

Investing For Growth

Thank you for your expression of interest following the advertisement in the Financial Times on 23rd May 2013. A summary of the requirements follows and if after considering them, you wish to continue your interest, please request the full invitation and detailed requirements. Also, if you are continuing your interest, please indicate if you wish to attend the Open Day information meeting when a short briefing will be given and an opportunity provided for questions and queries to be addressed.

Regards,

Brian Bailey

Information for Asset Managers Enquiring About Submitting Investment Opportunities

1. Background

1.1 This initiative is being taken by the following local government pension funds: Greater Manchester Pension Fund, West Yorkshire Pension Fund, West Midlands Pension Fund, South Yorkshire Pension Fund and Merseyside Pension Fund. The funds have commissioned PIRC to facilitate the initiative.

1.2 This initiative has been prompted by the LAPFF-sponsored Smith Institute report “local authority pension funds: investing for growth¹” and the desire of funds to consider opportunities for investments that benefit communities and their economic wellbeing. This would make use of pension fund investment capacity for the benefit of communities who have contributed to the funds over many years. This approach will also reflect a local government pension fund’s fiduciary duties and the need to achieve appropriate institutional returns within acceptable risk parameters.

1.3 The intention is to draw attention to the objective of the pension funds to achieve their investment return requirements and invest in UK opportunities that have a positive economic impact locally, regionally, or nationally. The sponsoring funds want to invest through an asset manager who has the appropriate skills, knowledge and experience. A number of asset managers are known to be active in this area and the purpose in drawing attention to the objective of the funds is to establish the range and scale of investment opportunities and in particular the possibility for opportunities that encompass a range of different and diversified investment activities. This could be through a fund of funds approach or funds compiling a portfolio of investments diversified across a number of varied investment activities. A further objective is to draw the attention of asset managers to the potential market for them if they develop opportunities that funds and others are seeking.

1.4 Appropriately experienced asset managers who believe they can submit an investment opportunity that meets the requirements are invited to request the detailed specification and attend a presentation meeting to help inform their submissions.

¹ Local authority pension funds: investing for growth, The Smith Institute, London 2012

1.5 The implementation process for this initiative is as follows:-

- A call for asset managers to consider submitting investment opportunities and request brief outline of requirements.
- Asset managers who believe they have an opportunity that meets the requirements to request full details of requirements,
- An open meeting for interested managers to meet with sponsoring funds' representatives and raise any questions or points of clarification,
- The submission of opportunities/proposals
- The formal assessment of submission and proposals by sponsoring funds,
- Possible visits to asset managers in order to meet individual fund requirements,
- Individual sponsoring funds making investment decisions,
- Establishment of appropriate investment vehicle and monitoring mechanisms.

2 Requirements

2.1 The following investment opportunities are being sought:

- Those managed by an asset manager of good standing with appropriate experience
- Investment opportunities that have appropriate risk and return characteristics suitable for the institutional investment market.
- Underlying UK investments that have a positive and measurable economic impact and any associated, social or environmental impacts on communities at a local, regional and national level.
- Underlying investments can include infrastructure (development and operation), business development (regeneration, education and skills, employment, venture capital), and resource management (energy, water, waste, etc.
- Environmental schemes are acceptable.
- A preference for the investment impact to include deprived geographical communities and areas with challenging economic and social issues.
- An opportunity that will exceed £25m over the investing period.

2.2 There is no requirement that one opportunity presented has to meet all of the areas of investment activity sought as described above in a "fund of funds" type approach. A "fund of funds" approach is acceptable as are opportunities that only cover a limited number of areas. Asset managers can put forward current opportunities or proposed new arrangements.

2.3 Sponsoring funds are not seeking housing investments as a number of opportunities are currently already known and accessible to funds. However housing opportunities in combination with other asset types as set out in this definition will be considered, provided they are part of a suitably diverse risk and return profile that otherwise would be acceptable.

2.4 This is not an EU public procurement process, but a process to identify investment opportunities for consideration by each fund's own in-house due diligence requirements for the selection of investments.

2.5 The funds working together have identified a potential commitment of £250m subject to identifying suitable opportunities.

3 Contact Details

3.1 Contact details for asset managers: All contact with regard to this document and the initiative it contains should be made to Brian Bailey, Chairman PIRC Limited acting on behalf of the sponsoring pension funds.

Brian Bailey,
Chairman,
PIRC Limited
6th Floor
9 Prescott Street
London
E1 8AZ

Contact e-mail investing4growth@pirc.co.uk.

Deadline for receipt of asset management submissions: 5th July 2013
Open Day Information session for interested asset managers 19th June 2013 at PIRC's offices:

PIRC Limited
9 Prescott Street
London
E1 8AZ
