



LOCAL PENSION COMMITTEE – 19 JUNE 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

LGPS CENTRAL – INFRASTRUCTURE PRESENTATION

Purpose of the Report

1. The purpose of this report is to provide the Local Pension Committee (LPC) with information on the Leicestershire Pension Fund (Fund) infrastructure investments with LGPS Central (Central).
2. Appended to the report is a PowerPoint presentation which will be delivered at the meeting by representatives from Central.

Background

3. The Fund has an infrastructure allocation currently managed by seven managers. As at 31 March 2024 the Fund's total infrastructure investments were valued at £628m, or 9.9% of total Fund assets. The Fund has a target weighting to PE set at 12.5% of total Fund assets and is therefore underweight to this asset class or c£160m. Outstanding commitments to this asset class total c£140m across a number of managers.
4. The Fund has invested in both open ended and closed ended investment products. Closed ended products have a limited life and will return capital to investors over time and therefore capital will need to be redeployed in order to maintain exposure. Liquidity is usually limited and depending on the demand for the particular fund would usually only be available on the secondary market.
5. The table below illustrates the total value of the Fund's infrastructure investments.

Fund	Value 31 March 2024	% of total infra	Open ended / closed ended
LGPS Core/core plus	60m	10%	Open
JPM infrastructure investment fund	164m	26%	Open
IFM global infrastructure fund	160m	26%	Open
Stafford infrastructure timberland – 3 vintages	124m	20%	Closed
Stafford carbon offset opportunity fund (COOF)	0m	0%	Closed
KKR – infra funds II and III	49m	8%	Closed
Infracapital infrastructure fund	32m	5%	Closed

Fund	Value 31 March 2024	% of total infra	Open ended / closed ended
Quinbrook Net Zero Power Fund	39m	6%	Closed

6. The Fund, as a part owner of LGPS Central (Central), has an aim to transition investments to cost effective and relevant products at Central as and when they are made available.
7. Central have completed the development of an infrastructure fund in 2021. The July 2021 meeting of the Investment Sub-Committee (ISC) approved a £70m investment to the core/core plus LGPS infrastructure fund. The Fund has subsequently added to the commitment to this product with additional commitments. The total commitment to the Central core/core plus investment product is now £135m with the most recent commitment of £35m approved at the meeting of the ISC in April 2023.
8. The Central infrastructure presentation will cover the following:
 - a. Market backdrop (infrastructure)
 - b. Overview and performance of the Central fund's core/core plus strategy
 - c. Underlying investments made by the strategy

Leicestershire Pension Fund Conflict of Interest Policy

9. Whilst not a conflict of interest, it is worth noting that the County Council also invests funds with JP Morgan which the Leicestershire County Council Pension Fund invests with. The County Council's investments were made following due diligence Hymans Robertson had provided the Fund.

Recommendation

10. The Local Pension Committee is asked to note the report and presentation.

Environmental Implications

11. The LCCPF has agreed a Net Zero Climate Strategy (NZCS). This outlines the high-level approach the Fund is taking to its view on Climate Risk. This will align with the Fund's Responsible Investment approach as set out in the Principles for Responsible Investment. The Fund is committed to supporting a fair and just transition to net-zero. There are no changes to this approach as a result of this paper.

Equality Implications

12. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material ESG factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting through voting, and its approach to engagement in support of

a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Human Rights Implications

13. There are no direct implications arising from the recommendations in this report. The Fund incorporates financially material ESG factors into investment processes. This has relevance both before and after the investment decision and is a core part of the Fund's fiduciary duty. The Fund will not appoint any manager unless they can show evidence that responsible investment considerations are an integral part of their decision-making processes. This is further supported by the Fund's approach to stewardship and voting through voting, and its approach to engagement in support of a fair and just transition to net zero. There are no changes to this approach as a result of this paper.

Appendix

LGPS Central – Presentation

Background Papers

None

Officers to Contact

Mr D Keegan, Director of Corporate Resources
Tel: 0116 305 7668 Email: Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director Finance, Strategic Property and Commissioning
Tel: 0116 305 7066 Email: Simone.Hines@leics.gov.uk

Mr B Kachra, Senior Finance Analyst - Investments
Tel: 0116 305 1449 Email: Bhulesh.Kachra@leics.gov.uk

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