



## London Borough of Enfield

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<b>Report Title</b>	Infrastructure Investments
<b>Report to</b>	Pension Policy and Investment Committee (PPIC)
<b>Date of Meeting</b>	19 July 2023
<b>Cabinet Member</b>	Cllr Tim Leaver
<b>Executive Director / Director</b>	Fay Hammond
<b>Report Author</b>	Ravi Lakhani (Head of Pension Investments). Ravi.Lakhani@enfield.gov.uk
<b>Classification</b>	Part 1 Public

### Purpose of Report

1. To agree investments from the Pension Fund ("Fund") into infrastructure managers and funds following the infrastructure manager selection event held in April 2023

### Recommendations

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| <ol style="list-style-type: none"><li>I. Agree to invest £75 million into the London CIV Renewable Infrastructure Fund</li><li>II. Agree to invest £50 million into the Copenhagen Infrastructure Partners (CIP V) fund.</li><li>III. Agree to form a sub-committee and hold a further infrastructure manager selection day in the Autumn of 2023 with a view to making further investments in Infrastructure assets following appropriate due diligence. PPIC should give authority to the sub-committee to make investment decisions (of up to £100 million) on the investment day provided at least 3 members of the committee and the Fund's investment advisors, Aon, are present.</li></ol> |
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### Background and Options

2. The Fund has a 16% strategic allocation to infrastructure assets meaning that it is c.12% (or c.£170m) underweight to the asset class as at 31 March 2023.

3. The Fund currently has infrastructure exposure through two funds, Antin, a European focused fund, and IPPL, which invests in public infrastructure projects typically in the UK. These funds represent c.4% of the funds total portfolio.
4. The Pensions Policy & Investment Committee (PPIC) have previously agreed to increase their infrastructure allocation by committing £200m to infrastructure managers.
5. The Fund's investment advisors, Aon, originally produced a long list of suitable funds for the committee to consider which was subsequently narrowed down to a shortlist.
6. The managers and funds on the shortlist were invited to an infrastructure managers selection event at Enfield Council offices on 17 April 2023.
7. The infrastructure manager selection event consisted of interviews with each of the relevant managers so appropriate due diligence could be carried out on issues such as rates of return, governance, responsible investing credentials and cash drawdowns. The Fund's investment advisors and independent investment advisor were present at the meeting.
8. Following this event, two managers/funds were selected for investments, London CIV Renewable Infrastructure Fund and Copenhagen Infrastructure Partners (CIP V).
9. However, further investments would still be required in order for the Fund to meet its strategic allocation of 16%. This is as a result of the pacing of investments in infrastructure assets which draw money down over a number of years and then distribute over time. To maintain infrastructure exposure, a new fund(s) would have to be committed to over the next couple of years and be drawn over the same period. In addition, being broadly in line with strategy now doesn't mean it will be in the future – the Fund's valuation is expected to increase as investment returns drive this higher, meaning to keep in line with agreed strategic allocation further illiquid commitments would have to be made.
10. In this sense, 'overcommitting' now would be a sensible approach and therefore further infrastructure investments are being explored by officers.

### **Preferred Option and Reasons For Preferred Option**

11. The allocation of £75m to London CIV Renewable infrastructure fund and £50m to Copenhagen Infrastructure Partners (CIP V) fund was agreed by the sub-committee following the manager selection event. These managers are expected to drawdown fund's at the rate of 5-6% per quarter.
12. Other allocations to these managers were considered by the sub-committee but it was felt the proposal agreed on would allow for the Fund to achieve its objective in relation to infrastructure assets in the most optimal manner.
13. A further infrastructure manager selection day is to be held in the Autumn of 2023 with a view to making further investments in Infrastructure assets following appropriate due diligence. PPIC should give authority to the members of the Committee to form a sub-committee to make investment decisions (up to £100 million) on the investment day provided at least 3 members of the committee and the Fund's investment advisors, Aon, are present

## **Relevance to Council Plans and Strategies**

14. An economy that works for everyone

## **Financial Implications**

15. Infrastructure investments are expected to produce positive returns for the Fund over the long term. This will ensure that the contributions from Employers in the Fund (including Enfield Council) are reduced allowing Council fund's to be released from the Council budget to other Corporate priorities.

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**Report Author:** Ravi Lakhani  
Head of Pension Investments  
Ravi.Lakhani@enfield.gov.uk  
020 8132 1187

## **Appendices**

None.