

Agenda Item No 4(c)

**DERBYSHIRE COUNTY COUNCIL
PENSIONS AND INVESTMENTS COMMITTEE**

20 March 2017

Report of the Director of Finance

UNQUOTED INVESTMENTS

1 Purpose of the Report

To request that authorisation to invest in unquoted investments be delegated to the Director of Finance up to a maximum of £25m.

2 Information and Analysis

The Pension Fund invests in a wide variety of asset classes and across a large number of investment markets. Increasingly this involves investing in long-term, illiquid, “unquoted” vehicles which suit the nature of the underlying assets. Direct Property, Infrastructure, Private Equity and MAC are the main unquoted areas that the Fund invests in.

At the Pensions and Investments Committee on 17 December 2014 it was agreed that the Committee would delegate authority to invest in unquoted investments to the Director of Finance with an upper limit of £15m per investment. Above that level a report to the Committee is required on a case by case basis in advance of the investment being made.

Since the meeting in December 2014, the valuation of Derbyshire Pension Fund has increased from £3.5bn to £4.3bn, which means that average investment sizes have increased accordingly. In addition, the Committee has since approved strategic benchmark asset allocation increases for Infrastructure and Private Equity as well as the introduction of a new unquoted asset class, Multi-Asset Credit (“MAC”), as detailed below:

Asset Class	December 2014 neutral allocation	January 2017 neutral allocation	New benchmark allocation from April 2017
Private Equity	1.5%	4.0%	4.0%
Infrastructure	1.5%	3.0%	5.0%
Direct Property	5.0%	5.0%	5.0%
MAC	0.0%	3.0%	4.0%
TOTAL	8.0%	15.0%	18.0%
			<u>Change</u>
Pension Fund valuation	£3.5bn	£4.3bn	+£0.8bn
Value of 1% of Fund	£35m	£43m	+£8m

This means that the In-house Fund Management Team has a lot more of these unquoted investments to make and now requires more flexibility around both the amount per investment and the timing in which commitments can be made. The Fund's neutral allocation to unquoted investments in total has increased from 8.0% in December 2014 to 15.0% as at January 2017. The Investment Strategy Statement proposes to increase the unquoted neutral weighting further still to 18.0% post implementation in April 2017. It is therefore recommended that the maximum amount for which the Director of Finance has delegated authority to invest in unquoted investments be increased from £15m to £25m in line with the new benchmark allocations referred to above.

3 Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, social values and transport considerations.

4 Officer's Recommendation

That the Committee agrees to delegate authority to invest in unquoted investments to the Director of Finance up to a level of £25m, with a report of investments made being reported to the next appropriate meeting of the Committee for information.

PETER HANDFORD

Director of Finance