

Agenda Item	11
Report No	PC/21/21

HIGHLAND COUNCIL

Committee: Pensions Committee

Date: 22 September 2021

Report Title: **Amendment to the Statement of Investment Principles**

Report By: Head of Corporate Finance and Commercialism

1. Purpose/Executive Summary

- 1.1 The purpose of this report is to seek approval from Members on an amendment to the Statement of Investment Principles for the Highland Council Pension Fund (HCPF).
- 1.2 The Statement of Investment Principles is prepared as required by the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 (No. 233).

2. Recommendations

- 2.1 The Committee is asked to approve the following amendment to Appendix 2 (Asset Allocation) of the Statement of Investment Principles
- the UK equities allocation (set at 8.4% at the March Pensions Committee) is removed and replaced with an equivalent increase in the asset allocation to global equities as shown in the table at 4.2 of this report

3. Implications

- 3.1 Resource – As covered in the report.
- 3.2 Legal – none
- 3.3 Community (Equality, Poverty and Rural) – none
- 3.4 Climate Change / Carbon Clever – none
- 3.5 Risk – covered in report
- 3.6 Gaelic – none

4. Amendment to Asset Allocation

- 4.1 The amendment to be made to Appendix 2 of the Statement of Investment Principles is that the UK equities allocation (set at 8.4% at the March Pensions Committee) is removed and replaced with an equivalent increase in the asset allocation to global equities.
- 4.2 The proposed new target asset allocation to be approved by Committee is set out in the table below (Proposed Target Sept 2021 column).

Statement of Investment Principles

Appendix 2 – Asset Allocation

	Fund Actual 31 Aug 21	Target set Mar 2021	Proposed Target Sept 2021
Asset Class	%	%	%
UK equities - active	17.4	8.4	-
UK equities - passive	2.4	-	-
Global equities - active	33.9	30.8	39.2
Global equities - passive	9.8	16.8	16.8
Total equities	63.5	56.0	56.0
Fixed income - active	10.0	12.0	12.0
Fixed income - passive	2.6	-	-
Total fixed income	12.6	12.0	12.0
Property – active	7.3	10.0	10.0
Property debt and other private credit – active	2.1	7.0	7.0
Private equity - active	5.8	5.0	5.0
Cash	4.0	-	-
Infrastructure	-	5.0	5.0
Alternative risk premia strategies	4.7	5.0	5.0
Total Assets	100.0	100.0	100.0
Expected Return (p.a.)	6.7%	6.8%	6.8%
Expected Volatility (p.a.)	13.7%	12.5%	12.8%

- 4.3 This change in the geographic split of the equities allocation, proposed by the Fund's Investment Advisor, was supported by the Members of the investment sub-committee on the 17th September to best deliver the Fund's target returns from the equity part of the portfolio. The Investment Sub-Committee also intends to consider the split of the equity allocation between passive and active management with any recommendation for change in that regard being brought back to the March 2022 Pensions Committee.

Designation: Head of Corporate Finance and Commercialism

Date: 21 September 2021

Author: Catriona Stachan, Accountant