

<b>PENSIONS INVESTMENT COMMITTEE</b>			
<b>REPORT TITLE</b>	Investment Managers Bonus Policy		
<b>KEY DECISION</b>	No	<b>Item No: 9</b>	
<b>WARD</b>	N/A		
<b>CONTRIBUTORS</b>	Executive Director for Resources		
<b>CLASS</b>	Part 1	<b>Date:</b>	15 June 2011

## 1. Summary

- 1.1 This report summarises the results of a request by the Chair for details of the Fund's investment managers respective policies on the payment of bonuses to there employees and partners.
- 1.2 The detailed responses are included on part two of the agenda because they disclose confidential information.
- 1.3 The report comprises the following sections:
  2. Recommendations
  3. Background
  4. The Managers' Reponses.
  5. Conclusions
  6. Financial Implications
  7. Legal Implications
  8. Crime and Disorder Implications
  9. Equalities Implications
  10. Environmental Implications

## 2. Recommendations

The Pensions Investment Committee is recommended to note the contents of the report.

## 3. Background

- 3.1 The Chair at the Committee meeting on the 24<sup>th</sup> February 2011 asked the two managers presenting a question on their bonus policy's and requested that the fund's remaining managers be contacted to obtain details of there policies.

- 3.2 To provide an indication of the Council's requirements, Managers were requested to provide the following information:
- The level of performance related bonuses expressed both in monetary terms and as a proportion of basic pay for the last two financial years.
  - How such bonuses are calculated and the period over which performance is assessed.
  - How such bonuses are paid and in particular the proportion paid in shares and in cash.
  - The 'lock in' period for bonuses paid in shares.

#### **4. The Managers' responses**

- 4.1 Responses have been provided by Fauchier Partners, Schrodgers, UBS and Investec. RCM and Alliance Bernstein attended the meeting. No response has been received from M&G and Harbourvest
- 4.2 The effective responses represent 96% of the Fund's value.
- 4.3 The managers responses have been included on Part Two of the agenda.

#### **5. Conclusions**

- 5.1 The conclusions of the exercise are summarised as follows:
- The payment of bonuses is a standard practice for managers.
  - They provide a mechanism to incentivise and retain/recruit staff.
  - They provide a mechanism to align the clients requirement for performance with those of the managers.
  - They provide a flexible cost base to match there income streams which are essentially based on the value of funds under management.

#### **6. Financial Implications**

The comments of the Executive Director for Resources have been incorporated into the report.

#### **7. Legal Implications**

There are no legal implications directly arising from this report.

#### **8. Crime and Disorder Implications**

There are no crime and disorder implications directly arising from this report.

**9. Equalities Implications**

There are no equalities implications directly arising from this report.

**10. Environmental Implications**

There are no environmental implications directly arising from this report.

**BACKGROUND PAPERS**

None reported

**FURTHER INFORMATION**

If there are any queries on this report or you require further information, please contact Selwyn Thompson, Group Manager Budget Strategy on 020 8314 6932.