decision is a change in investment structure following concerns with two of the Fund's managers and by increasing the limit we can maximise the amount we can hold in such funds ahead of a switch to a transition manager.

3.3 The Adviser says he would strongly support any proposal to increase the proportion which can be invested in Equity and Bond mandates, to around 35%.

3.4 This limit will be reviewed by the Pensions Committee every three years as part of the SoIP.

4. Recommendation

4.1 I recommend that the Pensions Committee, having regard to the advice given in Section 3 above, and bearing in mind the diversification afforded, that the limit on the amount which can be invested in any one single insurance contract be increased to 35%.

4.2 That the above limit should apply until such time that the decision is revoked by the Committee; and that the decision be reviewed before 31 January 2012.

4.3 In order that this decision may take effect, that clause 5.3 of the Statement of Investment Principles is amended to note that the limit of investment in any single insurance contract shall be 35%, and that the revised statement be published on 26 February 2008.