

**Minutes of a meeting of the Local Pension Committee held at County Hall,
Glenfield on Friday, 16 June 2023.**

PRESENT:

Leicestershire County Council

Mr. T. Barkley CC (Chairman)
Mr. D. Grimley CC
Mr. D. Harrison CC
Mrs. A. Wright CC

Leicester City Council

Vacant Position
Vacant Position

District Council Representatives

Cllr. M. Graham MBE
Cllr. R. Denney

University Representative

Mr. Z. Limbada

Scheme Member Representatives

Mr. N. Booth
Mr. G. Lawrence
Mr. C. Pitt

Independent Advisers and Managers

Stafford Timberland (Minute 8 Refers)

Mr Stephen Addicott
Mr Marek Guizot
Mr Dermot McCloskey

LGPS Central (Minute 10 Refers)

Mr Gordon Ross
Mr Patrick O'Hara
Mr Basyar Saleh
Mr John Burns.
Mr Jack Yonge (online)

1. Appointment of Chairman

RESOLVED:

That Mr. T. Barkley CC be appointed Chairman for the period ending with the date of the Annual Meeting of the County Council 2024.

Mr. T. Barkley CC in the Chair

2. Election of Deputy Chairman

RESOLVED:

That Mr. D. Grimley CC be elected Deputy Chairman for the period ending with the date of the Annual Meeting of the County Council 2024.

3. Minutes

The minutes of the meeting held on 3 March 2023 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 under Standing Order 7(3) and 7(5).

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

6. 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.

7. Declarations of interest in respect of items on the agenda.

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. Stafford Capital Partners - Timberland Update.

The Committee considered a report of the Director of Corporate Resources which provided information on the Leicestershire Pension Fund (Fund) investments held with Stafford Capital Partners (Stafford) and the performance of the timberland and carbon credit markets generally. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Mr Stephen Addicott, Mr Marek Guizot and Mr Dermot McCloskey were in attendance and supplemented the report with a presentation which is also filed with these minutes.

Arising from the presentation the following points arose:

- i. A Member raised concerns about whether greenfield land was being taken away that could have been used for agricultural food production. Stafford Capital explained that timber planting occurred in low-grade cattle country cleared up to 70 years previously. This type of land had been left with low intensive management, and not high-grade food production areas. Forests would also be returned to areas that had previously been forests.
- ii. As part of the Carbon Offset Opportunities Fund, which was an Article 9 fund under the Sustainable Finance Disclosure Regulation (SFDR), carbon offsets would go back to investors at around year five, with the option of holding those offsets themselves to offset their own emissions, or selling the offsets.
- iii. A Member queried the percentages produced of softwood versus hardwood. It was explained that it was dependent on the country invested into, for example, New Zealand was almost 100% softwood as there were few hard wood species that grew well in New Zealand due to the climate. Hard woods anticipated in the carbon fund were grown within Latin America. On balance around 70 percent of funds were invested in softwoods with around 30 percent in hardwoods, the majority being eucalyptus, and not necessarily hardwoods going into the furniture market.
- iv. A Member asked how shipping emissions were measured given the major carbon footprint. Shipping logs from New Zealand to China was given as an example as a far more efficient way of moving logs and emissions were quite low. It was explained that the organisation's boundary stopped at the entrance to the port. However, accounting for scope three emissions once it left the port was work in progress as it was more complex with more components involved. As an estimate, it was expected to be less than 10 percent of the total sequestered carbon in terms of volumes associated with transport.
- v. A Member queried the harm done to the natural biodiversity when planting forests with, in particular, larch and pine trees. Members were informed that the land used had a very low level of biodiversity on it. In addition the organisation had zero tolerance of land clearing so there was not clearance of any natural forest, and planting acted as a natural buffer and provided added protection to remnant stream side vegetation.
- vi. It was further explained in comparison between plantation development and natural forest restoration, the former was about half the cost, but provided four times the carbon credits because of the growth rates. Stafford firmly believed that the trade-off from low-level quality pasture that had been cleared to the establishment of commercial forest for wood production and natural forest was a huge net benefit on those particular properties established, and of huge benefit to the local landscape. Also, as an added benefit, the organisation would be establishing a biodiversity baseline across the land parcels being bought up to plant and would be measured on an ongoing basis. It was further noted there was some volatility and risk in investing in carbon credits but that there was a base return of six percent for investors and a significant upside on the investment.
- vii. A Member asked what happened to the following the sale of plantation land. It was noted that in order to register carbon credits there was commitment to maintaining a forest property in perpetuity associated on the title of the land so that a purchaser would not be entitled to clear the land, or if they did, they would have to re-buy back the carbon credits which would be an impediment for the buyer. However, usually buyers were existing plantation forestry companies.

- viii. A Member asked what the timeframe was for softwood compared to hardwood reaching the market. It was explained that softwoods would typically have a growing period of around 30 years, whereby hardwoods such as eucalyptus were grown over shorter periods of around eight to ten years for pulpwood, or over longer periods for use in producing saw timber. The plantations also had fire break corridors that were based on the physical features of the landscape such as rivers or streams with buffers and facilitated the movement of wildlife.

RESOLVED:

That the Stafford Capital Partners Timberland update report and presentation be noted.

Mr Addicott, Mr Guizot and Mr McCloskey left the meeting at this point.

9. Change to the Order of Business.

The Chairman sought and obtained the consent of the Committee to vary the order of business from that set out on the agenda for the meeting.

10. LGPS Central Update.

The Committee considered a report of the Director of Corporate Resources which provided information on the Leicestershire Pension Fund's (The Fund) investments held with LGPS Central (Central). A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Mr Gordon Ross, Mr Patrick O'Hara, Mr Basyar Saleh, Mr John Burns and Mr Jack Yonge (online) were in attendance and supplemented the report with a presentation which is also filed with these minutes.

Arising from the presentation the following points arose:

- i. In light of the statement from Government's Spring Budget and the implications for pooling the Chairman clarified that the Government did not have the right to dictate where the LGPS invested, including whether they were pooled or otherwise, unless legislation was passed to the contrary. It was for the Local Pension Committee to decide on where investments were made to give best and safest returns. The strength across the LGPS and LGPS Central was recognised, and it was likely discussions would continue.
- ii. When asked about their Global Equity Mandate, it was explained that Central were looking to add a fourth manager to its Global Equity Fund a quality manager the performance of which was suitable in any environment, whether it be growth economy or a value economy, and with the blend of other managers would ensure continued performance of the fund rather than on a volatile basis.
- iii. A Member raised the issue of a company lagging on environmental, social or governance (ESG) issues making a lot of money, and how they were managed. It was explained that a company may be very profitable and very successful in many respects, but if they were not managing the ESG risks appropriately that was a potential future risk for them and if a material risk it could affect revenues and ultimately could affect share price. Central would engage with those companies, and would expect the manager to also engage, to understand those risks.

- iv. In response to a comment from a Member that investment in companies such as Shell was not welcome, it was noted that the ESG tool allowed for comparison of companies within their peer group. It allowed Central to look at companies such as Shell and BP, and how they managing carbon emissions, how they embraced renewable energy and other technologies, and how they managed their risk exposure.
- v. A Member queried if governance issues within ESG was being given the attention it deserved given the number of businesses that folded due to poor governance. It was noted that governance was a very immediate risk and would be very much represented in the ESG reports. It was further explained that country risk ratings could considered and analysis of corporate risks and other geopolitical issues such as China and Russia.
- vi. Mr. Geoff Lawrence declared an interest at this point as he had been elected as a Member on Charnwood Borough Council at its last election.
- vii. A Member sought reassurance that the reporting tool being used by Central would show up the bigger oil companies that were not pivoting to renewables as quickly as they should be, and were a long-term risk for the pension fund from an environmental perspective. Central informed the meeting that it was the intention in terms of climate risk reporting to focus on scope one and scope two emissions (i.e. the operational emissions) of a company. There would be additional metrics added to the analysis tool to give a more holistic view of the company's business model in terms of being positively or negatively positioned in terms of transition and business risk.
- viii. A Member sought assurance around the processes and integrity of the data that went into the preparation of the report. Central noted that all data in the reports was publicly disclosed, some disclosed by the company, and some industry level disclosures, government policy and litigation amongst other matters. An analyst would estimate data themselves and would give companies an opportunity to respond to the findings, and there were robust controls to ensure data was based on accurate reporting.

RESOLVED:

That the LGPS Central update report and presentation be noted.

Mr Ross, Mr O'Hara, Mr Saleh, Mr Burns and Mr Yonge (online) left the meeting at this point.

11. Summary Valuation of Pension Fund Investments.

The Committee considered a report of the Director of Corporate Resources which provided an update on the investment markets and how individual asset classes were performing, focussing on property and a summary valuation of the Fund's investments as at 31 March 223. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

A Member referred to the DTZ active value 1 and 2 (AV1 and AV2) closed ended fund and proposal to extend the life of the funds to generate the best overall outcome for investors and questioned if all investors were prepared to extend. It was explained it was a small collection of investors who were of a similar mind to extend.

RESOLVED:

That the Committee note the valuation of the Fund.

12. Risk Management and Internal Controls.

The Committee considered a report of the Director of Corporate Resources which provided an update on any changes relating to the risk management and internal controls of the Pension fund, as stipulated in the Pension Regulator's Code of Practice, and to summarise information regarding the internal audit arrangements for the Pension Fund, outcomes of audits conducted during 2022-23 and outlined the internal audit plan for 2023-24. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from discussion, the following points arose:

- i. A Member raised concern over the geopolitical risk of China invading Taiwan. Officers noted the risk had evolved over the past decade, and difficulties that investment managers had had in the past to be involved in emerging markets had lessened now managers had more freedom to move across the globe. However, the risk would continue to be monitored.
- ii. Further concern was raised by Members over the risk of a sovereign wealth fund taking over the assets of the LGPS. Officers responded that if the government nationalised the Fund, ultimately it would be low risk as it would have the government's backing, but would require legislation. It was recognised there was risk if the government started to meddle with the Fund without taking ownership which made the situation more unsettled and was a case of 'watch and see'. The situation would be monitored and if necessary, would be placed upon the risk register.
- iii. Members welcomed the inclusion of a new risk added to Investments, 'Risk to Fund assets and liabilities arising from climate change'. It was suggested the wording be clarified to link it to ESG.

RESOLVED:

That the report be noted, and revised Pension Fund risk register be approved.

Councillor Denney left the meeting at this point.

13. Action Agreed by Investment Sub-Committee.

The Committee considered a report of the Director of Corporate Resources which provided details on decisions agreed by the Investment Sub-Committee (ISC) at its meeting held on 19 April 2023. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

Members referenced the new Fulcrum investment and noted that the negotiation of fees had been concluded at a favourable rate.

RESOLVED:

That the report on actions agreed by Investment Sub-Committee be noted.

14. Investment Sub-Committee Membership

The Committee considered a report of the Director of Corporate Resources which provided information on membership of the Investment Sub-Committee for the period ending May 2024. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

RESOLVED:

That the report on Investment Sub-Committee Membership be noted.

15. Responsible Investing Update

The Committee considered a report of the Director of Corporate Resources the purpose of which was to:

- a. update the Committee on progress versus the Responsible Investment (RI) Plan 2023 (Appendix A) to improve management of the Leicestershire Pension Fund (the Fund).
- b. present the Fund's Taskforce on Climate Financial Disclosure report for 2022 (Appendix B);
- c. update the Committee on the Fund's quarterly voting report (Appendix C) and LGPS Central quarterly stewardship report (Appendix D).

A copy of the report marked 'Agenda Item 14' is filed with these minutes.

RESOLVED:

That the report on Responsible Investing update be noted.

16. Dates of future meetings.

The dates of future meetings of the Committee scheduled to take place on the following dates, all at 9.30am, were noted:

8 September 2023
 1 December 2023
 26 January 2024
 8 March 2024
 14 June 2024
 6 September 2024
 29 November 2024

That meetings of the Fund's Annual General Meeting would be held on the dates listed, all at 12 Noon, and would be open to all scheme members to attend.

11 December 2023
 9 December 2024

17. 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.

18. LGPS Central Quarterly Report

The Committee considered an exempt report by LGPS Central. A copy of the report marked 'Agenda Item 18' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

19. LGPS Central

The Committee considered an exempt report by LGPS Central. A copy of the report marked 'Agenda Item 19' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 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 the report marked 'Agenda Item 20' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

21. Adams Street - Leicestershire Client Product Summary Q4 2022

The Committee considered an exempt report by Adams Street. A copy of the report marked 'Agenda Item 21' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

22. Aspect

The Committee considered an exempt report by Aspect. A copy of the report marked 'Agenda Item 22' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

23. LGIM

The Committee considered an exempt report by LGIM. A copy of the report marked 'Agenda Item 23' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

24. Pictet Quarterly Report

The Committee considered an exempt report by Pictet. A copy of the report marked 'Agenda Item 24' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

25. SL Capital

The Committee considered an exempt report by SL Capital. A copy of the report marked 'Agenda Item 25' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

26. LGPS Central

The Committee considered an exempt report by LGPS Central. A copy of the report marked 'Agenda Item 26' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

27. Partners

The Committee considered an exempt report by Partners. A copy of the report marked 'Agenda Item 27' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

28. AVPUT

The Committee considered an exempt report by AVPUT. A copy of the report marked 'Agenda Item 28' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

29. Colliers

The Committee considered an exempt report by Colliers. A copy of the report marked 'Agenda Item 29' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

30. CRC

The Committee considered an exempt report by CRC. A copy of the report marked 'Agenda Item 30' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

31. IIF

The Committee considered an exempt report by IIF. A copy of the report marked 'Agenda Item 31' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

32. IFM

The Committee considered an exempt report by IFM. A copy of the report marked 'Agenda Item 32' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

33. Infracapital

The Committee considered an exempt report by Infracapital. A copy of the report marked 'Agenda Item 33' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

34. LaSalle

The Committee considered an exempt report by LaSalle. A copy of the report marked 'Agenda Item 34' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

35. M&G

The Committee considered an exempt report by M&G. A copy of the report marked 'Agenda Item 35' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

36. Quinbrook

The Committee considered an exempt report by Quinbrook. A copy of the report marked 'Agenda Item 36' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

37. SIT

The Committee considered an exempt report by SIT. A copy of the report marked 'Agenda Item 37' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

38. Aegon

The Committee considered an exempt report by Aegon. A copy of the report marked 'Agenda Item 38' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12((A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

9.30am to 11.59am
16 June 2023

CHAIRMAN