

**Minutes of a meeting of the Local Pension Committee held at County Hall,
Glenfield on Friday, 11 September 2020.**

PRESENT:

Leicestershire County Council

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

Dr. S. Hill CC

Leicester City Council

Cllr. Adam Clarke
Cllr. Ratilal Govind

University Representative

Mr. Z. Limbada

Staff Representatives

Ms. J. Dean

Mr. A. Wilson

Independent Advisers and Managers

Gordon Ross – LGPS Central (Minute 19 refers)

Chris Simard - JP Morgan (Minute 20 refers)

Richard Bannister - JP Morgan (Minute 20 refers)

1. Appointment of Chairman.

RESOLVED:

That the appointment of Mr. P. Osborne CC as Chairman of the Local Pension Committee for the period ending with the Annual Meeting of the County Council in 2021 be noted.

Mr. P. Osborne CC - in the Chair

2. Election of Vice-Chairman.

RESOLVED:

That Mr. T. Barkley CC be elected Vice-Chairman of the Local Pension Committee for the period ending with the Annual Meeting of the County Council in 2021.

3. Minutes.

4. The minutes of the meeting held on 19 June 2020 were taken as read, confirmed and signed.

4. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 34.

5. Questions asked by members.

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

6. Urgent Items.

There were no urgent items for consideration.

7. 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.

8. Risk Management, Internal Controls and Budget Update.

The Committee received a report from the Director of Corporate Resources the purpose of which was to provide an update on risk management, internal control and the Fund's Budget. A copy of the report marked '8' is filed with these minutes.

Arising from discussions the following points were noted:

- i) An Audit and Assurance Faculty report was produced to give assurance to the eight Partner Funds on the internal control environment within LGPS Central. Central had been awarded an unqualified opinion by the reporting accountants, the most positive opinion that could be given.
- ii) The County Council had introduced expenditure controls as a result of COVID-19, however such controls did not apply to the Pension Section's budget, which was managed separately and agreed by the Committee.
- iii) A new risk related to contribution bandings and contributions not being applied correctly to employers had been added for completeness to the risk register. To

mitigate the risk, checks were regularly undertaken on the payroll numbers for all 200 employers. and as per the internal audit recommendation, further sample checking would be undertaken. Any issue with contributions would ultimately remain with the individual employer.

- iv) Following the Committee's approval of the Fund's Budget in February, LGPS Central had agreed its budget which was in line with the Fund's expectations. Central had reported a slight underspend which was as a result of the delayed launch of several new products.

RESOLVED:

That the report be noted.

9. Governance Update, External Developments and Responsible Investing.

The Committee considered a report of the Director of Corporate Resources which provided an update on governance, external developments and responsible investing. A copy of the report marked '9' is filed with these minutes.

Arising from the discussion the following points were noted:-

- i) Changes to the LGPS Regulations in August 2020 by Government allowed a more flexible review of employer contributions between Fund valuations. As of 1st September 2020, the Fund had received no requests to consider a review of any employer funding rates, which reflected the heavy public sector dominance of the Fund. The Pension Section would keep in close contact with the larger employers in particular to ensure there were no issues arising from COVID-19 that may indicate a need for a review.
- ii) The Fund was in the process of creating a policy to add to the Funding Strategy Statement to set out at what stage the Fund would need to request additional contributions from employers. The Committee was assured that the Fund would always work with employers to ensure contributions did not create a difficult financial situation as it was not in the Fund's interest to destabilise any employer.
- iii) The Quarterly Voting Report covered most of the Fund's Equity holding from Central and Legal and General Investment Management which totalled 44% of the Fund's holdings. Future reports would include Adams Street Partners, Pictet and Ruffer.
- iv) The Quarterly Stakeholder Report detailed Central's engagement undertaken in the past quarter. Central had four engagement themes, climate change, single use plastic, fair tax and tax transparency, and technology and disruptive industry. The report was welcomed by Members who queried what could be done regarding companies that were structured in such a way to ignore the 45% of independent votes that were cast against nominations and board structures. While the actions taken by such companies was not necessarily ill-advised the structure of them could be seen as objectional. Officers would raise the issue with Central's Responsible Investment Team and request that a briefing could be provided on the matter.

- v) Leicestershire Pension Fund adhered to a policy of engagement rather than divestment via the Fund's investment managers, LGPS Central and membership of bodies such as the Local Authority Pension Fund Forum.

RESOLVED:

That the report be noted.

10. Exit Credit Policy.

The Committee received a report by the Director of Corporate Resources, which set out proposed changes to the Funding Strategy Statement in relation to the Exit Credit Policy. A copy of the report marked '10' is filed with these minutes.

The Director set out the revised Exit Credit Policy that followed a regulation change by Government in March 2020 that broadly reversed the May 2018 policy which required Fund's to refund any surplus to exiting employers. The new regulations required the Fund enshrine it within its own documentation, in this case the Funding Strategy Statement. The new policy had been created in line with legal advice and had been supported by the Local Pension Board. While the Fund had consulted all employers, no responses had been received.

In response to concerns raised regarding the lack of consultation responses, that may have been as a result from the timing coinciding with annual leave, especially among education employers over the summer holidays, the Director informed the Committee that the Fund would look to be mindful of its timing in future. The Director stressed the importance of ensuring a policy was in place to protect the Fund.

Employers that were in surplus in the Fund tended to be in short term contracts, which benefited from investments performing well. It was felt unfair to other fund members that those employers could profit in such circumstances.

Where an employer looked to leave the Fund in deficit officers would work with the Actuary to calculate the cessation debt value which the employer would pay in full before leaving the Fund.

RESOLVED:

That the changes to the Funding Strategy Statement in relation to the Exit Credit Policy be approved

11. McCloud/Sargeant - Amendments to the Statutory Underpin.

The Committee considered a report from the Director of Corporate Resources that set out the Fund's proposed response to Government's consultation on amendments to the statutory underpin in relation to the McCloud and Sargeant judgements. A copy of the report marked '11' is filed with these minutes.

The Director informed the Committee that the Pension Section was in the process of being restructured to create a temporary team to deal with the McCloud impact. The Pensions Manager would review the structure of the team and workload, which would

depend on the number of cases impacted, remedy and deadline. Currently the amendments mentioned no deadline which would be helpful to the section.

The Fund's valuation made provision for the McCloud remedy and included a 1% rate within it, ultimately the Fund did not yet know if the outcome would be more or less than that provision.

RESOLVED:

That the Fund's reply to Government's Consultation on Amendments to the Statutory Underpin in relation to McCloud and Sargeant is approved

12. 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 2021. A copy of the report marked '12' is filed with these minutes.

RESOLVED:

That the report be noted.

13. Summary Valuation of Pension Fund Investments.

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 as at 30 June 2020. A copy of the report is filed with these minutes, marked '13'.

Arising from the discussion the following points were noted:-

- i. Officers were not currently concerned with swings in valuations. Some managers valuations had lagged as investments in private equity were not valued every quarter, and property investments did not currently allow for accurate valuations due to lack of transactions in the market.
- ii. The Fund had asked that investment manager Colliers look at opportunities to purchase properties to allow the Fund to reach its benchmark in the class. As a result of COVID-19 this had stalled due to illiquidity of property and the time it would to enter the market, however it would continue to be explored.
- iii. Members were pleased to see that Ruffer's investment strategy had come to fruition with the best returns of the targeted return class. Ruffer aimed to build an 'all weather' portfolio that would make money when risk assets go up and also when markets were in crisis, a strategy which had benefited from COVID-19. As part of the Strategic Asset Allocation Targeted Return had been earmarked for a reduction, the Committee would need to discuss this position at a later stage.

RESOLVED:

That the report be noted.

14. Strategic Asset Allocation Update.

The Committee received an update from the Director of Corporate Resources on the 2021 refresh of the Pension Fund's Strategic Asset Allocation Strategy. A copy of the report marked '14' is filed with these minutes.

The Fund had engaged Hymans Robertson to commence work on the 2021 Strategic Asset Allocation that would be considered by the Committee in January 2021. The report would consider the Fund's responsible investment ambition by taking into account the Fund's Climate Risk report currently being produced by LGPS Central and provide further commentary on the impact of COVID-19 and the United Kingdom's exit from the European Union.

RESOLVED:

That the report be noted.

15. LGPS Central Product Development.

The Committee considered a report of the Director of Corporate Resources the purpose of which was to provide an update on LGPS Central Product Development, a copy of the report marked '15' is filed with these minutes.

It was noted that since the report's publication the Head of Private Markets position at LGPS Central had been filled.

RESOLVED:

That the report be noted.

16. Recommended Investment into LGPS Central Global Active Emerging Market Debt.

The Committee considered a report of the Director of Corporate Resources which provided members with information in respect of a recommended investment in LGPS Central's Global Active Emerging Market Debt fund. A copy of the report marked '16' is filed with these minutes.

The Fund had agreed a target allocation of 2.5% of total Fund assets to the Emerging Market Debt asset class and had engaged with Central and two other partner funds in developing its own Emerging Market Debt product. Based on the expected investment of partners, the pool was expected to provide a significant saving on management fees for the Fund.

Due diligence had been completed by Hymans Robertson who raised no concerns regarding the fund. Hyman's had concluded that the investment offered an attractive fee schedule and covered a comprehensive range of emerging market debt options.

It was noted that the Global Active Emerging Market Debt Fund was awaiting approval by the Financial Conduct Authority.

RESOVLED:

That the report be noted.

17. Dates of Future Meetings.

That future meetings of the Local Pension Committee be held at 9.30am on the following dates:-

27 November 2020
 22 January 2021
 26 February 2021
 5 June 2021
 10 September 2021
 26 November 2021

The Committee also noted that the Leicestershire Pension Fund Annual General Meeting would take place on 14 December 2020 as 12noon.

18. 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 involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12(A) of the Act.

19. Supplementary Information Informing the Recommended Investment into LGPS Central Global Active Emerging Market Debt.

The Committee received supplementary information from Hymans Robertson and a presentation from LGPS Central in relation to the recommended investment into LGPS Central Emerging Market Debt fund. The supplementary information and presentation were not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

The Committee welcomed Gordon Ross, Chief Investment Officer of LGPS Central who set out Central's Global Active Emerging Market Debt fund proposal.

Arising from a detailed discussion it was noted there had been a competitive bidding process for managers of the fund, of which M&G and Amundi had been successful. Both managers had provided assurance on their approach to Environmental, Social and Governance factors and LGPS Central were confident that both managers had reputable processes and believed the combination of the two would give the most benefit to the fund.

The Committee thanked Gordon Ross for his presentation and answers provided.

[At this point the representative from LGPS Central left the meeting]

RESOLVED:

- ii. That the supplementary information provided by Hymans Robertson, the Fund's independent investment advisor, be noted.

- ii. That the transition of the Fund's entire Emerging Market Debt holding to LGPS Central's Emerging Market Debt multi manager fund once approved by the Financial Conduct Authority, be approved.

20. JP Morgan Markets Infrastructure Update.

The Committee received a presentation from JP Morgan which detailed the performance of its Infrastructure Fund and their approach to investing, including Responsible Investment considerations. The presentation was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

The Committee welcomed Chris Simard and Richard Bannister from JP Morgan.

It was noted that performance had been volatile as a result of COVID-19 and resulted in defaults in some emerging markets, however the combination of managers selected helped manage the volatility and returns were currently outperforming the index.

The Committee thanked JP Morgan for their detailed presentation and responses to queries raised.

RESOLVED:

That the presentation be noted.

21. Aberdeen Standard Quarterly Report.

The Committee considered a report by Aberdeen Standard, a copy of which marked 'Agenda Item 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. Ashmore Quarterly Report

The Committee considered a report by Ashmore, a copy of which marked 'Agenda Item 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. JP Morgan Credit GIM Quarterly Report

The Committee considered a report by JP Morgan, a copy of which marked 'Agenda Item 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. Kames Capital IL and Hedge Quarterly Report

The Committee considered a report by Kames Capital, a copy of which marked 'Agenda Item 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. Pictet Quarterly Report

The Committee considered a report by Pictet, a copy of which marked 'Agenda Item 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 a report by Aspect, a copy of which marked 'Agenda Item 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.

27. Ruffer Quarterly Report

The Committee considered a report by Ruffer, a copy of which marked 'Agenda Item 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.

28. Kames Active Value Closed Ended Fund Quarterly Reports.

The Committee considered a report by Kames, a copy of which marked 'Agenda Item 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.

29. LaSalle Quarterly Report

The Committee considered a report by LaSalle, a copy of which marked 'Agenda Item 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.

30. Partners MAC Quarterly Report.

The Committee considered a report by Partners, a copy of which marked 'Agenda Item 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.

31. M&G Quarterly Report

The Committee considered a report by M&G, a copy of which marked 'Agenda Item 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.

32. Infracapital Quarterly Report

The Committee considered a report by Infracapital, a copy of which marked 'Agenda Item 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.

33. KKR Quarterly Report.

The Committee considered a report by KKR, a copy of which marked 'Agenda Item 33' 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.

34. IFM Investors Quarterly Report

The Committee considered a report by IFM, a copy of which marked 'Agenda Item 34' 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.

35. JP Morgan Infrastructure Quarterly Report.

The Committee considered a report JP Morgan, a copy of which marked 'Agenda Item 34' 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.

36. Stafford Timberland Quarterly Report

The Committee considered a report Stafford Timberland, a copy of which marked 'Agenda Item 36' 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.

37. LGPS Central Quarterly Reports.

The Committee considered a report LGPS Central, a copy of which marked 'Agenda Item 37' 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.

38. Legal and General Investment Manager Quarterly Report

The Committee considered a report by LGIM, a copy of which marked 'Agenda Item 37' 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.

39. Adam Street Partners Quarterly Report.

The Committee considered a report by Adam Street Partners, a copy of which marked 'Agenda Item 39' 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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11 September 2020

CHAIRMAN