



## Pension Fund Committee

29 July 2019

<b>Title</b>	<b>Strategy Update</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public – with Exempt Appendix A
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	<p>Appendix A – Hymans Robertson’s private equity recommendation</p> <p><b>Exempt enclosure - Not for publication by virtue of paragraphs 3 of Schedule 12A of the Local Government Act 1972 as amended (Information relating to the financial or business affairs of any particular person (including the authority holding that information)).</b></p>
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### Summary

This note follows on from the investment strategy discussions at recent meetings and provides an update on implementation of decisions made by the Committee and contains a private equity recommendation.

### Officers Recommendations

1. To commit £55 million to Adams Streets 2019 Global Fund.
2. To delegate authority to the Finance Director to take actions to implement recommendations 1.

## 1. WHY THIS REPORT IS NEEDED

- 1.1 Acting in its capacity as Administering Authority to the Barnet Pension Fund, it is the responsibility of London Borough of Barnet to ensure that the Pension Fund complies with legislation and effectively manages the Fund's financial affairs.
- 1.2 At recent meetings the Committee has made decisions relating to the funding of new asset classes and the appointment of additional investment managers. Progress is discussed below. The issues discussed below are:
- Private equity
  - Property
    - Overseas
    - UK
  - Private debt
  - Emerging market equities

### Private Equity

- 1.3 The Committee has agreed a strategy with a 5% allocation to private equity. Members of the Committee (apart from Cllrs Hutton and Marshall) received presentation from three private equity managers on 25<sup>th</sup> June. Those attending expressed a preference for Adams Street. A note from Hymans Robertson is attached (appendix A) recommending that a £55 million commitment is made to the Adams Street 2019 Global Fund. If agreed, the committed funds will be drawn down over a period of approximately five years as investment opportunities arise.

### Overseas Property

- 1.4 A commitment of \$32 million (approximately £25 million) has been made to the CBRE Global Alpha fund as part of the proposal to invest 10% of the fund in property. Half of the commitment (\$16 million) was invested on 28<sup>th</sup> June. The remainder is expected to be called during Q3, 2019.

### UK Core Commercial Property

- 1.5 The final element of the property proposition was an investment in UK Core commercial property. We have indicated to the LCIV our interest in investing in their property fund but as yet there is no firm timetable to when the fund will be launched and monies invested. While concerns remain that property prices may face a correction in 2019 it is considered appropriate to allow the LCIV time to identify a manager for their UK commercial property fund.

### Private Debt Fund

- 1.6 The Committee agreed at its meeting held on 30 May 2019 to invest £30 million Partners Group MAC (multi asset credit) 2019 fund and that they would also consider a similar commitment to the LCIV Private Debt Fund. As yet the LCIV fund is not available for investment. It's expected that an investment recommendation will be made at the next

Committee meeting. A legal review of the documentation for the Partners fund is currently underway.

### Emerging Market Equities

- 1.7 The Committee decision to invest (February 2019) £54 million in the LCIV Emerging Markets Equity Fund was put on hold when the investment team announced that they were leaving the manager of the fund, Janus Henderson. We understand that the LCIV has identified a replacement manager and this is going through their internal sign off procedures. We have not been informed of the manager's name. The intention is that the selected manager will be invited to attend the next Committee meeting to re-confirm the prior decision to invest.

### Realisation to fund the new mandates

- 1.8 Currently funds are being realised from the Newton mandate when required to fund any of the new funds. This will continue and when the Newton fund is fully realised, the Schroders diversified growth fund will be realised to meet cash requirements.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) review the investment strategy. The proposal recognises that the strategy has been enhanced in 2015, 2016 and 2017. Modelling presented to the Committee at the June 2018 meeting indicated that the current strategy, while expected to achieve the funding objective, can be enhanced.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 The various alternatives are discussed in the paper and within the Hymans Robertson reports. The recommendations are based on modelling results.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Delegation is requested to the S151 officer to implement the agreed actions.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities.

### **5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 There are no direct resources issues for the council however changes in the financial performance of the pension fund affects the pension fund deficit reflected in the Authority's accounts and the level of contributions payable by the Council and other employers.

### **5.3 Social Value**

- 5.3.1 The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.
- 5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.
- 5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.
- 5.3.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

### **5.4 Legal and Constitutional References**

- 5.4.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) to review the investment strategy.
- 5.4.2 The Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee, (1) the approval of the Investment Strategy Statement and (2) the appointment of investment managers. This paper considers alterations to the asset allocation set out in the ISS.

### **5.5 Risk Management**

- 5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.
- 5.5.2 Understanding the causes of sources and variabilities of scheme returns informs the management of investment and funding risk.

### **5.6 Equalities and Diversity**

- 5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

## 5.7 **Corporate Parenting**

5.7.1 Not applicable in the context of this report.

## 5.8 **Consultation and Engagement**

5.8.1 Not applicable.

## 5.9 **Insight**

5.9.1 Not applicable

## 6. **BACKGROUND PAPERS**

6.1 None.