



Purpose: For Noting

Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	27 JANUARY 2021
Title	PRIVATE DEBT INVESTMENT PROGRESS
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. Members are asked to note the progress in implementing the private debt allocation with Goldman Sachs Asset Management (GSAM).

BACKGROUND

2. The committee agreed the selection of the Goldman Sachs Merchant Banking Division Broad Street Local Partners IV fund at the meeting held on 25 November 2019.
3. Through the fund's relationship with Hymans Robertson, and our engagement with the ACCESS pool, officers liaised with colleagues at West Sussex Pension Fund, who had also approved an allocation to the same GSAM product.

CONTRACTUAL DOCUMENTATION

4. Isle of Wight Council Pension Fund (the fund) joined in a procurement of legal advisers, Eversheds Sutherland, led by West Sussex County Council using the National Local Government Pension Scheme (LGPS) Framework for Legal Services.
5. Eversheds provided support to both funds in reviewing the legal documentation behind the fund, including negotiation of a side letter to the application form for specific issues relevant to each fund. They also supported with the completion of the application form and the necessary US tax forms.
6. Dialogue was maintained with personnel at GSAM throughout the preparation of the subscription documentation, which included reviews of documents in draft format both in the UK and the US to ensure that there would be no issues with the final documentation.

7. Some of these reviews were delayed due primarily to the difference in time zones and working hours. To that end an extension to the original subscription deadline of 20 December was agreed.
8. The completed subscription document, information in respect of anti-money laundering requirements and all US tax forms and supplementary information, were submitted to GSAM on 22 December 2021. Confirmation that all documentation had been accepted was received on 23 December 2021.

MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE

9. Under the terms of the Markets in Financial Instruments Directive (2014/65/EU) (MiFID II), Isle of Wight Council (the council), as administering authority for the pension fund, was required to elect to be treated as a professional investor by GSAM, to allow its investment in this particular investment product.
10. All the required information in respect of the MiFID II election was submitted to GSAM on 21 December 2021. Confirmation the GSAM had opted up the council to professional investor status was received on 23 December 2021.

CUSTODIAN ARRANGEMENTS

11. Officers have been in discussion with Northern Trust, the fund's global custodian, to ensure that appropriate custody, accounting and reporting arrangements are in place before the initial investment in the fund.
12. Final custody account opening arrangements are in hand.

INITIAL INVESTMENT

13. The fund has committed five per cent of its total assets to the private debt allocation: this amounts to £30 million. As the Broad Street Local Partners IV fund is denominated in US Dollars, the commitment has been converted to \$39.3 million. It has been agreed that this investment will be funded by disinvestment from the fund's UK equity portfolio with Majedie, held within the ACCESS pool.
14. The first call for investment drawdown was received on Friday 15 January, seeking \$9.6 million to be invested on Monday 25 January 2021.
15. In order to facilitate this, £8.2 million will be disinvested from UK equities, with proceeds to be paid directly into the fund's Lloyds bank account, allowing time for money to be received before the payment to GSAM is required.
16. Officers, supported by Hymans Robertson, are completing the necessary paperwork to facilitate withdrawal from Link and ensure that the correct forms are submitted to GSAM. This includes discussions with Lloyds Bank to ensure that there are no delays in the processing of the payments.

17. Both the Director of Finance and the chairman of the pension fund committee have been informed of the investment request and the process to be followed to ensure the necessary money is available to facilitate the investment. The Director of Finance has authorised the Technical Finance Manager and the Pension Fund and Treasury Management Accountant to sign the forms required to withdraw funds from the ACCESS pool.
18. The draft timetable for the transition is as follows:

	Transition plan	Majedie UK Equity	GSAM private debt
	Settlement times	T+3	n/a
	Money moving	-£8,200,000	+\$9,628,500
Documents		Send disinvestment form to Link before 11am on T (18/01/2021) for trade date 18/01/2021.	
Monday 18 Jan 21	T	£8,200,000 disinvestment made	
Tuesday 19 Jan 21	T+1		
Wednesday 20 Jan 21	T+2		
Thursday 21 Jan 21	T+3	£8,200,000 settles in Lloyds bank account	
Friday 22 Jan 21	T+4		Instruct \$9,628,500 payment to GSAM to settle on or before 25/01/2021
Monday 25 Jan 21	T+5		\$9,628,500 settles in GSAM account

19. A verbal update will be provided at the meeting, and further reports will be presented to future meetings of the committee.

RECOMMENDATION

20. Committee notes the progress towards the fulfilment of the private debt investment allocation.

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