

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES  
COMMITTEE & PENSION BOARD– 7 DECEMBER 2015**

**REPORT ON: LOCAL AND ALTERNATIVE OPPORTUNITIES**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 451-2015**

**1 PURPOSE OF REPORT**

This report outlines the intention to engage with investment consultant and actuary during Strategic Asset Allocation Review to consider appropriate asset allocation of the main fund to an alternative opportunities portfolio in order to benefit from local direct investment opportunities and collaborative alternative investment opportunities with other Scottish LGPS Funds. This review will be available to the potential Sub-Committee in March 2016

**2 RECOMMENDATIONS**

It is recommended that Members of Sub-Committee note the contents of the report.

**3 BACKGROUND**

Historically, Tayside Pension Fund has had limited involvement in alternative investments beyond the UK property allocation and this is reflected in current asset allocation and strategy documents. The current investment environment has changed significantly which has had material effect on rates of return and risk across the asset spectrum. Further to this, new opportunities in alternatives at both local and national level are beginning to arise, which could potentially meet the risk and return profile required by the funds actuaries.

At review of strategy, any asset allocation to this investment class would be determined by investment consultants in keeping with return and risk criteria stipulated by the fund's actuaries. This would then be formally adopted into the Statement of Investment Principles, but in operational terms, any unused allocation would remain within existing liquid assets until required to ensure returns remain sustainable throughout the investment timeline.

Independent evaluation of investment opportunities would be mandatory to ensure that any proposal meets investment objectives required both at individual level and as a constituent of the overall portfolio. Further to this assessment, robust independent due diligence would be required prior to any investment case being accepted. Management fees would only be accepted if demonstrated as best value and in keeping with peers and similar investments.

**4 FINANCIAL IMPLICATIONS**

The required investment return of the investment portfolio would be required to be in keeping with overall asset returns stipulated by the Fund's actuaries, and meet the risk and volatility criteria of the fund. The fees would be in line with those of that asset class.

**5 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

**6 CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report

**7 BACKGROUND PAPERS**

None

**MARJORY M STEWART  
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**27 NOVEMBER 2015**