



PENSIONS (SPECIAL) COMMITTEE

20 AUGUST 2018

Subject Heading:

**Appointment of Investment Manager –
Private Debt Mandate**

CMT Lead:

Jane West

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Policy context:

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In line with Pension Fund's Investment
Strategy dated November 2017

Financial summary:

Contract value of c£60m

**The subject matter of this report deals with the following Council
Objectives**

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

In line with progression of the Investment Strategy this report contains a paper produced by the Fund's Investment Advisor on the suitability of investment managers who have put forward offers to deliver the mandate specification for Private Debt.

Members will receive presentations from each of the shortlisted managers and give consideration as to the appointment of a manager/s to deliver the Real Asset mandate.

RECOMMENDATIONS

That the Committee:

1. Receive presentations from the managers as recommended by bFinance and officers as part of the Private Debt Manager search.
2. Consider and agree to appoint a manager/s to implement the Private Debt mandate.
3. Note the London Collective Investment Vehicle (LCIV) offering from Ares Global (Appendix B) (exempt)
4. Agree the next steps as set out in Hymans report (Appendix A) (exempt)

REPORT DETAIL

Background

1. At its meeting on the 19th September 2017 members were provided with an update on the progress of implementing the Investment Strategy and members agreed that a search for a Private Debt manager be undertaken in collaboration with other London Boroughs.
2. Including Havering there were five London Boroughs who commissioned bfinance to conduct the search for a private debt manager search that includes Ealing, Wandsworth, Lambeth and Merton.
3. As a result of the search process three managers were put forward for investment and bfinance will be in attendance at the meeting to explain the due diligence and search process undertaken.
4. Hymans paper attached as Appendix A sets out the detail and rationale for the Private Debt strategy and the next steps required for progression and implementation.
5. At the time that the search commenced a private debt manager was not available for investment via the LCIV. Some way into the search the LCIV announced that it would be launching a private debt product.
6. The LCIV held a Meet the Manager Day on the 16th May 2018 for officers and members to meet Fixed Income managers at which the LCIV

offering was presented and announced that the product could launch as soon as commitments were received. The latest position is that this may be available from September onwards.

7. The LCIV presentation pack for the Global Private Debt Fund is attached at Appendix B for information.
8. The LCIV product was considered as part of the process for shortlisting but not put forward as a manager for potential investment.
9. The Committee will receive training prior to the meeting which will outline what the Private Debt mandate will consist of, the illiquid nature of the product and pricing structures and risk factors.
10. Presentations will be available on the day of the meeting. Members will be guided through each presentation by the Fund Manager.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Private Debt target of 7.5% equates to a sum in the region of £60m and will be funded from reductions in the holdings with the current Bond Manager..

Implementation/ Transition costs - it is currently too early to provide any detail on what these may be. This will be reported at the meeting once further progress has been made.

Costs arising from the implementation of the investment strategy will be met from the Pension Fund.

Legal implications and risks:

The Committee has been constituted by the Council to perform the role of administering authority to manage the London Borough of Havering Local Government Pension Scheme Fund (LGPS) and as such has legal authority to make the decisions sought by the recommendations.

Committee Members have a legal responsibility for the prudent and effective stewardship of LGPS funds, and in more general terms, have a fiduciary duty in the performance of their functions. Investments or pensions committee members are often referred to as quasi-trustees. LGPS quasi-trustees are responsible for the:

- oversight of the management and resourcing of all fund activities

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- ensuring the best possible outcome for the fund, employers and members
- ensuring the fund is managed in accordance with legal and regulatory requirements
- taking decisions in accordance with the standing orders of the investments or pensions committee
- acting prudently and impartially on behalf of all the beneficiaries ensuring all decisions are for the benefit of the fund contributors and beneficiaries.

The Local Government Pension Scheme Regulations 2013 provide various powers and duties to the Administering Authority to manage the pension fund, choice of Investment managers and the investment and use of fund money including investment policy and principles

The procurement proposed is outside the Procurement Regulations 2015 by virtue of Regulation 10 which exempts certain investment contracts, although any award must comply with the requirements of openness and transparency.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

There are no equality implications or risks as a result of this report.

BACKGROUND PAPERS

Background Papers List

None