NORTHUMBERLAND COUNTY COUNCIL PENSION FUND
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Article in Room 151

Barnet to explore limits of pooling obligations in LGPS ‘test case’

- BY COLIN MARRS
- 18 OCT, 2018

London Borough of Barnet has delayed a decision on transferring a direct lending mandate of up to £40m to the London Collective Asset Vehicle (LCIV) pool.

In what it is describing as a “test case”, the council has asked its pensions investment adviser, Hymans Robertson, to assess the merits of the move.

Councillors this week voted to carry out the analysis because the council is understood to be happy with the mandate’s current manager, Alcentra.

George Bruce, treasury manager at the council, told Room151: “We have asked Hymans Robertson to do analysis on the CIV’s selection process to assure ourselves that the manager they have chosen meets our requirements.

“This is a test case to take a look at the CIV processes.

“We are mindful of our pooling obligations but we have a very high quality manager and if not for pooling we would be recommitting to them.”

Barnet’s current investment in the Alcentra Clareant European Direct Lending Fund has reached the end of its mandated investment period.

The council’s pension fund committee had been due to vote this week on whether to recommit to the Alcentra fund or whether to instead transfer between £30 and £40m to a private debt fund run by LCIV.

But now, Hymans will carry out its analysis in time for a meeting of the council’s pension fund committee in January, when a final decision will be made.

The outcome of the analysis could also determine the fate of a number of other mandates invested by the council.

At present, Barnet has seven credit mandates, which could be transferred to LCIV – with three identified as suitable for a multi-asset credit fund, and three more to the private debt fund.

A report to councillors this week said: "Work is ongoing to determine the extent of the match and whether switching will involve a change in structure, risk/return expectation or quality of manager."

At present, Barnet has transferred £127m of holdings in the Newton Real Return fund to LCIV. In addition, fees for its £463m of Legal and General investments were negotiated by LCIV.

The LCIV currently has 14 funds available for investment, covering equities, multi asset and fixed income/bonds. Another four fixed income funds are due for launch or awaiting their first client.

Three additional funds, one each for infrastructure, property and equity are also expected to follow shortly.

In April, in a separate move, a group of five London LGPS funds agreed to create their own pooled private debt fund, outside of LCIV.

Last year, LCIV undertook a series of governance reforms after a review found a "pernicious" lack of trust among member funds and earlier this month, it launched the search for a permanent chief executive to replace interim Mark Hyde-Harrison.

The requirements of the role include the "ability to work successfully in a complex multi-stakeholder environment where influence is as important as direction," according to the ad.

Five London LGPS funds go it alone to invest in private debt

- BY COLIN MARRS
- IN LGPSI
- — 12 APR, 2018

A group of five London LGPS funds are set to create their own pooled private debt fund, outside of the London Collective Investment Vehicle (CIV).

With the London CIV yet to produce its own private debt option for member funds, the five boroughs have appointed investment consultant bfinance to start the search for a manager to lead their own initiative.

The investment mandate is expected to be £250m, although bfinance said that could rise, if more London councils get involved.

Bridget Uku, group manager of treasury and investments at the London Borough of Ealing Pension Fund, said: "The key drivers for investing in private debt is to diversify the fund's source of returns and increase the fund's exposure to assets that derive the majority of their returns from income, as opposed to capital growth.

"The fund [Ealing] has benefited from its sizeable equity exposure and, on the back of these strong returns, it agreed to reduce this exposure and use the proceeds to invest in an asset class where the expected total returns still look attractive relative to many other asset classes."

London CIV’s fund launch status report, produced in January of this year, includes provision for two fixed income private debt funds.

One, covering liquid loans, was penciled in for a launch in July this year, while an illiquid direct lending fund had no launch date confirmed.

A report presented to the CIV’s sectoral joint committee in January said fund manager Ares would be appointed to run a private debt fund, subject to due diligence.

The report said: “The CIV will require written soft commitments to funds before submitting prospectuses to the FCA and work towards the launch of these products can complete.”

However, alongside Ealing, LGPS funds in Havering, Lambeth, Wandsworth and Merton are set to press ahead with their own pooled private debt fund.

Sam Gervaise-Jones, head of client consulting for the UK & Ireland at bfinance, said: “Private debt has seen a steady increase in demand in recent years, aided by an ultra-low yield environment and periods of volatility in Europe’s public bond markets since the financial crisis.

“By collaborating with their peers and combining the benefits of private debt investment with the wider benefits that collaboration can offer, these boroughs can achieve significant cost savings and improved control.”

A London CIV spokesperson said: “The London CIV has worked with London boroughs to select Ares as a private debt manager for the London CIV private debt fund which is in the process of being launched.
“We are also holding a seminar next month for all the London boroughs to have an opportunity to meet the manager and understand how this fund can be used as part of their asset allocation. We are now open to commitments from London boroughs who wish to invest in private debt.”