

ITEM NO: 5(c)

GREATER MANCHESTER PENSION FUND

LOCAL INITIATIVES AND VENTURE CAPITAL WORKING GROUP

29 January 2010

Commenced: 9.30am

Terminated: 10.30am

Present: Councillor Cooney (Chair)

Councillor Baldwin

Councillor Bell

Mr Mulryan

P Morris

Executive Director of Pensions

S Taylor

Head of Pensions Investments

N Frisby

Pension Fund Investments Group

D Hobson

Pension Fund Investments Group

R Page

Pension Fund Legal

Apologies for absence: Councillors: Hobhouse, Pennington and Ricci

12. DECLARATIONS OF INTEREST

There were no declarations of interest.

13. MINUTES

The Minutes of the proceedings of the Local Initiatives and Venture Capital Working Group held on 30 October 2009 were approved as a correct record.

The Head of Pension Fund Investments made reference to a potential investment opportunity and gave an outline of steps to be taken regarding an initial valuation. Further information, when available, will be submitted to the Working Group and/or the Management Panel.

Further to Minute 7 (Special Opportunities Portfolio) the Head of Pension Fund Investments made reference to a potential investment being considered by the Fund and provided an outline of the opportunity and of the approval process undertaken under delegated powers after consulting with the Advisors and the Chair of the Management Panel.

14. NEW INITIATIVES ALLOCATION: PFI AND INFRASTRUCTURE FUND PORTFOLIO

Consideration was given to a report of the Executive Director of Pensions which updated Members on the performance of the GMPF's PFI/Infrastructure portfolio and advised members of recent developments in the sector.

Current fund commitments were detailed and the performance of Primary and Secondary Funds was discussed.

It was reported that, since the establishment of GMPF's PFI/Infrastructure programme in 2001, the number and diversity of related investment opportunities had grown exponentially, with infrastructure rapidly emerging as an institutional asset class, primarily driven by the global need for infrastructure spending/investment.

It was acknowledged that the potential returns available from PFI/PPP/Infrastructure investments remained attractive, particularly given the long-term indexation of cashflows and the downside protections available to project investors.

The report concluded that GMPF continued to receive approaches from managers raising new funds targeting the Infrastructure asset class and a number of fund proposals were currently under review that would work towards utilisation of the current allocation. It was therefore recommended that a further report on a possible increase in the allocation be submitted to this Working Group for members to consider as part of the review of the Fund's wider investment strategy.

RECOMMENDED

- (i) That the content of the report be noted; and**
- (ii) A further report be submitted to a subsequent meeting of this Working Group on a possible increase in the allocation to PFI/Infrastructure funds as part of the review of the Fund's wider investment strategy.**

15. VENTURES NORTH WEST: EXTENDED FUND

The Executive Director of Pensions submitted a report which updated Members on developments relating to the residual investments within the Ventures North West Extended Fund (VNWEF).

The report provided information on the status of the three active investments remaining within the VNWEF portfolio. GMPF, along with other institutional investors, has only small minority equity holdings in each of these companies and, as a consequence, is unable to exert influence on the ultimate realisation of these investments. Members were also updated on investee companies that were in either Administration or Liquidation.

After discussion, Members decided that further routine annual reports were not required due to the nature of residual investments and that henceforth only significant developments need be reported as and when necessary/appropriate.

RECOMMENDED

That the report be noted and that future monitoring reports be produced on an 'as-and-when' required basis.

16. INVESTING IN PRIVATE EQUITY – THE PENSION FUND INVESTMENT GROUP PROCESS

The Head of Pension Fund Investments submitted a report and delivered a presentation which advised members on the process developed by the Pension Fund Investments Group for investing in Private Equity. The process was part of GMPF's competitive edge and therefore, on the whole, this was not an area where peer group collaboration was appropriate.

It was explained that the investment approach could best be considered in three broad areas in respect of (a) new investments, (b) the monitoring of investments made and (c) reporting.

The process behind the selection of new investments was detailed including due diligence and decision making.

The monitoring phase was explained and the involvement/assistance of Capital Dynamics as external adviser was discussed.

With regard to the reporting stage, reports were submitted to the Working Group periodically and members received regular presentations by general partners.

Discussion ensued regarding the above process and members thanked all officers of the Investment Team for their professionalism and diligence.

RECOMMENDED

That the report be noted.