




<b>Report to:</b>	Pension Committee	<b>Date:</b>	30 November 2015
<b>Report title:</b>	Residential Property Fund Investment		
<b>Report from:</b>	Gerald Almeroth, Strategic Director - Resources		
<b>Ward/Areas affected:</b>	Borough Wide		
<b>Chair of Committee/Lead Member:</b>	Councillor Sunita Gordon		
<b>Author(s)/Contact Number(s):</b>	Sue Hogg, Interim Head of Financial Strategy and Planning 020 8770 5260		
<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>• A Smart Council</li> </ul>		
<b>Open/Exempt:</b>	Open Exempt (Appendix A)		
<b>Signed:</b>		<b>Date:</b>	16 November 2015

## 1. Summary

- 1.1. This reports provides a brief summary of the process followed to select a preferred residential property investment product and seeks approval of the Committee to appoint Invesco for this mandate.

## 2. Recommendations

- 2.1 That the Pension Committee approve the investment in residential property in the Invesco Real Estate UK Residential Fund of between 2% and 4% of Fund assets.

## 3. Background

- 3.1 At the last Pension Committee meeting in June 2015, the proposed investment in residential property was agreed along with the process to be followed to select and invest with a provider.
- 3.2 Hymans Robertson's report attached at appendix A sets out the selection process that was followed and the reasons for proposing the Invesco fund for this investment.

## 4 Issues

- 4.1 Under the Local Government Pension Scheme regulations manager appointments need to be carried out using the full OJEU procurement procedures. However direct investments can be made by funds without following these procedures. Where a Fund decides to purchase shares or units in an existing pooled fund this is interpreted as a direct investment rather than a



manager appointment. This allows the investments to be made using a more streamlined and cost effective selection process.

- 4.2 The market for this type of investment has matured in recent years, a number of fund managers who either have an existing residential property fund available for investment or are in the process of launching a fund, were invited to submit a formal tender proposal for consideration.
- 4.3 The responses were evaluated and scored against a number of criteria:
- Proposed delivery mechanism
  - Corporate capability
  - Resourcing
  - Investment philosophy & process
  - Risk management
  - Fees and costs
- 4.4 The fund managers that were shortlisted were then interviewed by Council Officers and advisors from Hymans Robertson on 2 November 2015. Details of all the response can be found in Appendix A, this includes the scoring for each fund manager.
- 4.5 Invesco are recommended as the preferred fund manager for this investment as they have a well-developed pooled fund proposition that will shortly be available for investment. Supporting this recommendation are Invesco's underlying residential property management credentials. The firm has developed its expertise in residential property ahead of making any investments and evidenced this through transactions already completed in both the UK and overseas. The full rationale for selecting Invesco for this mandate is set out in appendix A.

## **5 Impacts and Implications**

### Financial

- 5.1 The proposed investment in residential property would constitute between 2% and 4% of the Pension Fund with a value of between £10-20m. The investment is in line with the investment strategy as the Fund has a target exposure to property of 10% with current exposure at only 6%.

### Legal

- 5.2 The approach being recommended by Hymans Robertson is to invest directly into a fund which has been developed by Invesco and will shortly be available for investment. The Pension Fund would be part of a larger fund and subject to the terms of the prospectus of the fund rather than having any contractual relationship. However, it is subject to the Pension Fund's Statement of Investment Principles, its Investment Policy and any other internal processes of the fund which is relevant to what is being proposed.



## 6 Appendices and Background Documents

Appendix Letter	Title
A	Hymans Robertson paper on proposed residential property investment (Exempt from publication)

Background Documents
None

Audit Trail		
Version	Final	Date: 16 November 2015
Consultation with other officers		
Officer	Comments Sought	Comments checked by
Finance	N/A	Sue Hogg
Legal	Yes	Fabiola Hickson

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