

**Minutes of a meeting of the Local Pension Committee held at County Hall,
Glenfield on Friday, 21 January 2022.**

PRESENT:

Leicestershire County Council

Mr. D. Grimley CC (Chairman)
Dr. R. K. A. Feltham CC
Mr. D. Gamble CC
Mr. R. Ashman CC

Leicester City Council

Cllr. A. Clarke
Cllr. S. Waddington

District Council Representative

Cllr. M. Graham

University Representative

Mr. Z. Limbada

Staff Representatives

Mr. G. Lawrence
Mr. N. Booth
Mr. A. Wilson

Independent Advisers and Managers

Hymans Robertson
Philip Pearson
Emma Sim

102. Chairman's Announcements.

Cllr Ratilal Govind

The Chairman reported with great sadness the death of Local Pension Committee member, Cllr. Ratilal Govind. Cllr Govind had been elected to Leicester City Council in 2015, representing Evington Ward.

Members joined the Chairman in silent tribute to Cllr. Ratilal Govind.

Clare Scott

The Chairman reported that Clare Scott had stepped down from her role as Independent Advisor to the Fund, and Members joined the Chairman in passing on their best wishes to Clare.

Jackie Dean

Members joined the Chairman in passing on their best wishes to Ms. J. Dean for her work on the Local Pension Committee following her decision to not stand for a following term at the December Annual General Meeting.

103. Minutes.

The minutes of the meeting held on 26 November 2021 were taken as read, confirmed and signed.

104. Question Time.

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

105. Questions asked by members.

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

106. 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.

107. 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.

108. Presentation of Petitions

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

109. Pension Fund Policy Report.

The Committee considered a report of the Director of Corporate Resources on updates to Fund policies and strategies. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

In response to a question the Pensions Manager informed the Committee that a prescriptive list for the distribution of death grant could create more issues due to its complicated nature. Members noted that where necessary the Fund took legal advice on individual cases.

Cohabitees were defined as two people who were unmarried, or not in a civil partnership living together in a long-term relationship for at least two years. The Fund ensured that as part of the Death Grant process relevant individuals signed a declaration that they met the relevant requirements under legislation. Members recognised there would always be challenges and different queries on such matters, but that the Fund would look to resolve any conflict amicably. The right of appeal also existed, under which those unhappy with a decision could approach the Ombudsman to appeal.

RESOLVED:

- a) That the report be noted.
- b) That the revised Administration and Communication Policy be approved;
- c) That the Distribution of Death Grant Policy be approved;
- d) That the Over and Underpayment Policy be approved;
- e) That the Investment Advisor Objectives be approved.

110. Responsible Investment Plan 2022.

The Committee considered a report of the Director of Corporate Resources regarding the Fund's proposed Responsible Investment Plan 2022. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from the discussion the following points were raised:-

- i. The development of the Fund's Climate Strategy would feed into the Fund's 2023 review of the Strategic Asset Allocation.
- ii. In response to a question on whether the Fund lagged other schemes in development of the Climate Strategy, the Director reassured the Committee that the Fund already took climate change into account.
- iii. It was for the Committee to decide how all-encompassing they wished the Climate Strategy to be, considering the varying approaches taken by LGPS funds. It was not felt appropriate to rush a strategy that the Committee did not have full ownership of.
- iv. It was requested that the Climate Strategy looked to act in respect of COP26 outcomes, and that it had palpable outcomes and goals.

RESOLVED:

That the Responsible Investment Plan 2022 be approved.

111. Overview of the Asset Strategy and Structure.

The Committee considered a report of the Director of Corporate Resources regarding the overview of the Fund's Asset Strategy and Structure. A copy of the report, marked 'Agenda Item 9' is filed with these minutes.

RESOLVED:

That the overview of the Fund's Asset Strategy and Structure be noted.

112. Date of next meeting.

That the next meeting of the Committee take place on 25 March 2022 at 9.30am.

113. Exclusion of Press and Public.

RESOLVED:

That under Section 100A of the Local Government Act 1972, the public be excluded for the remaining item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 3 and 10 of Part 1 of Schedule 12A of the Act and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

114. Annual Review of the Asset Strategy and Structure.

The Committee considered an exempt report of the Director of Corporate Resources concerning the annual review of the Fund's Asset Strategy and structure. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

The report was not for publication by virtue of paragraphs 3 and 10 of Schedule 12A of the Local Government Act 1972.

Representatives from the Fund's Investment Advisor Hymans Robertson provided a Market Update to the Committee and highlighted that returns had mostly returned to normal pre-pandemic level by the end of 2021.

Following the presentation, the following points arose:

- i. The long-term impact of the United Kingdom's Exit from the European Union remained unclear, which was reflected in the activity of the markets such as UK Equity which had seen some strain, as markets did not react well to uncertainty.
- ii. Returns the Fund had generated were comfortably ahead of the required return as assumed by the Fund's Actuary at the valuation in 2019.
- iii. The Director clarified that it was normal to take more risk than strictly required to generate the projected returns by the Actuary. Some excess risk was prudent to provide downside protection, and balance employer contributions. The Fund would consider its targets as part of the 2022 valuation exercise, and any material changes would be considered as part of the 2023 asset strategy review, however no significant changes were expected.
- iv. The Fund already made positive investments in relation to climate change, such as its investment in timber with Timberland, the assets of which were low and potentially negative regarding carbon emissions within the infrastructure asset class.
- v. More broadly within Infrastructure it was evident there was key reliance on concrete and steel, a significant carbon emitter. Nevertheless, when looking at the larger picture the resources were necessary in the creation of the renewable energy sector in the development of onshore and offshore wind farms and solar farms. Such developments created substantial carbon in construction, however, over its 30 or 40 year lifespan it was extremely beneficial regarding decarbonisation. The focus of the Fund would be shaped by the Fund's Climate strategy where possible in considering such factors.
- vi. In relation to a question regarding the Fund's willingness to invest in social infrastructure in the locality with the aim of helping local authorities, the economy and community. The Director informed the Committee that the Fund was limited to local investment 5% of its total Fund, and that there were several issues which restricted it due to conflicts of interest, and the Fund's inability to use social good factors to reduce financial return due to its fiduciary duty to employers and scheme members. Furthermore, the Fund would be required to develop a bespoke arrangement with an Investment Manager to facilitate such investments which would be higher cost compared to existing investments.

- vii. Members noted that the Fund's Investment Managers tended to have broad global areas they invested in, and that they had an obligation to consider all opportunities if it is the best investment in the Fund's interest. If that was in the local area, then there would not be anything stopping the Investment Manager committing capital to that opportunity.

RESOLVED:

- a) That the outcome of the review on the Annual Asset Strategy be noted.
- b) That the proposal to maintain the allocation as agreed on 22 January 2021, be approved.
- c) That the Director of Corporate Resources review the following asset classes and submit the outcomes to future meetings of the Committee or Investment Subcommittee.
 - i. Listed Equity
 - ii. Targeted Return
 - iii. Infrastructure
 - iv. Property
 - v. Distressed Debt
- d) That the Investment Subcommittee be asked to consider over the course of 2022 the changes necessary to meet the strategic asset allocation, the outcome of any review, subject to c), and the relevant product launches by LGPS Central and other investment managers.
- e) That the Director of Corporate Resources, following consultation with the Chairman of the Local Pension Committee, be authorised to utilise the Aegon short-dated investment grade bond fund to hold surplus cash awaiting drawdown to closed-ended funds, based on cash flow forecasts.
- f) That it be noted that the intention of the Fund is to develop and document its rebalancing principals as part of the Investment Strategy Statement refresh.

9.30-11.00am
21 January 2022

CHAIRMAN