

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Private Equity Allocation – Report by Hymans Robertson		
KEY DECISION	No	Item No:	7
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	September 2018

Lateness: This report was not available for the original dispatch due to delays in compiling some of the data.

Urgency: The report is urgent and cannot wait until the next meeting of the Pensions Investment Committee, to enable members to consider the preferred method of committing to new funds and to meet subscription deadlines.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. PURPOSE

- 1.1. This paper provides background on the Fund's private equity holdings and presents options for Member's consideration to ensure the target allocation to this asset class is maintained.

2. RECOMMENDATIONS

- 2.1. Members are asked to discuss the options presented in the attached report and agree to the following actions:
 - 2.1.1. Continue to invest in private equity using the Fund's existing approach, via regional funds;
 - 2.1.2. Commit \$25m to the US focussed Fund XI before the end of 2018;
 - 2.1.3. Commit \$25m to the internationally focussed HIPEP Fund IX during 2019;
 - 2.1.4. Fund the new commitments per 2.1.2. and 2.1.3. by initially using up the balance of holdings in the HVPE listed fund;
 - 2.1.5. Include an annual review of the Fund's private equity allocation as part of the business plan.

3. SUMMARY

- 3.1. The Fund's target allocation to private equity is 3%, which is currently being met though the investment and commitment to six closed ended private equity funds with manager HarbourVest. However, most of these funds are in the maturing stage whereby commitments are being invested and repaid; as a result, the Fund's total exposure to private equity will fall below the target allocation unless new funds are committed to.
- 3.2. The attached paper prepared by the Fund's advisors addresses the following questions:
- Which solution should the Fund invest in to maintain the private equity allocation at the 3% strategic target?
 - How frequently should the Fund commit to private equity?
 - How much should the Fund commit to private equity at this time?
 - How will future commitments be funded?
 - What paperwork will need to be reviewed by legal advisers and how long might this take?
 - How can the Committee reduce the governance requirements to monitor the private equity allocation?

4. FINANCIAL IMPLICATIONS

- 4.1. The Fund is currently exceeding its target allocation to private equity but, as funds begin to mature, this allocation will fall. In committing to new funds, the Committee should be mindful of the timing of resources required to fund those commitments. Whilst it is possible to use the existing funds in the HVPE holdings, existing cash balances from previous HarbourVest distributions, as well as future cash distributions, any shortfalls in available cash may need to be met from elsewhere in the Fund.

5. LEGAL IMPLICATIONS

- 5.1. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisors in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

6. CRIME AND DISORDER IMPLICATIONS

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

7. EQUALITIES IMPLICATIONS

- 7.1. There are no equalities implications directly arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1. There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached for Members only. Commentary will be provided at the meeting by the Council's appointed advisors from Hymans Robertson.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact either:

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