

Report for: Pensions Committee and Board – 20 October 2020

Title: Private Equity and Renewable Energy Commitment Planning

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)

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Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1. In July 2020, The Pensions Committee and Board (PCB) considered a report on the Fund's review of its investment strategy. The proposed changes in this report will allow the Fund to achieve and maintain 5% allocations to renewable energy and private equity in line with the Fund's revised investment strategy.

2. Cabinet Member Introduction

2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is asked:

- 3.1. To note the renewable energy and private equity commitment planning paper, appended as Confidential Appendix 1.
- 3.2. That, so the Fund can achieve and maintain its commitment to 5% allocation to renewable energy and private equity, to approve the proposals set out in Confidential Appendix 1, namely to:
- (i) Commit £20m to private equity via Pantheon (split £15m into the Global Select 2019 Fund and £5m into the Global Co-Investment V Fund);
 - (ii) Commit £65m to London Collective Investment Vehicle (LCIV) renewable energy strategy, subject to investment due diligence, once the LCIV strategy is in a position to launch; and
 - (iii) Fund (i) and (ii) above from available cash holding and, where there is insufficient cash holdings, to fund from other liquid assets including: equity, bonds, multi asset absolute return and multi asset credit.

3.3. To delegate authority to the Assistant Director of Finance to implement the above changes (if approved), on the advice of the Fund's investment consultant, and after consultation with the Chair of the Pensions Committee and Board and Independent Advisor.

4. Reason for Decision

4.1. The PCB is required to consider and approve changes to the Fund's investment strategy. This report seeks approval to increase the committed sums to renewable energy and private equity mandates in line with decisions made by the PCB at its July 2020 meeting and the Fund's investment strategy.

5. Alternative options considered

5.1. Not applicable

6. Background information

6.1. The July 2020 Committee approved the 'strawman portfolio 2' proposals that will allow the Fund to achieve and maintain 5% allocations to renewable energy and private equity and for the investment strategy to be adjusted accordingly.

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6.2. The paper in Confidential appendix 1 proposes how the PCB's decision is to be implemented. The paper proposes that the Fund allocate: an additional £20m to private equity to be invested through Pantheon (split £15m into the Global Select 2019 Fund and £5m into the Global Co-Investment V Fund); and £65m to renewable energy strategy, subject to investment due diligence, once the LCIV strategy is in a position to launch.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1. This paper is seeking to increase the commitments to two asset classes: private equity and renewable energy which the fund already invests in. The fund's existing investments in private equity will gradually fall below the target of 5% if a 'top up' allocation is not made. The Fund's existing commitments to renewable energy are currently below the 5% target, and a top up investment is required. Fund officers and the Investment Consultant have completed modelling of the anticipated cashflows from these investments for coming years in order to determine the amounts for these top up allocations.

- 8.2. This paper suggests action to enable the fund to achieve the targets set out in the Investment Strategy which was agreed in the previous meeting, in formulating this strategy, and in proposing the actions in this paper the fund has taken proper advice from the appointed Investment Consultant to the fund, in line with the regulatory requirement to do so.

Legal Services Comments

- 8.3. The investment proposed by the recommendation in this report must be in accordance with the Fund's Investment Strategy. The Investment Strategy set out the maximum percentage of the total value of all investments of fund money that will be invest in particular investments or classes of investment. Therefore, any decision made by the PCB with regards to that referred to in the recommendation must not exceed the maximum percentage for that particular or class of investment.

Equalities

- 8.4. Not applicable

9. Use of Appendices

- 9.1. Confidential Appendix 1: Private Equity and Renewable Energy Commitment Planning

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable