



## PENSIONS COMMITTEE

25 July 2023

**Subject Heading:**

**INVESTMENT STRATEGY UPDATE –  
INFRASTRUCTURE**

**CLT Lead:**

**Dave McNamara**

**Report Author and contact details:**

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**Policy context:**

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Regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016 requires an administrative authority to periodically review the Investment Strategy Statement

**Financial summary:**

Implementation of the investment strategy will be met from restructuring existing mandates

**The subject matter of this report deals with the following Council Objectives**

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

**SUMMARY**

This report includes a paper produced by the Fund Investment Advisor, as set out in Appendix A (exempt), and follows on from the Investment Strategy changes agreed at the last committee meeting on the 21 March 2023

**Appendix A of this report is exempt from publication by virtue of paragraph 3 and 5 of the Access to Information Procedure Rules set out in the Constitution pursuant to Schedule 12A Local Government Act 1972, as amended as it contains information relating to the financial or business affairs of the investment managers already appointed to the Fund.**

**RECOMMENDATIONS**

That the Committee is asked to agree:

1. An additional 1.5% allocation to the target allocation to the JP Morgan Infrastructure Investments Fund
2. An additional 1.0% allocation to the target allocation to the LCIV Renewable Infrastructure Fund.

**REPORT DETAIL**

**1. Background**

- a) The Committee agreed the current Investment Strategy Statement (ISS) at its meeting on the 29 July 2020 and have on a number of occasions since then proceeded with the implementation and development of that ISS.
- b) Following the Fund's Actuarial valuation as at March 2022 a review of the current ISS was carried out to ensure that it remained appropriate to meet its long term objectives, this being to ensure that the assets are invested to secure funding for member's benefits.
- c) Officers discussed the outcome of this review at a meeting in October 2022 in which it was suggested that employer contributions could be reduced subject to an adjustment to the investment strategy. It was also acknowledged of a need to shift towards "increased income" investments as part of any investment strategy changes and the progression of this strategy was later discussed in February 2023.
- d) Hymans, the Fund's Investment Advisor subsequently produced the Investment Strategy Considerations paper, which was agreed at the Pensions Committee meeting on the 21 March 2023. Included within those recommendations was an agreement to increase to the target infrastructure asset allocation by 2.5%, up from 10% to 12.5%. A further commitment to increase the infrastructure target asset allocation by 2.5% will equate to c£22.4m.
- e) Appendix A to this report sets out how the additional 2.5% will be allocated across the current Fund Managers, what additional commitments will be made and how this will be funded.

- f) This paper is exempt as it contains information pertaining to the financial or business affairs of Fund's investment managers.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

Any changes made to the asset allocation will be funded from reducing or reallocating of assets within existing mandates held by the fund.

A further commitment to increase the infrastructure target asset allocation by 2.5% will equate to c£22.4m. In the short term and whilst current capital commitments continue to be drawn down only £13m will be reallocated. This will be funded from the LCIV Diversified Growth Fund

Advisory costs: The advisory costs of implementing the changes made to the investment strategy and its structure will be incurred through the Investment Management consultancy services contract with Hymans. Costs are ongoing throughout implementation and will be monitored closely by Officers - the final cost will not be known until this has concluded and is dependent on the direction of strategy options taken forward by the Committee.

Costs arising from the implementation of the investment strategy will be met from the Pension Fund.

### **Legal implications and risks:**

The proposals do not appear to be a revision of the Investment Strategy but an outworking of the principles within it and therefore there do not appear to be any legal implications in approving the recommendations.

### **Human Resources implications and risks:**

None arise directly from this report.

### **Equalities implications and risks:**

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

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- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An EqEIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected  
None arising directly.

**BACKGROUND PAPERS**

None