

# PENSIONS & PRIVATE CAPITAL EXPERT PANEL

## MEETING MINUTES

---

<b>Date</b>	7 May 2024	
<b>Time</b>	15:00-17:00	
<b>Location</b>	8 Northumberland Avenue, London WC2N 5BY/ Microsoft Teams	
<b>Attendees</b>	Kerry Baldwin, Chair (IQ Capital) Rob Barr (Pantheon) ( <i>dial-in</i> ) John Chilman (Railpen) Andy Gregory (BGF) ( <i>dial-in</i> ) Hannah Gurga (ABI) ( <i>dial-in</i> ) Tegs Harding (IGG) ( <i>dial-in</i> ) Virginia Holmes (Unilever UKPF) Neville Howe (NEST) ( <i>dial-in</i> )	Allan Marchington (ICG) ( <i>dial-in</i> ) Matthew McNally (M&G) ( <i>dial-in</i> ) James Mitchell (Phoenix Group) ( <i>dial-in</i> ) Michael Moore (BVCA) Julian Mund (PLSA) ( <i>dial-in</i> ) Camilla Richards (Atomico) Ben Wilkinson (Molten) Tom Wrenn (ECI)
<b>Apologies</b>	Dan Mikulskis (People's Partnership)	Ruston Smith (Smart Pension)
<b>In attendance</b>	Sarah Adams (BVCA) Jonathon Land (PwC)	Minesh Rana (PwC) Chris Venables (PwC)
<b>Observers</b>	Vicky Bird (DWP) Hannah Cooke (HMT) Sam Haylen (DWP)	Adam Summerfield (CoLC) Helen White (TheCityUK)

---

## 1. Welcome and aim of meeting from the Chair

### Reminder of competition law considerations

The Chair reminded the Expert Panel members of their legal obligations under competition law. Expert Panel members were reminded that it was their responsibility to meet those legal obligations and to take their own legal advice in relation to competition law.

The Chair outlined that the Expert Panel would review findings and recommendations from the Technical Expert Group (TEG) and provide steers to inform the drafting of the Expert Panel Report which will be published in September.

## 2. Findings and recommendations

### Overview of TEG progression of work and membership since 13 February

BVCA noted that the TEG is now a forum of over 50 technical experts. The progression of work and membership of the TEG was summarised by the BVCA.

Building on PwC's Report to the Expert Panel and the eight key issues identified in the February Expert Panel discussion, the work of the TEG has centred on four themes to progress recommendations and solutions to those key issues. This includes proposals covering Market Infrastructure; the Investment Case; Transparency; and Liquidity.

The TEG convened dedicated working groups to focus on each theme. It was noted that the TEG met in full on two occasions and six working group meetings were held. Following the working group sessions, 21 individual interviews were also conducted with TEG members to explore specific points raised during the discussions. It was also noted that the TEG itself has facilitated engagement and built mutual understanding across both industries, thereby playing a part in meeting the objectives of the project already.

### Summary of findings and emerging recommendations from the Technical Expert Group to the Expert Panel and next phase of work

Building on the discussions held with the TEG, the Expert Panel considered a summary of findings and emerging recommendations. This summarised progress of TEG discussions and its assessment of the key issues identified in the February Expert Panel discussion, alongside its recommendations for further work.

#### *Investment Case & Transparency*

The Expert Panel heard that the Investment Case and Transparency working groups had met together, given their focus on similar themes. These working groups focused on areas relating to building understanding of the investment case for private capital, including the definitions of asset classes; how fees work; private capital industry returns track records and returns metrics; and reporting templates. The Value for Money framework was noted as an area for further engagement between associations and policymakers.

Some Expert Panel members expressed the view that it might be challenging to remove or change the expectation for daily pricing on platforms.

It was noted that an outline of the investment case could be tailored to the different pensions industry stakeholders e.g. Master Trust trustees versus investment consultants.

The topic of carried interest and performance fees was discussed, with some Expert Panel members commenting that this is an area where clear communication and further awareness would be important.

Some Expert Panel members considered costs and fees as a challenge for DC pension fund investment into private capital. Expert Panel members broadly agreed that maintaining transparency on fees generally was key to building trust between both industries.

Expert Panel members broadly agreed that outlining the investment case for pension scheme investment into private capital funds, complemented by further awareness of the features of the private capital industry and existing transparency requirements would be beneficial.

#### *Market Infrastructure*

The Expert Panel heard that the Market Infrastructure working group focused on existing structural issues that may currently be limiting DC investment into private capital. This included the use of Life Platforms; amendments to the Permitted Links rules; and the use of long-term asset funds (LTAFs). It was noted that the TEG considered the LTAF an important vehicle for investment and had identified

that Life Platforms have historically provided scale and diversification for smaller schemes and offer cost-effective flexibility, familiarity, operational ease for multi-asset portfolios and regulatory protections.

Expert Panel members discussed the role of the LTAF as a vehicle to facilitate more DC pension fund investment into private capital. Some Expert Panel members raised that the process to establish a LTAF is often a complex and lengthy.

Expert Panel members discussed whether further amendments to the Permitted Links rules may be needed in order to widen investment options for Life Platforms. Expert Panel members also discussed whether policy proposals should be developed either to exclude default funds from the Permitted Links rules or to include other vehicles as Permitted Links (e.g. ELTIF, UCI Part II etc.). Engagement with the regulator on the evolution of the LTAF and potential changes to the Permitted Links rules would be required.

The role of scale and liquidity management when investing into private capital funds through LTAFs was also discussed.

### *Liquidity*

The Expert Panel heard that, during TEG discussions, a view had emerged that liquidity considerations were not necessarily a barrier, but increased awareness of approaches to liquidity and emerging solutions would be beneficial. This could cover why and when liquidity is important to DC schemes; detail on scheme level liquidity management; liquidity that can be created at a product level; and the role of the private capital fund secondaries market; whilst also exploring potential policy interventions to provide comfort to trustees around large/material liquidity events.

The Expert Panel agreed with this feedback and provided its own similar reflections on the importance of liquidity management. It was noted that potential large and unexpected events that can impact liquidity required adequate planning at the scheme level. Some Expert Panel members expressed the view that further, statutory gating powers might not be necessary. It was noted that cashflows for large Master Trusts are typically sufficient to accommodate employer transfers between schemes. The potential complexities of establishing a liquid asset risk profile for an illiquid asset were also discussed.

The Expert Panel broadly agreed that liquidity management was not necessarily a significant barrier to large Master Trust investment into private capital funds but further awareness on current practice would be beneficial.

### *Medium-term policy recommendations*

The Expert Panel heard that additional areas of work could be developed further into medium-term policy recommendations reflecting the views expressed during the TEG meetings. This included reflections on learnings from other countries; the role of collective-defined contribution schemes (CDC); increasing understanding of 'to and through' investing where growth assets continue to be a feature of retirement savings for longer; the role of incentives to stimulate investment into private capital; and raising awareness of non-default funds.

Some Expert Panel members felt that developing recommendations on how the Government can support dedicated venture capital vehicles/fund of funds by analysing existing examples such as the French Tibi scheme, could be beneficial. It was noted that the French Tibi scheme has focused particularly on funding the technology and life sciences sector.

Expert Panel members commented on the challenge that pensions savers often hold multiple pension pots and contributions are low. It was felt that this could be an area for further engagement with political stakeholders to achieve greater understanding of 'to and through' investing. Further consideration of risk management would be needed to facilitate this.

Expert Panel members considered the role of CDC as a medium-to-long-term solution. The Expert Panel felt that CDC could provide a long-term solution, but agreed to focus more on solutions that could achieve meaningful change in the short-to-medium-term.

The topic of learnings from other countries was raised. Some Expert Panel members felt that while international comparisons and analysis of overseas pensions systems could be explored, it would be important to recognise the differences between the UK and international pension systems. It was noted however that further assessment of e.g. the Dutch and Australian models would be useful.

### 3. Reporting and key milestones: Our commitments

#### Report and further outputs

Expert Panel members heard a summary of the ongoing engagement with political, industry and regulatory stakeholders on initiatives linked to the work of the Expert Panel. This included the development of a private capital module for inclusion in The Pensions Regulator (TPR)'s private capital toolkit. The BVCA committed to continue working in partnership with the ABI and PLSA to support the delivery of cross-industry initiatives, including roundtable discussions led by Government and regulators.

#### Mansion House Forum

The Mansion House Forum would be formed of a small group of representatives from both the Mansion House and Investment Compacts, and other parties.

Its purpose was to ensure wider stakeholder engagement and participation, and to foster alignment between the objectives of both initiatives.

The Forum would first convene around the time of the first anniversary of the 2023 Mansion House Compact and would aim to provide an update to stakeholders on progress to date, including the work of the Expert Panel.

#### BVCA Pensions & Private Capital Summit – 11 September

The Expert Panel would report on its progress at a BVCA conference of industry representatives and stakeholders on 11 September. It was noted that this UK Pensions summit will be held at Landing 42, Leadenhall Building and would provide industry representatives with an opportunity to discuss key issues.

### 4. AOB

The Chair thanked Expert Panel members for their contributions.