



LOCAL PENSION COMMITTEE – 10TH SEPTEMBER 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

**ACTION AGREED BY INVESTMENT SUBCOMMITTEE
& LGPS CENTRAL UPDATE**

Purpose of the Report

1. The purpose of this report is to provide the Committee with details of two investments agreed by the Investment Subcommittee at its meeting held on 28 July 2021.
2. The report also provides an update on development of LGPS Central (Central) products where the Fund has instructed Hymans Robertson to conduct due diligence.

Background

3. The Leicestershire Pension Fund has a requirement to maintain investment in its asset classes to maintain the Fund's Funding Strategy as current investments are returned.
4. The Leicestershire Fund required investments into Private Credit and Infrastructure asset classes.
5. Attached as a background papers to this report are the public reports that were presented to the Investment Subcommittee (ISC), which give further details on the investments and why they were felt to be appropriate.

Private Debt – LGPS Central Private Debt (low return sleeve) 2021 vintage & Partners multi asset credit 6 (MAC6)

6. Officers proposed a combined investment of up to £160m into private debt subject to a number of constraints based around minimum fund size and size of the investment relative to the total size of the Central fund.
7. Following supplementary information provided at the 28th July meeting and Central raising the relevant minimum commitments from other partner funds, the Fund resolved that the £160million be invested and that Director of Corporate Resources, following consultation with the Chairman of the ISC be authorised to invest in the two funds proportionally. Hymans Robertson the Fund's investment consultant presented their key points in support of the investment.
8. LGPS Central were on hand to answer any questions from the Investment Subcommittee.

9. Having met the constraints set out to the ISC the Director of Corporate Resources, following consultation with the Chairman following the meeting committed £100m to the Central product and £60m to the Partners Group MAC 6 product. This decision was agreed on the 31st August 2021.
10. The investments are to be funded from cash holdings with no divestments required given the £160m will be called over a period of years.

Infrastructure – LGPS Central core/core-plus infrastructure sleeve

11. Officers proposed a £70m investment into LGPS Central Infrastructure core / core-plus product to bring up asset allocation in line with the agreed asset strategy approved at the January 2021 Pension Committee.
12. As the proposal was a new product from Central Hymans Robertson were commissioned to provide assurance that the investment was suitable for the Fund. The ISC received a short presentation from Hymans and LGPS Central and were able to ask questions before coming to a decision to commit £70m pending restrictions based on the size of the fund reaching a minimum level and the Leicestershire County Council commitment being no more than 25% of the total pooled assets.
13. This investment does not require the Fund to divest any assets and will be funded from existing cash resources. The capital calls will be spread out over a number of years which will depend on the underlying infrastructure managers Central appoint.

Product Development

LGPS Central - Private Equity 2021 vintage

14. Central are launching a 2021 vintage having assessed partner fund appetite for the asset class. The vintages are currently programmed to be launched every 18 months in order to maximise the cost savings that come with committing larger amounts to underlying private equity managers.
15. Hymans Robertson have been instructed to complete assurance on the product with a decision to be brought to ISC in 2021 or early 2022. The Fund is currently marginally overweight to this asset class but continued investment ensures vintage year diversification.

LGPS Central - Private Debt 2021 high return sleeve

16. The Fund has a sizable target allocation of 10.5% all assets which it has historically deployed with one manager and multiple annual vintages. Central have launched the product and the Fund has committed £100million to the low return sleeve as described earlier.
17. Officers have instructed Hymans to review the Central product alongside the two other investments the Fund currently has in the higher return space for global credit. The two existing holdings comprise of three vintages from M&G's distressed

opportunities fund (DOF) and one investment from Christofferson Robb and Company. These two funds are currently distributing money back to the Fund. Officers expect to bring a proposal to ISC later this year or early 2022.

Recommendation

18. The Local Pension Committee is asked to note the content of the report.

Appendices

Equal Opportunities Implications

None specific

Background Papers

[Recommended Investment into LGPS Central Infrastructure - Investment Subcommittee – 28 July 2021.](#)

[Recommended Investment into LGPS Central Private Debt Low Return and Partners Group - Investment Subcommittee – 28 July 2021.](#)

Officers to Contact

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