

**Minutes of a meeting of the Local Pension Committee held at County Hall,  
Glenfield on Friday, 20 January 2023.**

**PRESENT:**

Leicestershire County Council

Mr. T. Barkley CC (Chairman)  
Mr. D. C. Bill MBE CC  
Mrs. H. J. Fryer CC

Mr. D. J. Grimley CC  
Mr. D. Harrison CC

Leicester City Council

Cllr. A. Clarke (Virtual)  
Cllr S. Waddington

District Council Representative

Cllr. Malise Graham MBE

University Representative

Mr. Z. Limbada

Staff Representatives

Mr. N. Booth  
Mr. G. Lawrence

Independent Advisers and Managers

LGPS Central

Mr Matthew Jones  
Mr Patrick O'Hara  
Mr Gordon Ross  
Mr Mike Weston

Hymans Robertson

Mr Philip Pearson  
Mr Abhishek Srivastav

90. Minutes

The minutes of the meeting held on 18 November 2022 were taken as read, confirmed and signed.

91. Question Time.

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

92. Questions asked by members

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

93. Urgent items

There were no urgent items for consideration.

94. 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.

There were no declarations made.

95. LGPS Central Update

The Committee considered a report of the Director of Corporate Resources which provided an update on the Fund's pooling of assets into LGPS (Central). A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Mr Mike Weston, Mr Gordon Ross, Mr Patrick O'Hara, and Mr Matthew Jones from LGPS Central were in attendance and supplemented the report with a presentation which detailed the investments made by LGPS Central on behalf of the Fund.

Arising from the presentation the following points arose:

- i. LGPS Central was amongst the leaders of pooling in England and Wales in terms of external passive allocations.
- ii. The Fund was invested in 11 LGPS Central funds which put it amongst the most prolific investors within the Central Pool.
- iii. The All World Equity Climate Multi Factor Fund, of which the Fund had invested, was a passive fund that replicated an index and was designed to take into account the risks and opportunities associated with climate change, and achieve superior investment returns over the long-term. The Fund continued to outperform the benchmark.
- iv. The Emerging Market Equity Active Multi Manager fund, which the Fund had also invested in, had underperformed, due to external factors such as the war in Ukraine, fuel crisis and China's previous cautious approach to managing the pandemic.
- v. The Global Equity Active Multi Manager fund was now outperforming benchmark, though behind target.

- vi. Routine scrutiny of managers took place to identify issues that might have a detrimental effect on investments.
- vii. The Multi Asset Credit Multi Manager fund can invest in any segments of the fixed income market including emerging markets, government, and corporate bonds, and had a 10% exposure to cash. It also had 10% to 15% to invest in government bonds which with the cash allocation protected the fund when underperforming. Allocations were reviewed on an ongoing basis to ensure it was correctly designed.
- viii. Over the past five years lessons had been learnt regarding the procurement processes of investment managers and as funds had developed more sophisticated tools were being used to ensure well informed decisions were being made.
- ix. The issue of tension between China and Taiwan was an issue of significant concern in global markets.
- x. A dashboard had been developed to enable the monitoring of both individual companies and an entire portfolio in terms of Net Zero trajectory and milestones.
- xi. The strategy that underpinned milestones would be shared with partner funds once finalised and any assistance required on the evolution and development of Pension Fund's net zero strategy with would be provided.
- xii. Portfolios for Taiwan Semi-Conductor Manufacturing and Southern Company were run through the Net Zero Zeal assessment, which looked at the Net Zero target set by companies.
- xiii. Members agreed with the emphasis on LGPS Central's Net Zero Climate Strategy being outcome focussed on targets and performance. In response to questions concerning what action would be taken if targets and performance were not being met by companies within acceptable timescales, it was noted that the escalation process for engagements had been refreshed. Active portfolios were not managed in-house, but scrutinised and conversations were had with Managers on how their engagement was progressing. The selling of a company that was not progressing or cooperating was an option but would be undertaken with the collaboration of Managers.

#### RESOLVED:

That LGPS Central Update report and presentation be noted.

#### 96. Responsible Investment Plan 2023

The Committee considered a report of the Director of Corporate Resources, which sought the Committee's approval of the Leicestershire Pension Fund's Responsible Investment Plan 2023 to enable the Fund to further improve the management of responsible investment risks. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

Arising from discussion the following points arose:

- i. The Plan included a review of the Fund's investment managers to benchmark their management of climate risk. This would include what commitments they had made, whether the commitment covered the Fund's investments. and how they managed and measured their climate metrics.

- ii. Members were further encouraged to attend the LGPS Central Responsible Investment Stakeholder Day via Microsoft Teams on 9 March 2023. It would be established with LGPS Central if the event were to be recorded to allow those that could not attend to view the sessions at a convenient time.
- iii. A concern was raised that, if the Government's new reporting regulations did not require pension funds to speedily adopt a tougher reporting regime that took some of the broader issues into account, it could enable polluting companies who were failing to take serious action to transition to continue with little challenge. In response, it was noted the Fund had been reporting to the Task Force on Climate-Related Financial Disclosures for several years where it was not required to do so by government, and that the recent government consultation was the first time the issue of reporting measures had been raised.
- iv. In addition, Members were assured that the Fund would always look to report as much as it could and was one of the reasons for benchmarking the Fund's managers to see what they currently recorded in terms of emissions and what was measured in terms of asset classes. It was also important to regularly invite managers to attend meetings of the Committee and Sub-Committee to challenge them.
- v. It was noted that all employers in the Fund had been written to asking them to respond to the Net Zero Climate Strategy consultation, which clearly set out the balance between managing climate risk and investment returns, in order to not negatively affect employers contributions.
- vi. A Member raised concern that no equality or human rights implications, or an explanation as to why they were not deemed to be necessary, was included in the report. The point was acknowledged and, though missing, the Director said that such considerations were made when developing the Responsible Investment Plan and no adverse findings arose.

RESOLVED:

That the Responsible Investment Plan 2023 be approved.

97. Pension Fund Training Update

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on the Pension Fund's Training Policy which detailed the Fund's approach to delivery, assessment and recording of training. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from the discussion, the following points arose:

- i. Regulators had become increasingly focussed on the requirement for Members of Pension Committee and Boards to have adequate training, particularly when considering the importance of the Committee's response when dealing with the management of people's pensions and costs.
- ii. Members were urged to complete the annual training needs self-assessment for training to be suitably planned over the course of the year based on Members'

need. It was noted that requests had been made for training concerning responsible investment (RI) and reporting.

- iii. Members were encouraged to complete the Hymans online modules one and two as soon as possible if not already completed, as they set out the role of the Committee.
- iv. Members requested the wording on the self-assessment to be changed to reflect Members' various levels of training.
- v. Members were reminded of the LGPS Central conference on 9<sup>th</sup> March which would cover RI. Although taking place after the next meeting of the Committee, where members would consider the draft Net Zero Climate Strategy. The Director said it would still be of benefit to Members as RI was an evolving area being continually monitored and refreshed.

RESOLVED:

That the Pension Fund Training Update be noted.

98. Overview of the Current Asset Strategy and Proposed 2023 Asset Strategy

The Committee considered a report of the Director of Corporate Resources the purpose of which was to inform the Committee of the annual review of the Leicestershire Pension Fund's (the Fund) strategic investment allocation and structure. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Mr Philip Pearson and Mr Abhishek Srivastav from Hymans Robertson were in attendance.

RESOLVED:

That the Overview of the Current Asset Strategy and Proposed 2023 Asset Strategy be noted.

99. Date of next meeting.

The date of the next meeting was scheduled for Friday 3<sup>rd</sup> March 2023.

100. 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.

## 101. Annual Review of the Asset Strategy and Structure

The Committee considered a report of the Director of Corporate Resources the purpose of which was to inform the Committee of the annual review of the Leicestershire Pension Fund's (the Fund) strategic investment allocation and structure, as outlined in the Appendix to the report and sought approval of a revised allocation. A copy of the report market 'Agenda Item 13' is filed with these minutes.

Mr Philip Pearson and Mr Abhishek Srivastav from Hymans Robertson were in attendance and supplemented the report with a presentation.

Arising from the discussions the following points were noted:

- i. America was in an artificial debt crisis and did not reflect true credit stress, and relative to the size of its economy, its borrowing was not of significant size.
- ii. The rate of growth had been reducing since Q1 2022 due to, for example, inflation. Economists, however, believed the expected recession would be less severe.
- iii. Higher interest rates meant higher government bond yields.
- iv. Equities were down globally across all markets with one exception being the UK with a nil return.
- v. A mix of assets gave the required return with a margin of prudence in the return, and ensured the Fund was not taking unnecessary risk. The assets were broken down as: 55% Growth; 37% Income; 8% Protection.
- vi. The proposal was to reduce the Emerging Market Debt weight from 2.5% to 0%. The capital freed would go into the Multi Asset Credit (MAC) fund, which had the ability to invest across the market for high yield debt.
- vii. Sub-investment grade debt was high yield debt, but had more risk as was being lent to less credit worthy companies more likely to default. Lending tended to be shorter than to investment grade debt.

RESOLVED:

- a) That the report of the Annual Review of the Asset Strategy and Structure be noted;
- b) The proposed strategic asset allocation (SAA) as per the table below be approved;

Asset Group	Asset Class	2022 SAA	2023 SAA	Change from 2022 SAA
Growth	Listed equities	42.00% (40% - 44%)	37.50%	- 4.5%
Growth	Private equity	5.75%	7.50%	+ 1.75%
Growth	Targeted return	7.50%	5.00%	- 2.5%
Income	Infrastructure (incl. timber)	9.75%	12.50%	+ 2.75%
Income	Property	10.00%	10.00%	

Income	Emerging market debt & Global credit – liquid sub inv grade markets	6.50%	9.00%	+ 2.5%
Income	Global credit - private debt (inc M&G/CRC)	10.50%	10.50%	
Protection	Inflation-linked bonds	4.50%	4.50%	
Protection	Investment grade credit	3.00%	2.75%	-0.25%
Protection	Currency hedge	0.50%	0.75%	+0.25%
Protection	Cash / cash equivalent	0.00%	0.00%	

- c) That the Director of Corporate Resources be authorised to undertake a review of the Listed Equity and Protection Asset classes to determine how to move from the current to the proposed strategic asset allocation, the outcome of which to be presented to future meetings of the Investment Sub-Committee;
- d) That in addition to (c) above the Director of Corporate Resources be authorised to undertake a review of the targeted return asset class to determine the make-up of the Fund's 5% targeted return allocation, the outcome of which to be presented to future meetings of the Investment Sub-Committee;
- e) That the Investment Sub-Committee be asked to consider over the course of 2023 the changes necessary to meet the strategic asset allocation, the outcome of any review, and the relevant product launches by LGPS Central and other investment managers.

9.30am – 12.31pm  
20 January 2023

CHAIRMAN