

**Minutes of a meeting of the Local Pension Committee held at County Hall,
Glenfield on Friday, 4 June 2021.**

PRESENT:

Leicestershire County Council

Mr. T. Barkley CC
Dr. R. K. A. Feltham CC

Mr. D. A. Gamble CC
Mr. D. J. Grimley CC
Mr. K. Merrie MBE CC

Leicester City Council

Cllr. Ratilal Govind
Cllr. Adam Clarke

District Council Representative

Cllr. Malise Graham MBE

University Representative

Mr. Z. Limbada (via Microsoft Teams)

Staff Representatives (Non-Voting)

Mr. N. Booth

IN ATTENDANCE (VIA MICROSOFT TEAMS)

Ms. C. Scott – Independent Advisor
Mrs. R. Page CC – Local Pension Board Chairman

LGPS Central

Ms. J. Segars OBE
Mr. M. Weston
Mr. G. Ross
Mr. P. O'Hara

(minute 8 refers)

Chair of the Board of Directors
Chief Executive Officer
Chief Investment Officer
Director of Responsible Investment and Engagement

1. Election of Chairman.

That Mr. T. Barkley CC be appointed Chairman of the Local Pension Committee for the period ending with the date of the Annual Council meeting in May 2022.

Mr. T. Barkley CC in the Chair

2. Election of Vice Chairman.

That Mr. D. Grimley CC be elected Deputy Chairman of the Local Pension Committee for the period ending with the date of the Annual Council meeting in May 2022.

3. Minutes.

The minutes of the meeting held on 26 February 2021 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.

Mr. K. Merrie MBE declared a person interest noting his recent resignation as a pension Trustee for a defined contribution scheme.

8. LGPS Central Update.

The Committee considered a report of the Director of Corporate Resources updating the Committee on progress towards pooling of the Pension Fund assets into LGPS Central, company matters and responsible investment. A copy of the report and the presentation marked '8' is filed with these minutes.

Joanne Segars OBE, Mike Weston, Gordon Ross and Patrick O'Hara from LGPS Central (Central) were in attendance and presented to the Committee an update on pooling, performance and responsible investment.

Arising from the presentation the following points arose:-

- i. Central took advice from their proxy vote provider and engagement provider to assess how best to work with businesses. In line with this, Central considered engagement on a case by case basis as they recognised, in some circumstances, it was more appropriate to issue an abstention in the first-year if Central could influence the Company directly through engagement, which in some circumstances could be more effective than a vote at a company meeting.
- ii. Members were informed Central would vote against reporting accounts where they did not disclose enough information, as it was felt integrated reporting was essential. Central would also vote against company remuneration policies, as

there was an expectation that such policies should also include targets related to Environmental, Social and Governance (ESG) factors.

- iii. Where companies did not engage or look to the future to consider risks and changes to the regulatory environment it was evident voting could enact change within company structures. Exxon was one example where two board members were voted off and replaced by two nominated by investors due to their failure to adjust its business strategy to match global efforts to combat climate change.
- iv. Every Central sub-fund mandate was created by working with partner funds to consider what was achievable and a desirable target.
- v. It was still unknown what was likely to come out of COP26 later in the year. Central expected regulator changes from departments such as the Department for work and Pensions and further consideration of steps for pension schemes and climate-related risks.
- vi. The Committee felt that realism was required from companies as gas and oil reserves reduced it was difficult to see the future for such companies unless they tackled their key risks. Central assured the Committee that it looked at companies as individual entities rather than judging sectors in general as it was felt this was the best way for investors to participate and instigate change for the better.

Central recognised the strong relationship it held with Leicestershire Pension Fund and its significant involvement in new Central products. The Committee noted that half of Leicestershire's assets were now invested in LGPS Central, however questioned that Leicestershire's the percentage of Assets under Management was higher in comparison to other partners (excluding West Midlands Pension Fund). It was questioned whether that presented a barrier and what that meant for Leicestershire. Central assured Members that it was partly due to the fact not all authorities wanted the funds that Leicestershire had invested into. Ultimately, Central was careful on the cost basis meaning the scale benefits offered no detracting to Leicestershire due to spread of assets.

RESOLVED:

That the report be noted.

9. Responsible Investing Update.

The Committee considered a report of the Director of Corporate Resources updating them on its progress towards the Fund's Responsible Investment plan 2021. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from the discussion the following points were noted:-

- i. The Fund submitted voting recommendations at 880 company meetings containing 9,133 resolutions in the quarter. At 505 of those meetings the Fund, via its managers, recommended voting against or abstaining on over 5,600 separate resolutions. Of those 47% were board structure related and 14% remuneration related.

- ii. The Committee were pleased to note that good progress had been made to completing actions within the 2021 Responsible Investment Plan. The following years plan would developed with LGPS Central and be brought in early 2022 for comment and approval.
- iii. The Committee also welcomed the Fund's first report on climate related disclosure and looked forward to the next climate risk report in late 2021 as per the RI Plan 2021.

RESOLVED:

That the report be noted and the Taskforce for Climate Financial Disclosure be included within the Fund's Annual Report.

10. 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 at 31 March 2021. A copy of the report is filed with these minutes, marked '10'.

The Committee noted that the Fund was cash flow positive as a result of paying less in pensions than it received from member and employer contributions. This contributed to the quarter end cash held by the Fund totalled £293million, which included the £123million held by Aegon for the currency hedge. This allowed the Fund to have flexibility in making investment changes without the need for divestment but also meant regular investment was required, of which the next Investment Subcommittee would contain further proposals on investments in infrastructure and global credit private debt.

It was further noted that due to procurement regulations, not performance matters, the Fund planned to go out for procurement for the Advisor role, currently held by Hymans Robertson.

RESOLVED:

That the report be noted.

11. Action Agreed by the Investment Subcommittee and LGPS Central Update.

The Committee received a report from the Director of Corporate Resources regarding the action agreed by the Investment Subcommittee on 31 March 2021 and progress with LGPS Central transitions. A copy of the report is filed with these minutes, marked 'Agenda Item 11'.

RESOLVED:

That the report be noted.

12. Risk Management and Internal Controls.

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 Internal Audit plan. A copy of the report marked '12' is filed with these minutes.

The Director informed the Committee that the Local Pension Board had considered the findings of the Internal Audit Report in detail and had no concerns on the matter. Where any matters of concern were raised by an audit however, this would be presented to the Committee.

RESOLVED:

That the revised risk register be approved.

13. Pension Fund Conflict of Interest Policy.

The Committee considered a report from the Director of Corporate Resources regarding the draft Conflict of Interest Policy. A copy of the report is filed with these minutes, marked 'Agenda Item 13'.

The Committee noted that the policy was produced to enhance current Leicestershire County Council constitutional documents relating to conflicts of interest and the code of conduct which already imposed on elected members, co-opted members and officers requirements regarding the registration of interests and declaration of potential interests. It was acknowledged that the Policy would further strengthen these documents recognising the specific conflicts that arose in respect of the Pension Fund.

In response to a question it was advised that the register of Members declarations would be available on the website.

RESOLVED:

That the Conflict of Interest Policy be approved.

14. Review of Administration 2020-21.

The Committee received a report from the Director of Corporate Resources regarding the review of administration 2020-21. A copy of the report is filed with these minutes, marked 'Agenda Item 14'.

RESOLVED:

That the report be noted.

15. Employer Risks and Exits.

The Committee considered a report by the Director of Corporate Resources seeking approval on proposed changes to the Funding Strategy Statement following regulation changes to employer risks and exits and a Fund Policy on Employer Risks and Exits. A copy of the report, marked 'Agenda Item 15', is filed with these minutes.

Members noted that the Fund was not minded to allow reviews of employer contributions outside of the usual Fund valuation process. In exceptional cases where a Fund employer was experiencing genuine financial difficulty however, the Fund would look to review the contribution rate if it were to increase the chance of repayment. The risk would first be considered alongside risk to other Fund employers and would be assessed to

consider putting additional security in place. The Fund would seek actuarial advice on all cases.

RESOLVED:-

- a) That the draft Funding Strategy Statement, in relation to changes on employer risks and exits, be approved..
- b) That the Fund's Policy on Risks and Exits be approved.

16. National Youth Agency.

The Committee considered a report of the Director of Corporate Resources which sought support for a proposed transfer of the National Youth Agency's pension fund assets and liabilities to Leicestershire County Council . A copy of the report marked 'Agenda Item 16' is filed with these minutes.

A Member queried what risk there was to other employers within the Fund and was assured by the Director that the proposal would reduce risk to the wider Employers as the National Youth Agency would transfer its assets and liabilities to Leicestershire County Council. The County Council was able to take a longer financial planning horizon and therefore ensured that the risk of a deficit developing was at a reasonably low level, which the Committee fully supported.

The Committee noted that the proposals would be taken to Leicestershire County Council's Cabinet for approval.

RESOLVED:

That the proposed transfer of the National Youth Agency's pension fund assets and liabilities to Leicestershire County Council be supported.

17. Date of next meeting.

RESOLVED:

That the next meeting of the Committee take place on 10 September 2021 at 9.30am.

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. LGPS Central Quarterly Investment Report.

The Committee considered an exempt report by LGPS Central, 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. Ruffer Quarterly Report

The Committee considered an exempt report by Ruffer, 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. LGPS Central Private Equity Quarterly Report.

The Committee considered an exempt report by LGPS Central, 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. Legal and General Investment Manager Quarterly Report

The Committee considered an exempt report by LGIM, 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. Adam Street Partners Private Equity Quarterly Report.

The Committee considered an exempt report by Adam Street Partners, 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. Aspect Capital Quarterly Report

The Committee considered an exempt report by Aspect Capital, 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. Pictet Quarterly Report

The Committee considered an exempt report by Pictet, 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. Aegon Asset Management Active Value Quarterly Report.

The Committee considered an exempt report by Aegon Asset Management, 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

27. 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

28. 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

29. IFM Investors Quarterly Report

The Committee considered an exempt report by IFM Investors, 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

30. Infracapital Quarterly Report.

The Committee considered an exempt report by Infracapital, 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

31. JP Morgan Quarterly Report

The Committee considered an exempt report by JP Morgan, 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

32. KKR Quarterly Report.

The Committee considered an exempt report by KKR, 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

33. LaSalle Quarterly Report.

The Committee considered an exempt report by LaSalle, 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

34. M&G Quarterly Report.

The Committee considered an exempt report by M&G, a copy of which marked '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. Partners Quarterly Report.

The Committee considered an exempt report by Partners, a copy of which marked '35' 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. Aegon Currency Hedge & IL Bonds Quarterly Report.

The Committee considered an exempt report by Aegon, a copy of which marked '35' 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
04 June 2021