

**Minutes of a meeting of the Local Pension Committee held at County Hall,
Glenfield on Friday, 1 September 2017.**

PRESENT:

Leicestershire County Council

Mr. P. C. Osborne CC (Chairman) Mrs. R. Page CC
Mr. Max Hunt CC

Leicester City Council

Cllr Deepak Bajaj
Cllr Dr Lynn Moore

District Council Representative

Cllr. Malise Graham MBE

Staff Representatives

Mr. N. Booth Jackie Dean

Independent Advisers and Managers

Mr. S. Jamieson Independent Investment Advisor

29. Minutes of the previous meeting.

The minutes of the meeting held on 2 June 2017 were taken as read, confirmed and signed.

30. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

31. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

32. Urgent items.

The Chairman advised that there was one urgent item for consideration, a report of the Director of Corporate Resources entitled "Implementation of the Markets in Financial Instruments Directive (MIFID II)", which detailed actions the Leicestershire Pension Fund was required to take in order to continue to access a full range of investment

opportunities following implementation of the Markets in Financial Instrument Directive 2014/65 (MiFID II).

The report was urgent because the issue had arisen after the agenda for the meeting had been published and the subject needed to be addressed at the earliest opportunity in order for the appropriate action to be taken before the implementation of the new regulations in January 2018.

With the agreement of the Committee, the report was taken under item 14 on the agenda (minute 42 refers).

33. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting. No declarations were made.

34. Summary Valuation of Pension Fund Investments and Performance of Individual Managers.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present a summary valuation of the Fund's investments at 30 June 2017. A copy of the report is filed with these minutes, marked '6'.

RESOLVED:

That the report be noted.

35. Funding Update as at 30 June 2017.

The Committee considered a report by Hymans Robertson which presented the funding projection at 30 June 2017. A copy of the report, marked '7', is filed with these minutes.

In response to questions from members, the Director of Corporate resources explained that the Fund's cash deficit has risen as a result of an increase in its liabilities.

RESOLVED:

That the update be noted.

36. Responsible Investment.

The Committee considered a report of the Director of Corporate Resources concerning responsible investment and recommended that the Leicestershire Pension Fund adopt LGPS Central's Responsible Investment Policy and approve that the Director of Finance complete the necessary arrangements in order for the Fund to become a signatory to Responsible Investment Principles that aligned to the Policy, as and when they were identified. A copy of the report marked '8' is filed with these minutes.

The Director reported that the Local Pension Committee (on behalf of the Leicestershire County Council as the administering authority of the Fund) had a legal requirement to seek to obtain the highest possible investment return within acceptable levels of risk, with investments based on a financial judgement rather than being based on a moral perspective but the Fund had a responsibility to ensure that when making an investment the approach gave consideration to environmental, social and governance factors.

Whilst it was noted that the Fund's current approach relied on its appointed investment managers taking account of such factors as part of their decision making processes and was sufficient, it was considered sensible for the Fund to adopt a shared Responsible Investment Policy with the other 8 LGPS it would be pooling its assets with from April 2018 as part of LGPS Central.

In relation to the recommendation for the Fund to become a member of the Local Authority Pension Fund Forum (LAPFF), the Director reported that over 70 LGPS had joined the Collaborative Shareholder Engagement Group, including all the other members of LGPS Central and it was expected that the LAPFF would be involved in shareholder engagement undertaken by the Pool. It was therefore considered sensible for the Fund to become a member, subject to the Director of Finance being comfortable with the LAPFF's organisational structure and constitution.

RESOLVED:

- a) That the Responsible Investment Policy of the LGPS Central, attached as an appendix to this report be approved;
- b) That the Leicestershire Pension Fund becomes a member of the Local Authority Pension Fund Forum (LAPFF), subject to the Director of Finance being comfortable with its organisational structure and constitution;
- c) That the Director of Finance be authorised to agree for the Leicestershire Pension Fund to become a direct signatory of those Responsible Investment principles or initiatives aligned to the Responsible Investment Policy of the LGPS Central, including the United Nations Principles for Responsible Investment, noting that where there is any doubt about compatibility the Fund will not become a signatory without the approval of the Local Pension Committee.

37. Action Agreed by the Investment Subcommittee.

The Committee received a report by the Director of Corporate Resources, the purpose of which was to inform members of the decisions taken by the Investment Subcommittee as its meeting on 14 June 2017. A copy of the report marked '9' is filed with these minutes.

RESOLVED:

That the report be noted.

38. LGPS Central - Update Presentation.

The Committee considered a presentation by the Director of Corporate Resources which provided an update to members concerning the progress made towards the formation of the Local Government Pension Scheme (LGPS) Central Investment Pool. A copy of the report presentation marked '10' is filed with these minutes.

The Director reported that the LGPS Central Pool, of which the Leicestershire Fund would be one of 9 member schemes, was on schedule to meet the requirement to be operational by April 2018.

Arising from discussion the following was noted;

- Following the establishment of LGPS Central, the Local Pension Committee would continue to set the Leicestershire Fund's strategic asset allocation thereby deciding which types of investments the Fund would invest in;
- Appointments had been made to all Board positions which included a Chief Executive Officer, Chief Investment Officer and Non-Executive Chair. Job adverts for the next tier of management (including Chief Risk Officer and Head of IT) had been published and appointments were expected to be made before the end of the year.

The Committee noted the significant progress made with regards to the establishment of the LGPS Central Pool and recognised the good work of all the officers who had been involved in its formation.

RESOLVED:

That the update be noted.

39. Risk Management and Internal Controls.

The Director of Corporate Resources presented a report, the purpose of which was to detail any concerns relating to the risk management and internal controls of the Fund. A copy of the report is filed with these minutes, marked '11'.

The Director reported that the Fund's risk management was managed as part of the authority's corporate risk register and since the Committee's last meeting no additional risks had been identified.

RESOLVED:

That the report be noted.

40. Market Update

The Committee considered a report concerning global market conditions which was presented by the Fund's Independent Investment Advisor. A copy of the report, marked '12' is filed with these minutes.

RESOLVED:

That the update be noted.

41. Dates of Future Meetings.

RESOLVED:

That the Local Pension Committee meet on the following dates in 2018;

19 January 2018 at 9.30am
 23 February 2018 at 9.30am
 25 May 2018 at 9.30am
 7 September 2018 at 9.30am
 9 November 2018 at 9.30am

That the next Annual General Meeting of the Leicestershire Pension Fund be held on Thursday 11 January at 6.00pm.

42. Urgent item - Implementation of the Markets in Financial Instruments Directive (MiFID II).

The Committee considered an urgent report of the Director of Corporate Resources entitled "Implementation of the Markets in Financial Instruments Directive (MIFID II)", which detailed actions which the Leicestershire Pension Fund was required to take in order to continue to access a full range of investment opportunities following implementation of the Markets in Financial Instrument Directive 2014/65 (MiFID II). A copy of the report is filed with these minutes.

The report was considered urgent because the issue had arisen after the agenda for the meeting had been published and the subject needed to be addressed at the earliest opportunity in order for the appropriate action to be taken before the implementation of the new regulations in January 2018.

The Director reported that following the introduction of MiFID II, local authorities (and the Pension Funds for which they act as the Administering Authority) must be classified as 'retail clients' for investment purposes, unless they were opted-up to an 'elective professional client' status by firms whom they invested with. The Fund currently held professional client status as part of MiFID I. It was therefore necessary for the Fund to apply for professional status before MiFID II became effective in order for it to maintain its current portfolio of investments, some of which required investors to be of professional status.

RESOLVED

- (a) That the potentially detrimental impact onto the Fund's investment strategy if becoming classed as a retail client with effect from 3rd January 2018 be noted;
- (b) That the Director of Finance be authorised to commence the relevant applications in order for the Fund to be elected professional client status with all relevant institutions to enable it to continue to implement an effective investment strategy;
- (c) That it be noted that in electing for professional client status, the Fund will forgo the protections available to retail clients as listed in the appendix to this report.

43. Exclusion of the Press and Public.

RESOLVED:

That under Section 100(A) of the Local Government Act 1972 the public be excluded from the meeting for the remaining items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Act.

44. Kames Capital Quarterly Report

The Committee considered an exempt report by Kames Capital, a copy of which marked '16' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

45. Aspect Capital Quarterly report.

The Committee considered an exempt report by Aspect Capital, a copy of which marked '17' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

46. Kleinwort Benson Investors Quarterly Report.

The Committee considered an exempt report by Kleinwort Benson, a copy of which marked '18' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

47. Ruffer Quarterly Report.

The Committee considered an exempt report by Colliers Capital, a copy of which marked '19' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

48. Pictet Quarterly Report.

The Committee considered an exempt report by Pictet Capital, a copy of which marked '20' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

49. Millennium Global Quarterly Report.

The Committee considered an exempt report by Millennium Global, a copy of which marked '21' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

50. IFM Investors Quarterly Report.

The Committee considered an exempt report by IFM Investors, a copy of which marked '22' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

51. Delaware Investments Quarterly Report.

The Committee considered an exempt report by Delaware Investments, a copy of which marked '23' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

52. JP Morgan Quarterly Report.

The Committee considered an exempt report by JP Morgan, a copy of which marked '24' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

53. Legal and General Investment Manager Quarterly Report.

The Committee considered an exempt report by Legal and General, a copy of which marked '25' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

54. Ashmore Quarterly Report.

The Committee considered an exempt report by Ashmore, a copy of which marked '26' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

55. Kempen Capital Management Quarterly Report.

The Committee considered an exempt report by Kempen Capital, a copy of which marked '27' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

56. Stafford Timberland Quarterly Report.

The Committee considered an exempt report by Stafford Timberland, a copy of which marked '28' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED;

That the report be noted.

09.30 – 11.15am
01 September 2017

CHAIRMAN