

**Minutes of a meeting of the Local Pension Committee held at County Hall,
Glenfield on Friday, 19 June 2020.**

PRESENT:

Leicestershire County Council

Mr. P. C. Osborne CC (Chairman)
Mr. T. Barkley CC
Mr. P. Bedford CC

Dr. S. Hill CC
Mr. Max Hunt CC

Leicester City Council

Cllr. Adam Clarke
Cllr. Ratilal Govind

District Council Representative

Cllr. Malise Graham MBE

University Representative

Mr. Z. Limbada

Staff Representatives

Mr. N. Booth
Ms. J. Dean

Mr. A. Wilson

1. Minutes.

The minutes of the meeting held on 28 February 2020 were taken as read, confirmed and signed.

2. Question Time.

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

3. Questions asked by members.

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

4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.

There were no urgent items for consideration.

5. Declarations of interest in respect of items on the agenda.

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.

6. LGIM Market Update.

The Committee considered a presentation concerning Legal and General Investment Managers (LGIM) view of the current financial market conditions and investment stewardship. A copy of the presentation produced by LGIM are filed with these minutes marked Agenda Item '6'.

The Committee welcomed John Roe, Clare Payn and James Sparshott from Legal and General Investment Managers. Arising from the detailed presentation the following points were noted:-

- i) The financial markets had been supported by an enormous policy response of fiscal and monetary support. Such issuing of debt was on an unprecedented level, it was yet to be seen what the outcome would be
- ii) The support from central banks and governments had resulted in the bounce back of asset valuations from the fall at the outbreak of the coronavirus pandemic. Credit spreads had also tightened and the strain in some markets had abated with the recovery of risk asset prices and the return of a level of market liquidity.
- iii) LGIM's view was that the current market should provide an opportunity for local government pension schemes to balance out any missing classes asset allocations such as alternative credit, emerging market debt and listed infrastructure to act as a good diversifier for the funds.
- iv) One modelling scenario of markets expected that global gross domestic product would recover in three years. The UK was considered separately from this scenario due to the combination of COVID-19 and the United Kingdom's exit from the European Union. The long-term view would depend on what trade deals were agreed.
- v) A presentation was further provided on LGIM's Investment Stewardship approach which set out how it looked to influence, build long term relationship and integrate environmental, social and governance factors to make better investment decisions in order to provide long term return for clients.

RESOLVED

That the presentation be noted.

7. Action Taken by the Director of Corporate Resources - LGPS Central Global Investment Grade Corporate Bond Fund.

The Committee received a report by the Director of Corporate Resources, the purpose of which was to inform members of the action taken by the Director of Corporate Resources to invest in LGPS Central's (Central's) Global Investment Grade Corporate Bond Fund. A copy of the report marked '7' is filed with these minutes.

The Director informed the Committee that the capital for the investment In Central's Global Investment Grade Corporate Bond Fund was raised using surplus cash within the fund, divestment from the Kames index linked mandate and surplus cash from within the Kames currency hedge mandate. Excess cash within the Kames currency hedge was a result of sterling having appreciated in value.

RESOLVED:

That action taken by the Director of Corporate Resources to invest in LGPS Central's Global Investment Grade Corporate Bond Fund be noted.

8. LGPS Central Product Development and Performance Update.

The Committee received a report from the Director of Corporate Resources on LGPS Central's (Central) Product Development and Performance . A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Committee welcomed Mark Davies and Colin Pratt from Central who presented to the Committee an in depth update on product development and performance. Arising from the presentation the following points were noted:-

- i) Central's funds comprised of multi managers designed to diversify risk by limiting the impact of any single risk over the long term. The Global Equity Active Multi-Manager Fund had performed disappointingly over the previous period due to lack of business cycle adjustments as a result of COVID-19. Historically, however, such value investments led markets out of recession so remained a strategic factor exposure for the fund. More recently Central were pleased to inform the Committee that the fund had largely outperformed the rising market as managers were able to adjust their positioning to look to capture all available excess return opportunities throughout the market cycle.
- ii) Any impact on China as a result of a potential boycott of goods would have a knock on impact in all markets. However much of the managers exposure to China was with local companies selling internally, or to an immediate neighbour so any boycott was unlikely to impact the Fund negatively.
- iii) The Emerging Markets Equity Active Multi Manager Fund had outperformed as managers followed investment processes. An underweight to 'value' was considered sensible in the emerging markets due to the proliferation of companies in partial state control.

RESOLVED:

That the report be noted.

9. Summary Valuation of Pension Fund Investments and Investment Performance of Individual Managers.

The Committee received a report from the Director of Corporate Resources, the purpose of which was to present a summary valuation of the Fund's investments as at 31 March 2020. A copy of the report is filed with these minutes, marked 'Agenda Item 9'.

The Director brought the Committee's attention to its Private Equity performance. Due to its illiquid nature it was unable to be revalued, as a result there would likely be a lag in communication of its performance.

The Infrastructure asset class remained slightly ahead of benchmark, evidencing the ability of the asset class to keep assets in more challenging financial times in comparison to equity asset classes.

RESOLVED:

That the report be noted.

10. Responsible Investment Update, Voting Report and Quarterly Report.

The Committee received a report from the Director of Corporate Resources, the purpose of which was to present an update on Responsible Investment. A copy of the report is filed with these minutes marked 'Agenda Item 12'.

The Committee was reminded that LGPS Central's Annual Responsible Investment day was scheduled for 3rd July 2020 and all Members were welcome to attend via Microsoft Teams.

RESOLVED:

That the report be noted.

11. Risk Register and Internal Controls.

The Committee received a report from the Director of Corporate Resources on the revised risk register. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

The Director informed the Committee that a number of risks had been updated to reflect management's response to COVID-19. The Fund would continue to be closely monitored to monitor the effect on the Fund..

RESOLVED:

That the revised risk register be approved.

12. LGPS Central - Company Matters.

The Director of Corporate Resources presented an update on LGPS Central Company Matters to the Committee. A copy of the report is filed with these minutes, marked '12'.

LGPS Central's Annual Company Meeting had been cancelled as a result of COVID-19, instead its resolutions had been carried out by written resolution and the principals of the budget had been agreed with all partner authorities.

RESOLVED:

That the report be noted.

13. Date of next meeting - 11 September 2020.

RESOLVED:

That the next meeting of the Local Pension Committee would be held Friday 11 September 2020 at 9.30am.

14. 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.

15. Kames Capital Quarterly Report

The Committee considered an exempt report by Kames Capital, a copy of which marked '15' 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.

16. KKR Quarterly Report

The Committee considered an exempt report by KKR, 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.

17. Ruffer Quarterly Report

The Committee considered an exempt report by Ruffer, 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.

18. Pictet Quarterly Report

The Committee considered an exempt report by Pictet, 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.

19. Stafford Quarterly Report

The Committee considered an exempt report by Stafford, 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.

20. IFM Investors Quarterly Report

The Committee considered an exempt report by IFM, 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.

21. Legal and General Investment Manager Quarterly Report

The Committee considered an exempt report by Legal and General, 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.

22. JP Morgan Quarterly Report

The Committee considered an exempt report by Legal and General, 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.

23. LaSalle Quarterly Report

The Committee considered an exempt report by LaSalle, 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.

24. Ashmore Quarterly Report

The Committee considered an exempt report by Ashmore, 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.

25. Colliers Quarterly Report

The Committee considered an exempt report by Colliers, 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.

26. Aspect Capital Quarterly Report

The Committee considered an exempt report by Aspect Capital, 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.

27. Central Quarterly Report

The Committee considered an exempt report by LGPS Central, 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.

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19 June 2020

CHAIRMAN