

## Minutes of the Pension Investment Sub-Committee

County Hall, Worcester

Thursday, 29 September 2022, 1.30 pm

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### Present:

Cllr Adrian Hardman (Chairman), Cllr Elizabeth Eyre, Cllr Karen Hanks and Cllr Trish Marsh

### Available papers

The members had before them the Agenda papers. (previously circulated)

#### 172 Apologies/Named Substitutes (Agenda item 1)

None.

#### 173 Declaration of Interests (Agenda item 2)

None.

#### 174 Public Participation (Agenda item 3)

None.

#### 175 Exclusion of Public and Press

**RESOLVED** that pursuant to Section 100A of the Local Government Act 1972, the press and public shall be excluded from the meeting during item 4 on the grounds that there would be disclosure to them of information relating to the financial or business affairs of any particular person (including the authority holding the information) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Summary of the proceedings of the meeting during which the press and public were excluded. (This is a fair summary of the proceedings.)

#### 176 Stonepeak Infrastructure Partners Fund III and IV Performance Update (Agenda item 4)

The Sub-Committee considered the Stonepeak Infrastructure Partners Fund III and IV Performance Update.

The Sub-Committee received a presentation from Brenden Woods, a representative of Stonepeak.

**RESOLVED** that the presentation provided by Stonepeak Infrastructure Partners on Fund III & IV attached as an Appendix to the report be noted.

## **177 Strategic Asset Allocation update as of the 30 June 2022 and preliminary results of the provisional 2022 Actuarial Valuation (Agenda item 5)**

The Sub-Committee considered the Strategic Asset Allocation update as of the 30 June 2022 and preliminary results of the provisional 2022 Actuarial Valuation

In the ensuing debate, the following points were made:

- Rob Wilson highlighted that the Fund's actual fund allocation was near enough in line with the strategic targeted allocation as at the end of June which was partly due to the reduced equity investment return and increased investment in Infrastructure assets
- A discussion took place on the general performance of the LGPS Central Funds, in particular the continuing poor investment performance of the Emerging Markets portfolio
- Philip Hebson expressed concern that LGPS Central were now apparently looking to expand its multi-manager investment approach in its Emerging Markets portfolio to 4 investment managers from the existing 3.
- It was recommended and agreed that the LGPS Central Emerging Markets portfolio should be placed on watch
- It was important for the Fund to have the appropriate investment levels in the US market because the Fund had been underweight against the benchmark for some time. Rob Wilson replied that the Fund was invested in the US at its targeted allocation as earlier in the year the Fund was overweight US but underweight in the UK. It was agreed by Committee back in June 2022 to bring the US and UK Funds back to their targeted allocation weightings
- Rob Wilson referred to the comparison of the Fund's regional weightings compared to the MSCI All Country World Index which showed that the Fund was significantly underweight in the US compared to this Global Index. However, the Committee had felt comfortable with the existing regional weightings particularly in the current market situation
- In order to lower the risk profile of the portfolio, it might be appropriate for the Fund to invest in Gilts at around a 5% investment level. Philip Hebson advised that Gilts would not be a risky investment but the Fund needed to examine all aspects of its portfolio because it should not lose sight of the need to develop growth assets

- In response to a query about the potential to increase the Fund’s exposure to UK equities, Philip Hebson advised that the UK markets were not reflective of the UK economy and therefore he would suggest increasing exposure to the US market rather than the UK market and would form part of the Strategic asset allocation review
- It was queried how other pools were doing in comparison to LGPS Central. Philip Hebson responded that it was very difficult to tell because very little information was forthcoming from other pools. Generally, it would appear that performance and staff retention was poor. The performance of pooling was a topic of the forthcoming Government consultation paper.

**RESOLVED: that**

- a) the funds strategic asset allocation and provisional 2022 actuarial valuation update be noted; and**
- b) the LGPSC Emerging Markets mandate be placed on watch.**

The meeting ended at 3.15pm.

Chairman .....