

**WIRRAL COUNCIL**  
**PENSIONS COMMITTEE**  
**20 MARCH 2012**

<b>SUBJECT:</b>	<b>PRIVATE EQUITY PROGRAMME 2012</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	
<b>KEY DECISION?</b>	NO

### **1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to update Members on progress on the Private Equity Programme 2011-14 and to approve the proposed Private Equity investments for 2012
- 1.2 An exempt report on this agenda contains the Private Equity Programme 2011-14 as reported to Pensions Committee on 23 March 2011, a review of this programme, and the Plan for 2012. This is exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

### **2.0 BACKGROUND AND KEY ISSUES**

- 2.1 Members approved a private equity programme for 2011-14 at the Pensions Committee on 23 March 2011. The intention of this plan was to maintain a 4% allocation to private equity and to make an overall commitment programme of £330m over the four years diversified across geography sector and vintage. The plan made assumptions regarding the rate of return achieved by MPF overall and the rate of investment and performance by private equity based on long term averages with exchange rates being stable. The Pensions Committee agreed to receive reports on private equity commitments on an annual basis.
- 2.2 The exempt report contains a review of the programme for 2011-14 updating for progress during 2011. The key issues are that on a strategic basis the programme remains broadly in line with the original aims. The internal team responded to opportunities and market conditions and revised some of the specific commitments.
- 2.3 As a consequence of progress during 2011 there are changes to the plan for 2012 compared to that envisaged 12 months ago. In particular, the total planned commitments for 2012 are reduced although 2011 and 2012 combined total the same, taking into account the 2010 commitments carried forward. There have been some changes to specific commitments as the internal team has responded to market conditions.

### **3.0 RELEVANT RISKS**

3.1 With all investment activity there is a degree of risk. The MPF approach to the overall level of risk that it takes is covered in the Statement of Investment Principles and within this document it is considered that allocations to private equity improve the risk return profile of the Fund. The key tool used to control risk within the private equity programme is diversification. The private equity investments are diversified across geography, sector and year of investment.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 Not relevant for this report.

### **5.0 CONSULTATION**

5.1 Not relevant for this report.

### **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are no implications arising directly from this report

### **7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

7.1 There are no implications arising directly from this report.

### **8.0 LEGAL IMPLICATIONS**

8.1 There are no implications arising directly from this report.

### **9.0 EQUALITIES IMPLICATIONS**

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

### **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are no implications arising directly from this report.

### **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are no implications arising directly from this report.

### **12.0 RECOMMENDATIONS**

12.1 That Members approve the proposed Private Equity investments for 2012. The Director of Finance will make the individual investments under delegation and will use this delegation to make changes as circumstances arise. This will be particularly pertinent further out in the programme.

12.2 That Pensions Committee continue to receive annual updates on the private equity programme. Reports will also continue to be made to the IMWP on a quarterly basis.

## 13.0 REASON FOR RECOMMENDATIONS

13.1 MPF has an on going programme of private equity investment, which has been place since the mid 1980's which has made a positive contribution both in terms of returns and risk control through diversification. The governance arrangements mean that Pensions Committee approves major strategic decisions. This recommendation covers the strategy for the private equity programme for the next three years which can have a significant impact on investment performance.

**REPORT AUTHOR:** **Paddy Dowdall**  
Investment Manager  
telephone: (0151) 242 1310  
email: [paddydowdall@wirral.gov.uk](mailto:paddydowdall@wirral.gov.uk)

## APPENDICES

1. The Private Equity Programme 2011-14
2. The review of this programme including the plan for 2012.

## REFERENCE MATERIAL

Data from internal records on the private equity portfolio plus market data.

## SUBJECT HISTORY (last 3 years)

<b>Council Meeting</b>	<b>Date</b>
<b>Pensions Committee Private Equity Programme 2011-2014</b>	<b>23 March 2011</b>
<b>Pensions Committee Private Equity Investment</b>	<b>23 March 2010</b>
<b>Pensions Committee Private Equity</b>	<b>18 June 2009</b>