

<b>Agenda Item</b>	<b>5</b>
<b>Report No</b>	<b>PC/3/22</b>

## HIGHLAND COUNCIL

**Committee:** Pensions Committee

**Date:** 14 February 2022

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

**Report By:** Head of Corporate Finance

### 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 split between active and passive equities is updated to increase the allocation to active and reduce the passive allocation by 5.6%.

### 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 split between active and passive equities is updated to increase the allocation to active and reduce the passive allocation by 5.6%.
- 4.2 The proposed new target asset allocation to be approved by Committee is set out in the table below (Proposed Target Mar 2022 column).

#### Statement of Investment Principles

##### Appendix 2 – Asset Allocation

	Fund Actual 31 Dec 21	Target set Sept 2021	Proposed Target Mar 2022
Asset Class	%	%	%
UK equities - active	17.2	-	-
UK equities - passive	1.6	-	-
Global equities - active	33.4	39.2	44.8
Global equities - passive	8.8	16.8	11.2
<b>Total equities</b>	<b>61.0</b>	<b>56.0</b>	<b>56.0</b>
Fixed income - active	9.7	12.0	12.0
Fixed income - passive	2.5	-	-
<b>Total fixed income</b>	<b>12.2</b>	<b>12.0</b>	<b>12.0</b>
<b>Property – active</b>	<b>10.6</b>	<b>10.0</b>	<b>10.0</b>
<b>Property debt and other private credit – active</b>	<b>3.0</b>	<b>7.0</b>	<b>7.0</b>
<b>Private equity - active</b>	<b>6.3</b>	<b>5.0</b>	<b>5.0</b>
<b>Cash</b>	<b>2.0</b>	<b>-</b>	<b>-</b>
<b>Infrastructure</b>	<b>-</b>	<b>5.0</b>	<b>5.0</b>
<b>Alternative risk premia strategies</b>	<b>4.9</b>	<b>5.0</b>	<b>5.0</b>
<b>Total Assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

- 4.3 This change in the passive/active equities allocation, proposed by the Fund's Investment Advisor, was supported by the Members of the investment sub-committee on the 19 November to best deliver the Fund's target returns from the equity part of the portfolio.

Designation: Head of Corporate Finance

Date: 2 February 2022

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