

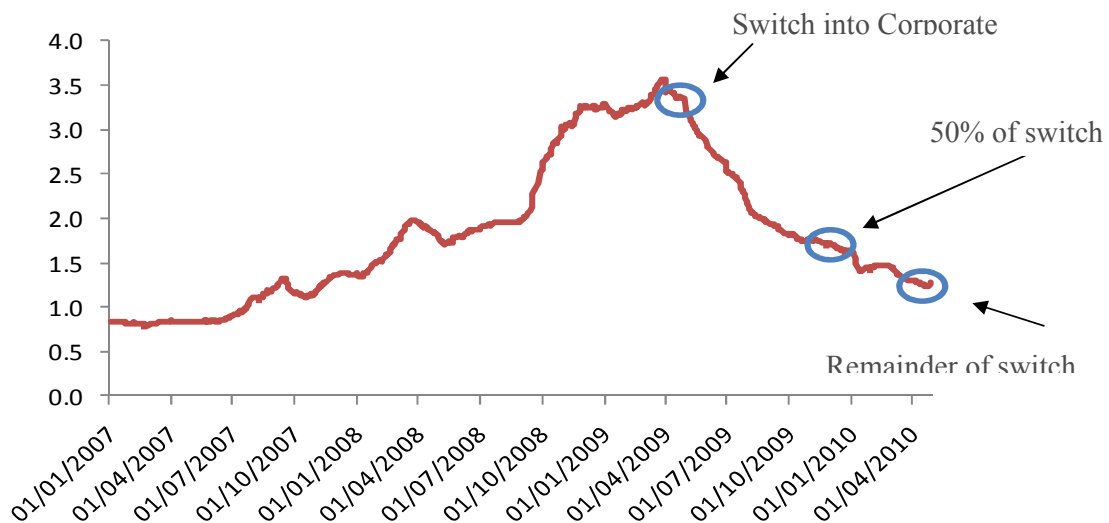
MEETING	PENSIONS COMMITTEE
DATE	5 JULY 2010
TITLE	TACTICAL ASSET ALLOCATION
AUTHOR	DILWYN WILLIAMS CORPORATE DIRECTOR

1. Background

- 1.1 In November 2008, the Investment Panel was given advice by Hymans Robertson that it might be beneficial to take advantage of increasing credit spreads and to switch its investments from gilts into corporate bonds.
- 1.2 This issue was pursued at a further meeting of the Panel in February 2009 and following the meeting of that Panel it decided to make a tactical asset allocation switch from gilts into corporate bonds to take advantage of increasing credit spreads.
- 1.3 The Investment Panel received a report from Hymans Robertson at its last meeting on 11 May noting that the Fund had profited by £4.9m as a result of this action.

2 Future Opportunities

- 2.1 In some respects we were fortunate with this action that the peak of the opportunity lasted from around December 2008 to April 2009 (see the graph below) which was the period it took us to translate an idea into action.



- 2.2 Had the peak lasted for a lesser period we might well have lost the ideal opportunity for the switch and this calls into question whether we need to ensure a smoother process for any future opportunities that may arise.
- 2.3 I have therefore asked Hymans Robertson's advice on this issue and a copy of their advice is attached.
- 2.4 Bearing in mind the advice given, and bearing in mind that the Council's constitution already delegates the right to take action in relation to the practical effects of the Pensions Committee's investment strategy, I **recommend that for any further opportunities which the Investment Advisers (Hymans Robertson) may identify, the Committee should delegate action in relation to tactical allocation switches to the Corporate Director (Dilwyn Williams) in consultation with the Head of Finance and the Investment Panel (or the Chairman and Vice Chairman of the Committee if consultation with the Panel is not possible).**
- 2.5 In accordance with Hymans' advice the permissible ranges within which action can be taken will need to be identified when we establish the Funding Strategy Statement as a result of the valuation later on this year.