

Agenda

Pension Investment Sub-Committee

Tuesday, 5 March 2024, 10.00 am
Kidderminster Room, County Hall,
Worcester

This document can be made available in other formats (large print, audio tape, computer disk and Braille) on request from Democratic Services on telephone number 01905 846621 or by emailing democraticServices@worcestershire.gov.uk

DISCLOSING INTERESTS

There are now 2 types of interests:
'Disclosable pecuniary interests' and **'other disclosable interests'**

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your spouse/partner as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
 - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests** **OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
 - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Pension Investment Sub-Committee
Tuesday, 5 March 2024, 10.00 am, Kidderminster Room, County Hall, Worcester

Membership: Cllr Adrian Hardman (Chairman), Cllr Elizabeth Eyre, and Cllr Karen Hanks

Co-opted Members

Cllr Peter Stoddart (voting) Herefordshire Council

Vacancy (non-voting) Employee Representative

Agenda

Item No	Subject	Page No
1	Apologies/Named Substitutes	
2	Declaration of Interests	
3	Public Participation Members of the public wishing to take part should notify the Assistant Director for Legal and Governance in writing or by e-mail indicating both the nature and content of their proposed participation no later than 9.00am on the working day before the meeting (in this case, 4 March 2024). Enquiries about this can be made through the telephone number/e-mail address listed in this agenda and on the website.	
4	Confirmation of Minutes To confirm the Minutes of the meeting held on 30 November 2023 (previously circulated).	
5	Pension Independent Investment Advisor Update	1 - 124
6	Gresham House Private Equity Co-Investment & British Sustainable Infrastructure Fund (BSIF) III Opportunities	125 - 150
7	CEM Benchmarking Report 2023	151 - 198
8	Bridgepoint Direct Lending Fund (BDL) IV Opportunity Presentation	199 - 272
9	Federated Hermes HIF II Restructure (Project Artemis) Presentation	273 - 290

Agenda produced and published by Hazel Best, Assistant Director for Legal and Governance County Hall, Spetchley Road, Worcester WR5 2NP

To obtain further information or a copy of this agenda contact Simon Lewis, Committee Officer on 01905 846621, slewis@worcestershire.gov.uk

All the above reports and supporting information can be accessed via the Council's website

Date of Issue: Friday, 23 February 2024

This page is intentionally left blank

PENSIONS INVESTMENT SUB COMMITTEE

5 MARCH 2024

PENSIONS INDEPENDENT INVESTMENT ADVISOR UPDATE

Recommendation

1. **The Chief Financial Officer recommends that the Pensions Investment Sub Committee note and comment on the Pensions Independent Investment Advisor's update attached as Appendix 1 together with the associated investment performance information attached as Appendices 2 and 3.**
2. The Pensions Independent Investment Advisors update provides: -
 - a) A global overview;
 - b) A summary and market background to Worcestershire Pensions Investments as at the quarter ended the 31 December 2023; and
 - c) Brief performance details of the individual pension investments.
3. Also attached as Appendices 2 and 3 are the Hymans Robertson quarterly investment performance update for Worcestershire Pension Fund as at the end of December 2023 and the LGPSC Investment performance report for the period October to December 2023 respectively.
4. The Pensions Investment Sub-Committee is asked to comment on the Pensions Independent Investment Advisors update and associated appendices.
5. **Please note that Appendices 1-3 contain exempt information (on salmon pages) and should members wish to discuss the information included in them they would need to consider passing the appropriate resolution and moving into exempt session.**

Supporting Information

Appendix 1 – Pensions Independent Investment Advisors update (**Exempt Information – Salmon pages**).

Appendix 2 - Hymans Robertson quarterly investment performance update for Worcestershire Pension Fund (**Exempt Information – Salmon pages**).

Appendix 3 – LGPSC quarterly investment report for the period October 2023 to December 2023 (**Exempt Information – Salmon pages**).

Contact Points

Sherief Loutfy
Head of Pensions Investment, Treasury Management & Banking
Tel: 01905 843103
Email: sloutfy@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

PENSIONS INVESTMENT SUB COMMITTEE

5 MARCH 2024

GRESHAM HOUSE PRIVATE EQUITY CO-INVESTMENT AND BRITISH SUSTAINABLE INFRASTRUCTURE FUND (BSIF) III OPPORTUNITIES

Recommendation

- 1. The Chief Financial Officer recommends that the Gresham House Co-Investment and BSIF III Opportunities presentation be noted and considered.**

Background

2. As part of the Fund's strategic asset allocation review, approved by Pension Committee on 22 March 2023, officers are required to consider re-up investments with existing fund managers where appropriate. The Fund has already committed £50m to BSIF I in 2020 and £75m to BSIF II. Opportunities to make an allocation to BSIF III as well as a private equity investment to a specific portfolio asset with Gresham House as a co-investor has arisen.
3. The Gresham House presentation is attached and covers:
 - a. An update of the Searchlight acquisition of Gresham House
 - b. A summary of the Fund's investments with Gresham House
 - c. An update on BSIF I & II
 - d. A brief introduction to BSIF III
 - e. A Co-investment opportunity
4. The Pensions Investment Sub is asked to note and comment on the Gresham House BSIF III and co-investment presentation.
- 5. Please note that the Appendix contains exempt information (on salmon pages) and should members wish to discuss the information included in this Appendix they would need to consider passing the appropriate resolution and moving into exempt session.**

Contact Points

Specific Contact Points for this report

Sherief Loutfy

Head of Pensions Investments, Treasury & Banking

Tel: 01905 843103

Email: sloutfy@worcestershire.gov.uk

Supporting Information

- Gresham House BSIF III and Co-Investment Opportunity (Appendix). **(Exempt Information – Salmon pages).**

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report:

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

PENSIONS INVESTMENT SUB COMMITTEE

5 MARCH 2024

CEM BENCHMARKING REPORT 2023

Recommendation

- 1. The Chief Financial Officer recommends that the CEM Benchmarking report for 2023 be noted and considered.**

Background

2. As part of the Fund's ongoing internal review of its investment costs, performance, and risk profile, it has engaged CEM Benchmarking UK Ltd to assess these metrics against its peers since 2018. This is achieved by officers sourcing specific detailed cost data from fund managers and submitting that data to the CEM database. The most recent report for the five-year to 31 March 2023 is attached at Appendix 6.
3. The latest benchmarking report includes the following highlights:
 - a. An overall investment costs of 61.6bps, 9.1bps below the peer median and 19.5bps below benchmark of 81.2bps.
 - b. The 19.5bps positive cost performance was derived from:
 - i. 4.2bps pooled assets
 - ii. 9.4bps non-pooled assets
 - iii. 5.2bps from reduced active equity management fees
 - iv. 0.7bps reduced custody & other costs
 - c. Since 2019, the Fund's overall investment costs have increased from 46.8bps to 61.6bps. That increase is less than predicted by its asset mix. Over that same period, its net asset value has increased from £2.8bn to £3.6bn.
 - d. The Fund's 5-year net total return of 5.8% is compared to an LGPS median of 6.3%.
4. The CEM Benchmarking presentation is attached at Appendix 5 and covers the findings and assessment of the Fund's position at 31 March 2023.
5. The Pensions Investment Sub Committee is asked to note and comment on the CEM Benchmarking Investment Benchmarking Report 2023 and presentation.
6. **Please note that Appendices 1 and 2 contain exempt information (on salmon pages) and should members wish to discuss the information included in these Appendices they would need to consider passing the appropriate resolution and moving into exempt session.**

Contact Points

Specific Contact Points for this report

Sherief Loutfy

Head of Pensions Investments, Treasury & Banking

Tel: 01905 843103

Email: sloutfy@worcestershire.gov.uk

Supporting Information

- CEM Benchmarking presentation (Appendix 1). **(Exempt Information – Salmon pages)**.
- CEM Benchmarking Investment Benchmarking Report 2023 (Appendix 2). **(Exempt Information – Salmon pages)**.

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report:

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

PENSIONS INVESTMENT SUB COMMITTEE

5 MARCH 2024

BRIDGEPOINT DIRECT LENDING FUND (BDL) IV OPPORTUNITY PRESENTATION

Recommendation

- 1. The Chief Financial Officer recommends that the Bridgepoint BDL Fund IV opportunity presentation be noted and considered.**

Background

2. As part of the Fund's strategic asset allocation review, approved by the Pension Committee on 22 March 2023, officers are required to consider re-up investments with existing fund managers where appropriate. The Fund has already committed €74.6m in 2018 and €138.0m in 2021 to funds II and III respectively. An opportunity to make an allocation to Fund IV has arisen.
3. The Bridgepoint BDL Fund IV presentation is attached and covers:
 - a. An overview of the firm
 - b. A summary of direct lending market conditions
 - c. An update on BDL funds II & III
 - d. The case for investing in BDL IV
 - e. An update on RI developments at Bridgepoint
4. The Pensions Investment Sub is asked to note and comment on the Bridgepoint BDL Fund IV presentation.
- 5. Please note that the Appendix contains exempt information (on salmon pages) and should members wish to discuss the information included in this Appendix they would need to consider passing the appropriate resolution and moving into exempt session.**

Contact Points

Specific Contact Points for this report

Sherief Loutfy

Head of Pensions Investments, Treasury & Banking

Tel: 01905 843103

Email: sloutfy@worcestershire.gov.uk

Supporting Information

- Bridgepoint BDL Fund IV Opportunity (Appendix). **(Exempt Information – Salmon pages)**.

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report:

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

PENSIONS INVESTMENT SUB COMMITTEE

5 MARCH 2024

FEDERATED HERMES HIF II RESTRUCTURE (PROJECT ARTEMIS) PRESENTATION

Recommendation

- 1. The Chief Financial Officer recommends that the Federated Hermes HIF II restructure (Project Artemis) presentation be noted and considered.**

2. The Federated Hermes HIF II restructure presentation is attached and covers:
 - a. A summary of the current performance of HIF II.
 - b. Proposed next steps - restructure.
 - c. A summary guide of general questions and answers.

3. The Pensions Investment Sub Committee is asked to note and comment on the Federated Hermes HIF II restructure presentation.

- 4. Please note that Appendices 1-2 contain exempt information (on salmon pages) and should members wish to discuss the information included in them they would need to consider passing the appropriate resolution and moving into exempt session.**

Contact Points

Specific Contact Points for this report

Sherief Loutfy

Head of Pensions Investments, Treasury & Banking

Tel: 01905 843103

Email: sloutfy@worcestershire.gov.uk

Supporting Information

- Federated Hermes HIF II restructure presentation (Appendix 1) (**Exempt Information – Salmon pages**).
- Project Artemis Generalised Q&A (Appendix 2) (**Exempt Information – Salmon pages**).

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report:

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank