



Pension Fund Committee

31 January 2023

Title	Investment Strategy and Manager Appointments
Report of	Executive Director of Strategy and Resources (S151 Officer)
Wards	N/A
Status	Public
Urgent	No
Key	Non-key
Enclosures	Appendix 1- Summary of Outstanding Transactions
Officer Contact Details	Adam McPhail, Finance Manager- Pensions adam.mcphail@barnet.gov.uk – 0208 359 7639

Summary

This report provides a summary of the investment transactions made in 2022, and an overview of the planned investment transactions in 2023.

The report also makes a recommendation for delegation of the signing of the MiFid Opt-Up form to the Head of Pensions.

Officers Recommendations

- 1. The Pension Fund Committee note the investment transactions that occurred in 2022, and the planned transactions for 2023.**
- 2. The Pension Fund Committee agree to delegate the signing of the MiFid Opt-Up form to the Head of Pensions, in order to allow Officers to implement transactions through London CIV.**

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 The matters covered in this paper are:

- Investment transactions in 2022
- The planned investment transactions in 2023
- The need for delegation of the signing of the MiFid Opt-Up form

1.3 Investment Transactions in 2022

1.3.1 In 2022 the Pension Fund made new investments in Fiera Real Estate Opportunities Fund (£30m commitment agreed at October 2021 meeting), and LCIV Multi-Asset Credit (£50m commitment agreed at December 2021 meeting).

1.3.2 Below is a summary of the investments made by the Pension Fund in 2022:

Fund Name	Amount Invested
Barings Special Situation Credit	£16.283m
LCIV Renewable Infrastructure	£3.830m
LCIV Private Debt	£19.950m
Adams Street 2019 Global Fund	£12.516m
Adams Street Secondary Fund	£4.932m
Insight Secured Finance Fund	£44.000m
Fiera Real Estate Opportunities Fund	£28.249m
LCIV Multi-Asset Credit	£30.000m
Total	£159.760m

1.3.3 In 2022 the Pension Fund fully disinvested from Schroders Diversified Growth Fund (agreed at February 2018 meeting), Alcentra Global Multi-Credit Solution Fund (agreed at October 2021 meeting), and M&G Lion Credit Opportunity Fund (agreed at December 2021 meeting).

1.3.4 Below is a summary of the disinvestments the Pension Fund Made in 2022:

Fund Name	Amount Disinvested
Alcentra Global Multi-Credit Solution Fund	£10.671m
Partners Group 2015 Fund	£0.636m
Partners Group 2017 Fund	£3.978m
M&G Lion Credit Opportunity Fund	£31.220m
Schroders Diversified Growth Fund	£136.790m
Total	£183.295m

1.4 **Planned Investment Transactions for 2023**

1.4.1 The Pension Fund has a number of investments where the commitments have not been fully drawn. Whilst fund managers do not provide a detailed schedule as to the scale and timings of the remaining drawdowns, it is expected that the majority of these funds will be invested during 2023.

1.4.2 The Pension Fund also has a new investment into LCIV Global ESG Bonds (agreed at December 2021 meeting), with a commitment of £60m.

1.4.3 In order to fund these new investments, the Pension Fund is also expected to make a variety of disinvestments from a number of funds. The timing of these disinvestments will depend on the timing of the drawdowns mentioned above, as a result it is expected that the majority of these disinvestments will occur in 2023.

1.4.4 Appendix 1 shows a summary of these outstanding transactions, with expected timings, methods, drivers, and funding sources.

1.5 MiFid Opt-Up form

- 1.5.1 There are broadly two categories of investors from a Regulatory perspective:
- Professional Client
 - Retail Client
- 1.5.2 The regulatory protections provided to investors are different depending on whether the investor is a Professional or a Retail Client.
- 1.5.3 Our relationship with London CIV requires the Barnet Pension Fund to be treated as a Professional Client and so before we can make new investments with London CIV we need to undertake a process to elect to become a Professional Client. This requires us to demonstrate, amongst other things, that we have sufficient expertise and take appropriate advice (this process is known as “Opting-Up”) – this is a requirements of the MiFid II regulations.
- 1.5.4 The Committee delegated Officers to complete this process with London CIV prior to the May 2022 Local Elections. The relevant delegation was provided in December 2021, but because there has been a change of more than 50% of Committee members, London CIV require us to refresh this process.
- 1.5.5 Officers are asking the Pension Fund Committee to delegate completion of this process to the Head of Pensions and Treasury.
- 1.5.6 Further details around MiFid II regulations can be found at <https://www.esma.europa.eu/policy-rules/mifid-ii-and-mifir>
- 1.5.7 For information, we include as Appendix [X] a template letter from London CIV (as at November 2022) which sets out the application request to be treated as a Professional Client and the implications of this.

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 and if necessary, revise the investment strategy.
- 2.2 Completing the MiFID “Opt-Up” process is a requirement for us to continue to make new investments with London CIV.

3. Alternative options considered and not recommended

- 3.1 None

4. Post decision implementation

- 4.1 Delegation is requested to officers to implement the agreed actions.

5. Implications of decision

5.1 Corporate Priorities and Performance

- 5.1.1 The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly.

5.2 Resources (Finance & 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 Legal and Constitutional References

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

5.4 Insight

- 5.4.1 N/A

5.5 Social Value

- 5.5.1 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.
- 5.5.2 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.
- 5.5.3 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.
- 5.5.4 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.

5.6 Risk Management

- 5.6.1 Risk management is central to the LGPS; which 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.

5.6.2 Understanding the causes of sources and variabilities of scheme returns informs the management of investment and funding risk.

5.7 Equalities and Diversity

5.7.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) 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. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

5.8 Corporate Parenting

5.8.1 Not applicable in the context of this report.

5.9 Consultation and Engagement

5.9.1 Not applicable.

6. Environmental Impact

6.1 The paper and appendices discuss investments into assets which are deemed as Responsible Investments.

7. Background papers

7.1 All recent Committee meetings have included an agenda item on investment strategy.