Infrastructure Day - 15th November 2018

Circulation: all LGPS pension fund committee chairs
From: The Chair of the SAB/ Minister for Local Government

Event note

Thank you to all those who participated in this event organised by the MHCLG and the SAB. This note provides a summary of the main points of discussion.

Chairman’s Welcome and Keynote
The Chair, Cllr Roger Phillips, welcomed all to the event and provided an introduction for Rishi Sunak MP, Minister for Local Government. The Minister’s keynote covered the important issues that should be considered with regard to investment strategy, the definition of infrastructure investment (from a policy point of view) and his vision for the local government pension funds.

Introduction to infrastructure
An introductory session, with speakers from a number of infrastructure investment managers, outlined the asset class, and in particular the range of asset types and vehicles available. Questions and discussion points included: What are the opportunities and benefits for pension funds in this space? Can a pension fund get exposure without scale of investment in one project, and if so how? What benefits scale might bring? And finally, what are the potential downsides? Sessions during the rest of the day went into some of these areas in more detail, this session set the scene and provided a summary or overview of infrastructure as an asset class.

UK versus Overseas
Despite the mistaken belief of some commentators to the contrary, both UK and overseas assets are in the sights of LGPS pension funds and pools. Two presentations from experts in this area provided a balanced view of the pros and cons of UK versus overseas and proposed questions to ask while exploring the opportunities. These sessions also examined well known large overseas pension funds and addressed assessing levels of risk and opportunities in the UK.

Existing versus New Development
Speakers from two of the investment consultancy firms advising the LGPS navigated through specific infrastructure terminology and explained ‘brownfield’ or existing infrastructure, and ‘greenfield’ or building new infrastructure. Conventional wisdom would suggest that brownfield better matches the risk, return and cashflow profile of a pension fund. A case for a least the consideration of greenfield was made, especially where the prospect for investment growth is part of the pension fund’s overall strategy.
The panel went on to discuss the risks, opportunities, costs, potential returns and availability of these different types of infrastructure investment.

**LGPS pools and infrastructure**
Representatives from each of the eight pools gave a brief but comprehensive outlines of their plans to provide capability and capacity for their partner funds and how the pools bring infrastructure investment and increased opportunities for LGPS funds.

**Housing as infrastructure**
Practical examples and case studies were presented from the HSBC Pension Scheme and Great Manchester Pension Fund. In addition, two investment managers described the opportunities for getting LGPS funds into this space. This session touched on some of the types of housing, potential solutions and the wider political issues including planning and the provision of social housing. Discussion included the variety of challenges with different levels and types of development, project size and the relative benefits of build to rent rather than build to sell.

**Conclusions**
A closing poll indicated that around 80% of pension committees will consider increasing their asset allocation to infrastructure in the near future, and 84% responded that they were better informed. The Chair invited six of the pension committee chairs to give their views of the day and how some of the discussions may have changed their perspective or generated ideas to take back to their committees. The comments overall were very positive, and in closing, those in attendance agreed that a roundtable or special event to cover housing in more detail should be arranged in future.