

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 MARCH 2013

SUBJECT:	PRIVATE EQUITY PROGRAMME 2011-2014
WARD/S AFFECTED:	ALL
REPORT OF:	INTERIM DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	N/A
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update Members on progress made on the Private Equity Programme 2011-14 and specifically, to ask Members to approve the proposed Private Equity investments for 2013.
- 1.2 The appendix to the report, MPF Private Equity Programme 2011-14 as updated March 2013, contains exempt information. This is 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 meeting of 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 next 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.
- 2.2 The appendix to this report is an updated version of this document as at March 2013 including updates for actual investments made in 2011 and 2012 and a revised valuation and programme for 2013.
- 2.3 As a consequence of progress during 2011/2012 and changes within financial markets and in particular the private equity market environment, there are changes to the plan for 2013 compared to that envisaged 12 months ago.
- 2.4 The overall market value of current investments in private equity both in absolute terms and as a percentage of the overall Fund is higher than envisaged. This is due to the fact that valuations in private equity have held up due to strong underlying company performance; however distributions have been disappointing largely due to uncertainty caused by volatility in financial markets.

3.0 RELEVANT RISKS

- 3.1 With all investment activity there is an element of risk, the Fund's approach to the overall level of risk that it takes is covered in its 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 Fund's 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 Members note the report including the programme for 2011-14 in the Appendix and specifically approve the proposed Private Equity investments for 2013. The Interim Director of Finance will make the individual investments under delegated authority and will use this delegated authority to make changes as and when circumstances demand.

12.2 Pensions Committee will 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 The Fund has an on going programme of private equity investment; this has been place since the mid 1980's which has made a positive contribution to the Fund's return both in terms of returns and risk control through diversification. The governance arrangements of the Fund mean that Pensions Committee approves major strategic decisions. This recommendation covers the strategy for the private equity programme over the medium term and can have a significant impact on investment performance.

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APPENDICES

A revised programme for private equity 2011-14 including actual investments for 2011 and 2012 and the commitment plan for 2013 is attached as appendix 1 to this report.

REFERENCE MATERIAL

Data from the Fund's internal records on its private equity portfolio plus market data has been used in the preparation of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee Private Equity Programme 2012	20th March 2012
Pensions Committee Private Equity Programme 2011-2014	23rd March 2011
Pensions Committee Private Equity Investments	23rd March 2010

