

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
INVESTMENT COMMITTEE 10 SEPTEMBER 2012
REPORT OF THE TOWN CLERK AND EXECUTIVE DIRECTOR OF
FINANCE**

ADDITIONAL CONTRIBUTION TO THE PENSION FUND

Introduction

This paper advises the Committee of an additional contribution of £9 million made by the Council into the Pension Fund.

FOR INFORMATION

1 Background

- 1.1 On 14 June the Cabinet agreed a lump sum contribution of £9 million to the pension fund as a use for part of the Council's 2011-12 underspend – reflecting a view that such a contribution could well earn a higher return in the fund than alternative investments via the General Fund.
- 1.2 As the Fund's investment advisers, Hymans Robertson were consulted and confirmed that there was no reason for the funds to be invested immediately across the main managers selected during the Fund's restructuring in the proportions already agreed.
- 1.3 An email was sent to members asking whether they agreed:
 - To transfer £1.5 million to each of the two absolute return managers, by the end of June; and
 - To transfer £2 million to each of the three equity fund managers at a rate of £0.5 million each a month over a four month period in order to try to avoid the risk of poor timing.If this was not the preferred course of action, members were asked to propose alternatives.
- 1.4 After it had been established that the Committee was not meeting in July, a majority of members agreed to the proposed course of action, so £1.5 million was invested with each of the absolute return managers on 16 July. Investments of £500,000 per month are being made with Baillie Gifford, Longview and Legal and General. The July and August payments have been made, with further payments due for September and October.

- 1.5 This investment should improve the funding level of the Fund ahead of the 2013 actuarial valuation and may provide an option of reducing the Council's contributions to reducing the deficit in the fund over the period up to 2020.

FOR INFORMATION

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