

PENSIONS & PRIVATE CAPITAL EXPERT PANEL

MEETING MINUTES

Date	13 February 2024	
Time	11:00-13:00	
Location	8 Northumberland Avenue, London WC2N 5BY/ Microsoft Teams	
Attendees	Kerry Baldwin, Chair (IQ Capital) John Chilman (Railpen) Hannah Gurga (ABI) Tegs Harding (IGG) Virginia Holmes (Unilever UKPF) Neville Howe (NEST) Allan Marchington (ICG) Matthew McNally (M&G) (<i>dial-in</i>)	James Mitchell (Phoenix Group) Dan Mikulskis (People's Partnership) (<i>dial-in</i>) Michael Moore (BVCA) Julian Mund (PLSA) Camilla Richards (Atomico) Ruston Smith (Smart Pension) (<i>dial-in</i>) Ben Wilkinson (Molten) Tom Wrenn (ECI) (<i>dial-in</i>)
Apologies	Rob Barr (Pantheon)	Andy Gregory (BGF)
In attendance	Sarah Adams (BVCA) Jonathon Land (PwC)	Minesh Rana (PwC) Chris Venables (PwC)
Observers	Hannah Cooke (HMT) Gordon Mead (CoLC)	Helen White (TheCityUK)

1. Welcome and introduction 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.

Introduction from the Chair

Following introductory remarks from and discussion with the Minister for Enterprise, Markets and Small Business, the Chair:

- Welcomed the Expert Panel members, as representatives of a spectrum of firms across their respective industries, to the first meeting of the Pensions & Private Capital Expert Panel (the Expert Panel).
- Described how the Expert Panel had been formed to underpin a partnership between the UK pension and private capital industries, focussed on developing solutions to deliver the

commitments set out in the Investment Compact for Venture Capital & Growth Equity (the Investment Compact).

- Welcomed in particular the participation of the ABI and PLSA, highlighted the valuable work they and others had already done in this area, and stressed the importance of the perspectives they brought to the Expert Panel on behalf of their respective memberships, which encompassed a wide range of both investors and savers.
- Explained the structure and objectives of the Expert Panel, and noted that its establishment demonstrated a shared commitment from its members to progress the work required to meet the objectives of the Investment Compact.
- Noted the importance of establishing a common understanding of the key barriers currently limiting UK DC investment into private capital, and referred to the draft report prepared by PwC on this topic that had been shared with the Expert Panel for discussion (the Report).
- Outlined that a key aim of the meeting was to identify areas where the Technical Expert Group (TEG) could, as part of the Expert Panel process, help deliver tangible progress on increasing industry awareness of technical solutions, facilitating the evolution of investment structures and developing policy recommendations.
- Encouraged the Expert Panel and the TEG to be bold in exploring relevant substantive issues, such as fee structures, liquidity management and DC reporting requirements.
- Explained that minutes of the Expert Panel meeting, as well as the Report and, in future, other material developed by the Expert Panel and the TEG, would be published online and shared with political and industry stakeholders (including Government, officials and signatories of the Mansion House and Investment Compacts).

2. Introduction of Expert Panel Expert Panel members

Introductions

Expert Panel members introduced themselves, describing their experience and their/their firms' key perspectives on this topic, and collectively expressed a desire to help industry make progress in this area.

The Chair noted that each member individually brought deep and highly relevant experience to the Expert Panel, and that collectively the group represented a wide range of both Investment Compact signatories, across venture capital, growth equity and broader private capital industry, and the UK pensions industry, in particular Mansion House Compact signatories and a variety of UK DC master trust providers and trustees.

3. PwC Expert Panel Report

Overview and purpose of the Report

PwC summarised the Report, which covered the current position and potential barriers to DC investment in private capital funds, as well as proposing key topics for the Expert Panel and TEG to examine further. The Expert Panel discussed the following topics further, contributing their perspectives and providing suggestions on key focus areas and next steps.

Panel discussion of the proposed topics for the Expert Panel and TEG to examine further

Pension stakeholder engagement and education

Several Expert Panel members expressed the view that establishing a common language for broader stakeholders would be more beneficial than focussing entirely on member education. It was felt broadly that there was a need for a particular focus on fostering greater familiarity with private capital investment among intermediaries, consultants, and trustees.

Pension stakeholder understanding and transparency

A number of Expert Panel members expressed the view that greater transparency was required for both industries to enhance mutual understanding of how decisions are made, what is important and how value is created by venture capital, growth equity and private capital investment more broadly. Some Expert Panel members linked understanding to wider points on returns.

Time horizons

The topic of members' investment time horizons was identified as a structural challenge within current DC models that the Expert Panel should consider further.

Expert Panel members commented that savers are often financially constrained during the middle of their working lives due to various financial responsibilities which work against them increasing their pension contributions earlier in their pension savings journey.

In particular, lifestyle strategies' focus on liquidity was identified as inhibiting growth investments from when a member reaches 55 years old, and it was noted that "de-risk" can often also mean "de-return".

A number of Expert Panel members felt that strategies enabling growth investment to continue "to and through" retirement should be considered. Collective Defined Contribution (CDC) was identified as one model designed to address this issue.

Market infrastructure

Some Expert Panel members noted that life wrappers could be seen as adding an additional layer of retail protection that was potentially unnecessary and may present challenges to investing in private capital funds. Others acknowledged these considerations whilst highlighting the view that such platforms nonetheless would continue to perform an important role in the market, and the importance of the Report including a balanced assessment of the use of pension platforms.

Returns and Net Value

The Expert Panel felt that industry would benefit from a common, wider and more detailed understanding of a range of considerations relating to returns and net value, including the following:

- How returns and fees from private capital funds are calculated.
- How returns and fees can be presented in a way that is accessible to the DC industry.
- Cost transparency considerations.
- The risk and return considerations relevant to private capital fund investments.
- How private capital investments can be made e.g. through the LTAFs or funds of funds.

Features from other pension systems

Australia was noted as an example of successful DC investment in private capital funds. Expert Panel members discussed the Australian model and expressed the view that it could provide further learning opportunities for the UK system.

Additional issues

Expert Panel members suggested that the Expert Panel should also consider the following in further detail:

- Liquidity management at pension scheme and product levels.
- FRC assumptions for annual pension statements.

Some Expert Panel members shared high-level initial comments on learnings from their own operations on how certain challenges might be addressed.

The Chair invited the Observers to provide any further perspectives on the Report and the barriers identified.

The Chair thanked the Expert Panel for the discussion and the Observers for their comments, and in particular thanked PwC for their contribution to the discussion and the development of the Report.

4. Technical Expert Group: steering its work

Purpose and membership

The purpose and membership of the TEG was described (a forum of over 40 technical experts formed to work alongside the Expert Panel, focusing on developing solutions to help remove specific barriers to DC investment in private capital).

Priorities for the TEG ahead of the next Expert Panel meeting (agreement of the workstreams)

Building on the discussion on the PwC Report, Expert Panel members suggested priority topics the TEG could take forward, in line with the commitments made in the Investment Compact.

Many Expert Panel members highlighted similar priority areas, with three broad themes emerging as areas where there was consensus that further work would be constructive and where potential solutions might be identified. Across these areas, specific points were identified, including the following:

- Structures:
 - a. Developing fuller industry understanding of how far existing and emerging structures might contribute to increasing DC investment in private capital.
 - b. Ensuring the scalability of any specific structures for DC investment in private capital.
- Technical issues:
 - a. Liquidity management and the role of secondaries in mitigating “J curve” issues.
 - b. Identifying how to ensure geographical and vintage diversification.
 - c. Identifying features from overseas pension systems that could be replicated in the UK to facilitate DC investment in private capital.
 - d. Managing considerations around fairness between members.
- Engagement:
 - a. Increasing UK DC pensions decision-makers/broader stakeholders’ familiarity with the private capital industry, and vice versa.
 - b. Broader understanding of the competitive dynamics affecting the UK DC and private capital markets.
 - c. Increasing understanding of the potential contribution of private capital to net returns and value, alongside the risks (including the role of legislation, regulation and guidance).
 - d. Establishing a common language between the UK DC and private capital industries.
 - e. Delivering a balanced assessment on fees and returns and building trust.

The BVCA agreed to discuss these further with the TEG so that specific questions under each theme could be explored before the next Expert Panel meeting. The Expert Panel agreed that the TEG could consider whether legislation, further education and/or guidance is needed to address some of the existing barriers to investment.

5. Reporting and key milestones

Stakeholder engagement

The minutes of the Expert Panel meeting and the Report would be published on the BVCA website and shared with political and industry stakeholders (including Government, officials and signatories of the Mansion House and Investment Compacts).

Mansion House Forum

The Mansion House Forum would be formed of key stakeholders 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 prior to the anniversary of the Chancellor's Mansion House speech to provide an update to stakeholders on the work of the Expert Panel.

BVCA Pensions & Private Capital Summit – 11 September

The Expert Panel would report on its progress at a conference of industry representatives and stakeholders on 11 September. It was noted that the UK Pensions & Private Capital Summit would provide industry representatives with an opportunity to discuss key issues.

6. AOB

It was noted that the Local Government Pension Scheme (LGPS) could be another area of focus for the Expert Panel as an example of successful pension fund investment in private capital.

The Chair thanked Expert Panel members for their contributions and reiterated the value that their experience and insight would provide the progression of work over the course of the next year. It was noted that the Expert Panel set out the commitment of both the pensions and private capital industry to form a mutually beneficial partnership which will provide a steer and focus for the work of the TEG.