

WIRRAL COUNCIL

PENSIONS COMMITTEE

16 JULY 2018

SUBJECT:	GLIL UPDATE
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides members with an update on the progress of GLIL, the pooled infrastructure initiative, and recommends an increase in asset allocation to this vehicle.
- 1.2 The appendix to this report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of 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 Reports on the GLIL infrastructure platform were brought to this Committee in September and November of 2016 and members approved an allocation of two percent of MPF's assets to the vehicle. GLIL is a collaborative partnership between like-minded institutions in the local government pensions sector, with a common interest in increasing exposure to UK infrastructure, and delivering long-term liability matching returns. Formed in 2015 by the Greater Manchester Pension Fund and the London Pension Fund Authority with an initial £500 million investment, GLIL expanded in 2016 to include three new investment partners - Merseyside and West Yorkshire as part of the Northern Pool, and Lancashire as part of the Local Pensions Partnership (LPP). GLIL now has committed capital of £1.275bn of which around £700m has been invested in key UK infrastructure investments, including renewables, regulated utilities and transportation assets.
- 2.2 The strategic intention behind the move was to join a significant investment pool which would enable MPF to increase the proportion of direct infrastructure and co-investment assets relative to its indirect infrastructure holdings. This should be a more cost effective way of accessing infrastructure investments and allow the Fund greater influence on the assets acquired and their management.
- 2.3 When MPF originally invested, GLIL was incorporated as a limited liability partnership. MPF has since actively engaged in the evolution of GLIL to an FCA regulated entity. It is now structured as an Alternative Investment Fund (AIF) and this new regulated structure offers investors a platform to invest in infrastructure within a regulatory environment. This will enable other pools and funds to invest alongside the existing partners should they so wish.
- 2.4 A report on GLIL's portfolio is attached as an appendix to this report. Although it is too early to draw firm conclusions, in the light of the positive progress achieved so far, it is recommended that the allocation to GLIL is increased to support the delivery of the

Fund's investment and pooling objectives. Due to the relatively quick deployment of capital (70% deployed) in core UK Infrastructure assets and a strong pipeline of potential additional assets, all existing member funds are in the process of seeking internal approvals to increase their capital commitments to GLIL platform. Investments will only be made if officers are satisfied that they meet the Fund's risk and investment return requirements.

3.0 RELEVANT RISKS

3.1 Direct and co-investments bring greater idiosyncratic risk but this can be managed with suitable advice and expert operational management of the assets. Officers are actively engaged in the oversight and management of GLIL with a view to ensuring that it is appropriately resourced and governed so that investments undertaken are suitable for the Fund in terms of risk, return and diversification.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 GLIL operates via the principle of cost sharing with all participants responsible for their pro rata share of the costs of running the platform. These costs are significantly lower than those typical of the private sector funds generally on offer.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report and approve the recommendation to give delegated authority to officers to increase the allocation to GLIL by a further two percent subject to them being satisfied with regard to the investment and operational needs of the Fund.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Long-term, inflation-linked, core infrastructure assets are suited to the Fund's liability profile and GLIL is intended to provide access to these assets in a cost effective way through a long-term holding structure with strong governance rights.

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APPENDICES

Quarterly Manager's report

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	November 2016
Pensions Committee	September 2016