

**Minutes of a meeting of the Local Pension Committee held at County Hall,
Glenfield on Friday, 25 May 2018.**

PRESENT:

Leicestershire County Council

Peter Osborne CC
Peter Bedford CC
Lee Breckon JP CC

Dr Sarah Hill CC
Max Hunt CC

Leicester City Council

Cllr Dr Lynn Moore

Employee Representatives

Mr. R. Bone

Mr. N. Booth

University Representative

Mrs. M. Holden

129. Election of Chairman.

RESOLVED:

That Mr. P. Osborne CC be elected Chairman of the Local Pension Committee for the period ending with the date of the Annual Council meeting in May 2019.

Mr. P. C. Osborne in the Chair

130. Election of Vice Chairman.

RESOLVED:

That Mr. L. Breckon CC be elected Vice Chairman of the Local Pension Committee for the period ending with the date of the Annual Council meeting in May 2019.

131. Minutes of the meeting held on 23 February.

The minutes of the meeting held on 23 February were taken as read, confirmed and signed.

132. Question Time.

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

133. Questions asked by members.

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

134. Urgent Items.

There were no urgent items for consideration.

135. 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.

136. Change to the order of business.

The Chairman sought and obtained the consent of the Committee to vary the order of business from that set out on the agenda.

137. Responsible Investment and Engagement Framework.

The Committee considered a report of the Director of Corporate Resources the purpose of which was to seek approval of the revised LGPS Central's Responsible Investment and Engagement Framework. During consideration of the matter the Committee also received a presentation from the Director of Responsible Investment and Engagement at LGPS Central. A copy of the report and presentation is filed with these minutes.

It was noted that since the Committee had approved a version of the LGPS Central's Responsible Investment and Engagement Framework in September 2017, a small number of minor changes had been made to the revised document.

Arising from the presentation, the following points were raised:

- i) The Framework would apply to assets which LGPS Central internally managed Externally managed funds, including those owned by the Leicestershire Pension Fund would continue to operate in accordance with their own responsible investment policies.
- ii) Climate change was one of three key stewardship themes of the LGPS Central's Responsible Investment and Engagement Framework for 2018, along with diversity and cyber security. LGPS Central supported the Transition Pathway Initiative which assessed how companies were preparing for the transition to a low-carbon economy. The Pool was able to use this information when deciding whether to invest in companies and measure its existing asset exposure against such risks.
- iii) Should concern arise as to responsible investment practices of LGPS Central's investments, there were a number of approaches the Pool could take in order to encourage change. They included communicating their concerns directly with the organisation and making representation at their AGM.

- iv) As part of the monitoring process, LGPS Central would work with fund managers to ensure they complied with the appropriate tax legislation.
- v) The Local Pension Committee would continue to receive updates concerning LGPS Central's responsible investment work, including details of the Pool's Stewardship report once published later in the summer.

RESOLVED:

That the Responsible Investment & Engagement Framework of LGPS Central be approved.

138. Update on Pension Fund Pooling.

The Committee considered a report from the Director of Corporate Resources which provided an update on the progress towards the pooling of Leicestershire Pension Fund's assets with eight other schemes to form LGPS Central Ltd. A copy of the report is filed with these minutes, marked '9'.

The Committee noted that whilst the pooling exercise would take several years to complete, elements of the pool, which included three internally managed passive funds, were launched on the 1 April 2018. Until such time when all of Leicestershire Pension Fund assets were transferred to the Pool, LGPS Central would provide advisory services to the Fund where necessary. The Fund would continue to benefit from the support of its independent Investment Advisor and Hymens Robertson.

RESOLVED:

That the update be noted.

139. Risk Management and Internal Controls.

The Committee received a report of the Director of Corporate Resources which detailed potential risks relating to the management of the Pension Fund. A copy of the report is filed with these minutes, marked '12'.

It was noted that whilst a level of risk remained concerning the implementation of a new administration system for the Pension Fund, which was expected to be in operation by December 2018, the authority was working in collaboration with Derbyshire County Council on resilience and efficiency to help ensure the transition was as smooth as possible.

In regards to the risks associated with the Fund's investment performance (Risk 10), should the Local Pension Committee have concern over a particular pooled investment, it would have the ability to request that a representative of LGPS Central attend a meeting of the Committee to discuss the issue and explain the rationale for the investment.

Changes would be made to the risk register in order to add a risk associated with the transition of investment to the LGPS Central pool and to provide greater clarity as to the meaning of the number ratings used to define the 'likelihood' and 'impact' of identified risks.

RESOVLED:

That the revised risk register of the Pension Fund be approved.

140. Appointment of Investment Subcommittee membership.

The Committee considered a report from the Director of Corporate Resources concerning the membership of the Investment Subcommittee for the period ending with the date of the annual Council meeting in May 2019. A copy of the report marked '14' is filed with these minutes.

RESOLVED:

That the report be noted.

141. 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 31 March 2018. A copy of the report is filed with these minutes, marked '10'.

It was noted that once the LGPS Central Pool was fully operational and managing the Fund's investments, it was expected that the Committee would receive quarterly performance updates provided by the pool, rather than from individual investment managers as was currently the case.

RESOLVED:

That the committee note the report.

142. Hedging of Non-Equity Assets.

The Committee received a report informing them of action taken by the Director of Corporate Resources using delegated powers to expand the Fund's hedging position. A copy of the report is filed with these minutes, marked '13'.

The Committee noted that whilst the Fund actively managed its exposure to overseas currencies and non-equity investments (known as managed investments) by hedging some of its exposure back to sterling, the same measure had not been used for the Fund's unmanaged investments such as private equity and infrastructure. Officers and the Funds Independent Investment Advisor were of the opinion that the Fund would benefit from an increase the Fund's currency position to include its unmanaged US Dollar exposure to help mitigate against any dramatic fall in the dollar's value. The change was made following consultation with the Committee's Chairman and Vice Chairman.

RESOLVED:

That the report be noted.

143. Funding Update as at 31 March.

The Committee received a report from Hymans Robertson updating the Committee on the Funding Update as at 31 March. A copy of the report is filed with these minutes, marked '11'.

RESOLVED:

That the update be noted.

144. Market Update.

The Committee received a reports of the Independent Investment Advisor and Kames Capital concerning current financial markets. A copy of the report marked '15' is filed with these minutes.

It was reported that overall markets had performed strongly over the past year, however the poor weather experienced across Europe during the winter, coupled with the uncertainty over Brexit and the Italian elections had resulted in a downturn in market performance over the previous few months.

RESOLVED:

That the updates be noted.

145. Exclusion of the 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.

146. Kames Capital Quarterly Report.

The Committee considered an exempt report by Kames 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.

147. Kleinwort Quarterly Report.

The Committee considered an exempt report by Kleinwort, 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.

148. Ruffer Quarterly Report.

The Committee considered an exempt report by Ruffer, 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.

149. Pictet Quarterly Report.

The Committee considered an exempt report by Pictet, 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.

150. 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.

151. 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.

152. 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.

153. 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.

154. 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.

155. 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.

156. Kempton Capital Management Quarterly Report.

The Committee considered an exempt report by Kempton 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.

157. 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.

158. Aspect Capital Quarterly Report.

The Committee considered an exempt report by Aspect Capital, a copy of which marked '29' 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.

159. KKR Quarterly Report.

The Committee considered an exempt report by KKR, a copy of which marked '30' 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.

160. Aviva Quarterly Report.

The Committee considered an exempt report by Aviva Quarterly, a copy of which marked '31' 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.

161. Colliers Yearly Report.

The Committee considered an exempt report by Colliers, a copy of which marked '32' 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.

CHAIRMAN

25 May 2018