

Pension Fund Investment Sub-Committee

12 September 2022

Macroeconomic Update

Recommendation

That the Pension Fund Investment Sub-Committee (PFISC) notes and comments on the report.

1. Executive Summary

- 1.1 The purpose of this report is to provide a six-monthly update on the Pension Fund's greatest influences, particularly from a macroeconomic perspective.
- 1.2 This report also intends to encourage discussion of wider issues to assist with the rest of the agenda.
- 1.3 The key areas brought out by this report are:
 - UK real rates remain strongly negative;
 - Inflation looks like it may peak, though exactly when is debated;
 - Employment rates continue to be high;
 - The geopolitical landscape looks unsettled;
 - Valuations are highly reliant on intangible assets (in the S&P 500);
 - There are challenges to investing in sustainable investments; and
 - An overview of upcoming dynamics which may affect the Pension Fund.

Higher volatility, lower expected investment returns, and longer-term inflation caused by the environment in which the Pension Fund operates may lead to less cashflow certainty, lower asset values, and higher liabilities.

2. Financial Implications

- 2.1 None

3. Environmental Implications

- 3.1 None

4. Supporting Information

4.1 None

5. Timescales associated with the decision and next steps

5.1 N/a

Appendices

1. Appendix 1 – The Bigger Picture (Camdor Global Advisors)

	Name	Contact Information
Report Author	Victoria Moffett, Chris Norton	victoriamoffett@warwickshire.gov.uk, chrisnorton@warwickshire.gov.uk
Assistant Director	Andrew Felton Assistant Director for Finance	andrewfelton@warwickshire.gov.uk
Strategic Director for Resources	Rob Powell	robpowell@warwickshire.gov.uk
Portfolio Holder for Finance and Property	Peter Butlin	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member: Cllrs Kettle and Gifford

Other members: None