

**Minutes of a meeting of the Local Pension Committee held at County Hall,
Glenfield on Friday, 8 September 2023.**

PRESENT:

Leicestershire County Council

Mr. T. Barkley CC (Chairman)
Mr. D. Harrison CC

Mr. P. King CC

District Council Representative

Cllr. Martin Cartwright
Cllr. Roy Denney

University Representative

Mr. Zubair Limbada

Scheme Member Representatives

Mr. N. Booth
Mr. C. Pitt

Independent Advisers and Managers

DTZ International

Mr. Sam Brice
Ms. Andrea White

39. Minutes.

The minutes of the meeting held on 16 June 2023 were taken as read, confirmed and signed.

40. Question Time.

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

41. 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).

42. 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.

43. 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.

Councillor Denney declared an Other Registrable Interest during consideration of agenda item 12: Community Admission Bodies – Voluntary Action Leicester and Bradgate Park Trust as he was a member on the Charnwood Forest Steering Group and Charnwood Forest Board, as were Voluntary Action Leicester and Bradgate Park Trust, and that he would abstain from the decision to be made at the meeting.

Councillor Cartwright declared an Other Registrable Interest during consideration of agenda item 12: Community Admission Bodies – Voluntary Action Leicester and Bradgate Park Trust as he was a member on the Charnwood Forest Steering Group and Charnwood Forest Board, as were Voluntary Action Leicester and Bradgate Park Trust, and that he would abstain from the decision to be made at the meeting.

44. 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.

45. Annual Report of the Local Pension Board.

The Committee considered the Annual Report of the Local Pension Board for 2022/2023. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Chairman of the Local Pension Committee read out a statement on behalf of the Chairman of the Local Pension Board, Mrs. R. Page CC.

RESOLVED:

That the Annual Report of the Local Pension Board for 2022/23 be noted.

46. Pension Fund Annual Report and Accounts 2022/23.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to seek approval of the Annual Report and Accounts of the Pension Fund for the financial year 2022/23. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

RESOLVED:

That:

- a. The Annual Report and Accounts of the Pension Fund for the financial year 2022/23 be approved subject to External Audit;
- b. It be noted that the Corporate Governance Committee would receive the External Audit of the 2022/23 Leicestershire County Council Statement of Accounts, Annual Governance Statement and Pension Fund Accounts.

47. Pooling Consultation: Next Steps on Investment and LGPS Central Meetings Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to inform the Committee of a consultation paper issued by the Department for Levelling Up, Housing and Communities (DLUHC) on 11 July 2023, titled 'Next Steps on Investment', to seek the Committee's views on the proposed response, and to seek its approval for the Director of Corporate Resources to be authorised to finalise and submit the consultation response on behalf of the Fund by the required deadline of 2 October 2023. The report also provided the Committee with an update regarding LGPS Central's Joint Committee, Annual General Meeting, and other relevant matters. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from discussion, the following points arose:

- i. Members supported the proposed response to the Consultation and commented that such centrally prescribed asset allocation decisions should be opposed. The Committee agreed that it had a fiduciary duty to its scheme members and that local pension fund decisions should be made locally. A Member commented that the proposals appeared to provide no benefits for the Fund but would introduce less local control and increase risk and costs.
- ii. The Director confirmed that LGPS Central was aligned with the Fund in its view regarding the proposals.
- iii. A Member queried in terms of passive funds, if it was the Government's proposal that the pool should pay transaction fees to transfer assets to a higher cost regime, and if therefore the assets should be classified as already pooled to prevent such additional costs arising. It was explained that the Seven Shires agreement in place was a low-cost arrangement, and to move these funds would result in substantial costs, both in transaction fees and by exposing the Fund to some added risks.
- iv. It was noted that whilst the Government had suggested there would be efficiencies through pooling, it was not known what these would be or what the scale of such efficiencies might be. The Director confirmed that the Government had not provided any data or evidence to support the suggestion and further clarity could not therefore be provided on this point.
- v. It was noted that the Fund had 21% of assets invested in the UK which could go up to 25% with the undrawn commitment. Essentially it may be assumed the Fund had already therefore met the Government's proposal in relation to levelling up..
- vi. The Director confirmed work would continue with colleagues at LGPS Central to align and strengthen the consultation response. The consultation results would be brought back to a future meeting of the Local Pension Committee as appropriate.
- vii. In response to a Member's question, officers confirmed that the investments in the UK were very wide, and in terms of levelling up investments would more than likely meet each of the Government's 12 medium-term levelling up missions, such as living standards, education and health.

RESOLVED:

- a. That the Director of Corporate Resources, following consultation with the Chairman of the Local Pension Committee, be authorised to prepare the detailed response to the Government consultation titled 'Next Steps on Investment' on behalf of the Fund, taking account of the comments now made by the Committee, and to submit this to the Government by the deadline of 2 October 2023;
- b. That the update provided regarding LGPS Central's Joint Committee, Annual General Meeting, and other relevant matters be noted.

48. DTZ International (DTZ) - UK Property Update.

The Committee considered a report of the Director of Corporate Resources which provided information on the Leicestershire Pension Fund (Fund) direct property investments and the performance of the UK direct property fund and market outlook. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

The Chairman welcomed to the meeting Mr Sam Brice and Ms. Andrea White from DTZ International (DTZ) who supplemented the report with a presentation which is also filed with these minutes.

Arising from the report and presentation the following points arose:

- i. It was noted that whilst the Fund had allocated money to DTZ, no purchases had been made to date due to limited available investment products. However, DTZ stated it had upcoming opportunities and had taken the approach to contact other landlords directly to see if they were looking to down weight their real estate exposure.
- ii. A Member asked if there was a danger that asset values would be inflated with more money chasing fewer opportunities, and if so, how it affected investment returns. DTZ explained that, although there were less products, there were also fewer buyers, mainly due to higher inflation and consequential impacts on the economy over the past 12 months. Some investors were waiting for the economy to stabilise before investing. However, DTZ explained that during Quarter 4, the market had gone through a period of repricing, which had made the market more attractive to investors, with resilient sector (Industrial and Retail) prices having held steady with no significant increases. It was further anticipated that there would be some capital appreciation over the next four years in those sectors.
- iii. A Member questioned if additional costs to reach net zero in the property market by 2040 had been taken into account when acquiring property. DTZ confirmed that reaching Net Zero was a key focus both in terms of acquisitions and also with assets already held within the wider business. Members noted that DTZ had undertaken Net Zero audits across the portfolio to identify what costs would be incurred to transition an asset to Net Zero. It was further noted that there were Asset Improvement Plans which incorporated a range of different aspects, including ESG (Environmental, Social and Governance) and Net Zero to ensure DTZ were taking appropriate actions. DTZ confirmed it also had robust processes to ensure correct pricing when acquiring assets, and that assets were reviewed on an annual basis to forecast returns.
- iv. Members were informed that the biggest area affected in terms of change in its structure was the office market. Forecast charts did reflect a fall in the value of the market, reflecting a lower tenant base, and increased costs in building improvements to meet modern ESG standards. Tenants would also go through various phases of

different business models, and the key would be to focus on assets that were flexible enough to meet a tenant's changing occupational requirements.

- v. A Member referred to the funds allocated but not yet committed in the sector and, with falling capital values, questioned the correct timing of the purchase of assets in the current market. DTZ acknowledged it was always very difficult to time the market. They were positive with the resilient sectors but were cautious to price assets on their own merits, looking long-term over the five-year period to deliver returns.

RESOLVED:

That the report and presentation from DTZ International on Leicestershire Pension Fund direct property investments and the performance of the UK direct property funding and market outlook be noted.

(Mr Sam Brice and Ms. Andrea White left the meeting at this point).

49. Summary Valuation of Pension Fund Investments.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on the investment markets and how individual asset classes were performing focussed on listed equity and a summary valuation of the Fund's investments as of 30 June 2023. The report further provided an update on progress with respect to the listed equity changes as approved at the 19 April 2023 meeting of the Investment Sub-Committee. A copy of the file marked 'Agenda Item 10' is filed with these minutes.

Arising from discussion the following points arose:

- i. In response to a query from a Member about uncalled commitments, it was confirmed that interest earned on money allocated but which sat in the Fund as it had not yet been drawn down, would go into the Fund. Members noted that just under 10% (£500million) was held as a cash balance, with £500billion invested in asset classes.
- ii. A Member queried whether dealing instructions were in place for investments managed by LGPS Central to realign with the strategic asset allocation (SAA). It was noted that the LGIM had instructions in place, but LGPS Central required instructions to be placed. An example given was, if global equity had a target weight of 12%, but moved to 11% or 13%, it would be rebalanced accordingly through manual instruction, and this was done when there was a quarterly valuation of the whole Fund.
- iii. A Member queried if the company Portfolio Evaluation (an independent collator and checker of manager performance information) had now closed. It was reported that plans were in place to transition to a new service provider.

RESOLVED:

That the report on the Summary Valuation of Pension Fund Investments be noted.

50. Risk Management and Internal Controls.

The Committee considered a report of the Director of Corporate Resources which provided information 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. A copy of the file marked 'Agenda Item 11' is filed with these minutes.

Councillor Cartwright as a new Member on the Committee queried what response had been provided in relation to a motion passed by Hinckley and Bosworth Borough Council (HBBC) on 22 February 2023 regarding the divestment of the Fund from fossil fuels. Officers confirmed that the matter had been raised at Local Pension Committee meetings, and a letter of response provided by the Chairman. Officers undertook to provide Councillor Cartwright with a copy of the Chairman's letter for information.

The Chairman commented that responsibility for the LGPS pension fund rested with this Committee, which had agreed a New Zero Climate Strategy following consultation with all members of the Fund. The Chairman further commented that the report on Responsible Investment showed how much work was being undertaken on the matter.

RESOLVED:

- a. That the report on Risk Management and Internal Controls be noted;
- b. That the revised risk register be approved.

51. Community Admission Bodies - Voluntary Action Leicester and Bradgate Park Trust.

The Committee considered a report of the Director of Corporate Resources which sought approval from the Committee on the proposed transfer of Voluntary Action Leicester (VAL) pension fund assets and liabilities to Leicestershire County Council, and Bradgate Park Trust (BPT) pension fund assets and liabilities equally to Leicestershire County Council and Leicester City Council, prior to a report to be taken to Cabinet for Leicestershire County Council Employer approval on 15 September 2023. The report had been taken to the Fund's Pension Board on 2 August 2023, and the Board supported the proposal. A copy of the file marked 'Agenda Item 12' is filed with these minutes.

The Director highlighted a potential conflict of interest arising from his employment for the County Council and his work on behalf of the Fund, but confirmed that the interests of both parties were aligned in this instance and there were therefore no issues to report.

A Member welcomed the added security the proposal would provide for the Fund but also noted it would be a positive step for both VAL and BPT.

RESOLVED:

- a. That the transfer of Voluntary Action Leicestershire pension fund assets and liabilities to the County Council be approved;
- b. That the transfer of Bradgate Park Trust pension fund assets and liabilities equally to the County Council and Leicester City Council be approved.

52. Responsible Investing Update.

The Committee considered a report of the Director of Corporate Resources which provided an update on progress versus the Responsible Investment (RI) Plan 2023, and provided an update on the Fund's quarterly voting report and stewardship activities.

A Member commented that where the Fund had holdings in companies there was opportunity to influence on climate related matters, which would not be possible if the Fund divested and another less responsible investor invested. While there was still opportunity to work with these companies it was important the Fund pursued the matter, recognising the Committee's primary duty was its fiduciary duty to pensioners.

RESOLVED:

That the Responsible Investing Update report be noted.

53. 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 at its meeting held on 26 July 2023. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

RESOLVED:

That the report on the decisions agreed by the Investment Sub-Committee at its meeting on 26 July 2023 be noted.

54. Date of next meeting.

The date of the next meeting was scheduled for Friday 1 December 29023, at 9.30am.

55. 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.

56. LGPS Central Quarterly Investment 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 paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

57. Adams Street PE Q1 2023

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

RESOLVED:

That the report be noted.

58. Aspect Diversified Fund Quarterly Performance Report June 2023

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

RESOLVED:

That the report be noted.

59. LGIM Investment Report

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

RESOLVED:

That the report be noted.

60. Pictet Quarterly Report

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

RESOLVED:

That the report be noted.

61. Ruffer Quarterly Report

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

RESOLVED:

That the report be noted.

62. AVPUT

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

RESOLVED:

That the report be noted.

63. 2023 06 IFM GIF Quarterly Investor Report vf - UK LP

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

RESOLVED:

That the report be noted.

64. LGPSC Credit Partnership

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

RESOLVED:

That the report be noted.

65. Partners Group

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

RESOLVED:

That the report be noted.

66. CRF

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

RESOLVED:

That the report be noted.

67. JP Morgan Quarterly Report

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

RESOLVED:

That the report be noted.

68. LaSalle Quarter 1 2023

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

RESOLVED:

That the report be noted.

69. LGPSC Core/Core Plus

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

RESOLVED:

That the report be noted.

70. M&G DOF Quarter 2 2023

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

RESOLVED:

That the report be noted.

71. Stafford Timberland Quarterly Report

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

RESOLVED:

That the report be noted.

72. Aegon

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

RESOLVED:

That the report be noted.