

# ITEM 10 - LATE REPORT

## NORTH YORKSHIRE COUNTY COUNCIL

### PENSION FUND COMMITTEE

4 JULY 2019

### INVESTMENT STRATEGY REVIEW

#### Report of the Treasurer

## 1. PURPOSE OF REPORT

- 1.1. To confirm the NYPF allocation to BCPP's Infrastructure Fund.
- 1.2. To consider an allocation to the BCPP Multi Asset Credit sub-fund.

## 2. INVESTMENT STRATEGY REVIEW

- 2.1. In the May Committee meeting a review of the investment strategy was undertaken for the Fund to inform the 2019 Triennial Valuation. As part of the review the following objective was set:

“To reduce investment risk to lessen the risk of adverse future funding positions, whilst continuing to target levels of expected investment return which do not increase the contribution rate.”

- 2.2. In light of this, a new high-level, long-term strategy was set with a reduced allocation to equities and the introduction of illiquid growth and liquid credit allocations. In the long term as opportunities to invest in these new asset classes become available the allocation to equities will be reduced by 10%; these areas in particular are where BCPP will be able to help the Fund deliver value. To remind Members, the agreed long-term strategy is as follows:

Asset Group	Asset Allocation (%)	
	Previous Strategy	New Strategy
Equity	55	45
Property	10	10
Illiquid growth	0	7.5
Illiquid credit	10	10
Liquid credit	0	7.5
Absolute return	10	10
Gilts	15	10
	<b>100</b>	<b>100</b>

- 2.3. The BCPP offerings in Infrastructure and Multi-Asset Credit, along with next steps, are covered in further detail in the sections below.

### **3. INFRASTRUCTURE**

- 3.1. To remind Members, in May the BCPP Alternatives sub-fund structure was approved by shareholders and the setup of the sub-fund was undertaken to allow Partner Funds to make investments in the different alternatives asset classes as they become available.
- 3.2. The first alternative asset class to be launched, which is of interest to the Fund, is infrastructure. This sub-fund is due to launch in Q3 2019 and commitments will be raised through an annual subscription window. Committees have therefore been asked to provide a final first year allocation to this sub-fund in June. NYPF have had this deadline extended slightly due to the timing of our Committee meeting.
- 3.3. The CIO of BCPP attended a workshop on 24 May 2019 to provide an update on the infrastructure sub-fund. The objective of this sub-fund is “to invest in a suitably diversified portfolio of infrastructure investments in order to generate a net return that exceeds the benchmark over the long term.” The Fund will focus on global infrastructure equity investments and have a target return of 8% per annum over the long term.
- 3.4. Aon have undertaken a high-level due diligence review and, based on the information available, have not identified any issues with investing in this sub-fund. They have therefore proposed that the Fund invests c. £70m this year, with the aim of having around a 5% long-term allocation in this asset class. To reduce vintage risk, it is recommended that the investment be built up gradually over a 10 year period. BCPP plan to deploy funds over a three year period from first commitment.

### **4. MULTI- ASSET CREDIT**

- 4.1. As outlined in section 2.2 above, the current strategy has a 7.5% allocation to liquid credit, for example Multi-asset credit. There will be further discussions on MAC, including an educational session, and a formal decision on investment will be brought back to a later Committee meeting.
- 4.2. The target launch of the BCPP MAC sub-fund is Q2 2020.

### **5. RECOMMENDATIONS**

Members are to:

- 5.1. Approve an initial investment of c. £70m in the BCPP Infrastructure Fund.
- 5.2. Agree to consider an allocation to Multi-Asset Credit.

GARY FIELDING  
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NYCC  
County Hall  
02 July 2019