

**Minutes of a meeting of the Local Pension Committee held at County Hall,
Glenfield on Friday, 26 February 2021.**

Leicestershire County Council

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

Leicester City Council

Cllr. Adam Clarke
Cllr. Ratilal Govind

District Council Representative

Cllr. Malise Graham MBE

Staff Representatives

Mr. N. Booth
Ms. J. Dean

Mr. A. Wilson

In Attendance

Clare Scott – Independent Advisor
Mrs R. Page – Chairman Local Pension Board
Fiona Hope, Ian Buckle and Rory Sandilands – Aegon Asset Management (Agenda Item 15 refers – Presentation by Aegon Investment Manager Short-Dated Investment Grade fund)

11. Minutes.

The minutes of the meeting held on 22 January 2021 were taken as read, confirmed and signed.

12. Question Time.

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

13. Questions asked by members..

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

14. Urgent Items..

There were no urgent items for consideration.

15. 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.

Dr. S. Hill C declared a personal interest in Agenda Item 12, 14 and 15 as Aegon administered some personal investment services on her behalf.

16. Disapplying the Public Sector Exit Payment Cap.

The Committee received a report by the Director of Corporate Resources on Disapplying the Public Sector Exit Payment Cap. A copy of the report marked Agenda Item '6' is filed with these minutes.

The Committee were informed that on 12 February Government had disappplied the Public Sector Exit Payment Cap with immediate effect. Work that had been undertaken by the Pension Section in response to the regulations would be reversed in line with Government direction.

All Fund Employers had been informed by the Pensions Manager and Members were pleased to note that no scheme member had been affected by the Exit Cap. However, it was recognised that the published HM Treasury guidance stated that it was 'still vital exit payments deliver value to the public', as a result it was expected Government would likely bring forward further proposals to tackle exit payment. Officers would continue to update the Committee on the matter as it progressed.

RESOLVED:-

That the report be noted.

17. Pension Fund Budget and Business Plan 2021/22.

The Committee received a report by the Director of Corporate Resources on the Pension Fund Budget and Business Plan 2021/22. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

Arising from the discussion the following points were noted:-

- i. The Fund's Budget and Business Plan was managed separately to Leicestershire County Council as Administering Authority. The separation ensured there was no undue influence from the County Council in relation to its own budgetary pressures.
- ii. The Local Pension Board had supported the Budget and business plan at its meeting on 8 February 2021.
- iii. Investment management fees made up 90% of the Fund's Budget. Where investments performed well, management fees would increase as they related to the value of assets under managers control.

- iv. Future business plans would look to include further detail on investment in line with what was agreed as part of the Annual Asset Strategy.
- v. LGPS Central had approved its budget in line with the Fund's expectations. Members were assured that the Committee would continue to receive updates on LGPS Central to further allow them to monitor the Fund's dual interest as owner and client.

RESOLVED:

That the Business Plan and Pension Fund Budget for 2021/22 be approved.

18. Pension Fund Policies Update.

The Committee received a report from the Director of Corporate Resources providing an update on various Pension Fund Policies for approval. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from the discussion the following points were noted:-

- i. The Fund had a legal duty to allow employers into the scheme. Employers were required to sign an admission agreement detailing the employers, and the Fund's, legal requirements.
- ii. Sanctions available to the Fund within the Administration and Communication Policy were generally limited to fines. Where an employer failed to reach its legal requirements, the Fund could refer the case to the Pensions Regulator, however in such cases it was likely to ultimately be referred back to the Fund for resolution.
- iii. The extension of the deadline for the transition to I-Connect was not expected to have any impact on year-end statements. Members were pleased to note that most larger employers had been transitioned to the new system and the 77 remaining employers represented a small percentage of scheme members. Where the I-Connect process was not yet in place the process as used in previous years would continue.
- iv. The Fund's Investment Advisor Objectives had been previously approved in 2019, a review had been undertaken and no changes had been made, as such the objectives had been submitted to the Competition and Market Authority as required.

RESOLVED:

- a) That the Administration and Communications Strategy be approved.
- b) That the Investment Strategy Statement be approved.
- c) That the submission of the Investment Advisor Objectives to the Competitions and Market Authority be noted.

19. Risk Management and Internal Controls.

The Committee received a report from the Director of Corporate Resources on the Pension Fund's revised risk register. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

The Director informed the Committee that Leicestershire County Council's Internal Audit function and the Local Pension Board had considered the report and were satisfied with the Fund's current position set out within the risk register.

The Committee noted that the Pension Section had undertaken work to adapt to the Exit Cap regulations that were previously put forward by Government, the reversal of the regulations had shelved the development for the short-term. Members recognised that any future changes to pension regulation related to the Exit Cap would likely require significant system changes to reflect changes to calculations and changes to pension strain.

RESOLVED:

That the revised risk register be approved.

20. Responsible Investment Update.

The Committee received a report from the Director of Corporate Resources providing an update on Responsible Investment. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

The Committee continued to support the Fund's strategy regarding engagement over divestment as it provided the ability for the Fund to influence positive change within companies its fund managers invested in, as set out within managers voting record report. It was evident that remuneration and board structure resolutions were voted against most often so as to influence corporate behaviour to promote greater management accountability on Environmental, Social and Governance (ESG) factors in order to ultimately improve long-term return potential. Members were assured that the Fund would continue to engage with its fund managers to ensure conscientiousness towards ESG factors to ensure that they were in line with the Fund's objectives.

The Director informed the Committee that the Fund was aware of a recently published report from UK Divest regarding LGPS pension fund's investments in fossil fuel. The Fund was preparing a response which would be circulated to the Committee and published on the Fund's website.

RESOLVED:

That the report be noted.

21. Summary Valuation of Pension fund Investments.

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 December 2020. A copy of the report is filed with these minutes, marked 'Agenda Item 11'.

Members welcomed the positive performance of Ruffer following previous concerns that the Investment Manager had missed the 'bull market' as a result of its all-weather

portfolio. It was noted that its recent success had been as a result of market stressors caused by COVID-19.

The Director assured the Committee that while some types of infrastructure, such as airports, had struggled over the year, broadly the Fund's infrastructure portfolio and its performance had remained stable.

RESOLVED:

That the report be noted.

22. Recommended Investment: Aegon Short Dated Investment Grade Fund

The Committee received a report from the Director of Corporate Resources, the purpose of which was to present the recommended investment in Aegon's Short Dated Investment Grade Fund. A copy of the report is filed with these minutes marked 'Agenda Item 12'.

It was noted that the mandate of the recommended investment in Aegon's Short Dated Investment Grade product would have less than four years to maturity, the point at which the capital would be returned. It was felt this posed a short-term alternative to the current cash holding due to the positive cashflow nature of the Fund which needed to continue to be reinvested.

Members were pleased to note that Aegon had a long track record regarding its processes and Environmental, Social and Governance (ESG) factors as seen with the aim to construct the portfolio with a low carbon intensity.

Members recognised that there were different schools of thought regarding inflation, some commentators predicted that increases were unavoidable while others did not see inflation at a meaningful level in the foreseeable future. Officers felt the Short-Dated product would not be as sensitive to a potential inflation increase as the product could not invest in bonds with an expected maturity date of more than four years, thus bonds that matured would have lower interest rate risk. It was further acknowledged that as the bonds matured they could be reinvested into higher yielding issues if inflation was to pick up. The Fund and its advisors would continue to monitor inflationary pressures.

RESOLVED:

That the information provided be noted.

23. Vice-Chairman Announcement

The Vice-Chairman reported that Mr Osborne CC would be retiring at the elections in May 2021. Mr Osborne had first been elected to the County Council in 1999 and been Chairman of the Local Pension Committee since 2016.

Mr Barkley thanked Mr Osborne for his enormous contribution to the Pension Fund having overseen the Fund's growth from £3.2billion to £4.9billion. In particular, the strong advocacy for pooling and contribution to the establishment of LGPS Central, of which he was its longest serving member, had provided a strong voice for shareholders interests and ensured that the partnership was established robustly.

The Committee joined Mr Barkley in his thanks to Mr Osborne's tenure as Chairman and wishing him the best for the future.

Mr Osborne thanked the officers and Members for their kind words and support over the years.

24. Date of next meeting.

RESOLVED:

That the next meeting of the Local Pension Committee would be held Friday 4 June 2021 at 9.30am.

25. 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.

26. Supplementary Information on Recommended Investment: Aegon Short Dated Investment Grade Bond Fund.

The Committee considered a supplementary paper containing further information on the proposed investment in Aegon's Short Dated Investment Grade Fund, 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 supplementary information provided be noted.

[At this point in the meeting Fiona Hope, Iain Buckle and Rory Sandilands joined the meeting representing Aegon Asset Management]

27. Presentation of the Investment Manager - Aegon - Short Dated Investment Grade Bond Fund.

The Committee considered a presentation from representatives of Aegon Asset Management regarding the proposed investment to the Short Dated Investment Grade Bond Fund which was followed by questions from members. A copy of 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 noted that the product would be an alternative to the cash currently held in the Aegon account to settle the currency forward of the Fund. Aegon's representatives informed Members that while there was liquidity within the product it would not be recommended to draw down the investment early as it would diminish the expected yield due with transaction costs.

[At this point in the meeting Fiona Hope, Iain Buckle and Rory Sandilands representing Aegon Asset Management left the meeting]

RESOLVED;

- a) That the presentation delivered by Aegon be noted;
- b) That a £25million commitment to invest in the Aegon Short Dated Investment Grade Fund be approved.

28. LGPS Central Quarterly Report.

The Committee considered an exempt report by LGPS Central, 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.

29. 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.

30. Adams Street Quarterly Report.

The Committee considered an exempt report by Adams Street Central, 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.

31. Aspect Capital Quarterly Report

The Committee considered an exempt report by Aspect 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.

32. Legal and General Investment Manager Quarterly Report

The Committee considered an exempt report by LGIM, 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.

33. 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.

34. Pictet Quarterly Report

The Committee considered an exempt report by Pictet, 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.

35. Aberdeen Standard Investment Manager Quarterly Report.

The Committee considered an exempt report by Aberdeen Standard, 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.

36. KKR Quarterly Report

The Committee considered an exempt report by KKR 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.

37. Partners Group Quarterly Reports.

The Committee considered an exempt report by Partners Group, 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.

38. Aegon Quarterly Report.

The Committee considered an exempt report by Aegon, 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.

39. Colliers Quarterly Report.

The Committee considered an exempt report by Colliers, 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.

40. Christofferson Robb & Company Quarterly Report.

The Committee considered an exempt report by Christofferson Robb and Company, 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.

41. JP Morgan Infrastructure Fund Quarterly Report

The Committee considered an exempt report by JP Morgan 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.

42. LaSalle Quarterly Report.

The Committee considered an exempt report by LaSalle 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.

43. Stafford Timberland Quarterly Report

The Committee considered an exempt report by Stafford Timberland 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.

44. Aegon Currency Programme Quarterly Report.

The Committee considered an exempt report by Aegon 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.

45. JP Morgan Multi Sector Credit Quarterly Report.

The Committee considered an exempt report by JP Morgan a copy of which marked '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.

CHAIRMAN

26 February 2021