

**Minutes of a meeting of the Investment Subcommittee held at County Hall,  
Glenfield on Wednesday, 1 May 2024.**

**PRESENT:**

Leicestershire County Council

Mr. T. Barkley (Chairman)  
Mr. D. C. Bill MBE CC

Mr. D. J. Grimley CC

Leicester City Council

Cllr. A. Clarke

District Council Representative

Cllr. R. Denney

University Representative

Mr. Z. Limbada

Independent Advisers and Managers

Mr. Philip Pearson – Hymans Robertson

**22. Chairman's Announcement**

The Chairman took the opportunity to announce that it was Mr. Zubair Limbada's final attendance at both the Investment Sub-Committee and Local Pension Committee Meetings, and that the Committee would be welcoming a new University Representative during the summer.

The Chairman thanked Mr. Limbada for his presence over the past six years and had greatly valued his contribution at meetings. He invited the Members to join him in wishing him well.

**23. Minutes.**

The minutes of the meeting held on 11 October 2023 were taken as read, confirmed and signed.

**24. Question Time.**

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

**25. 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).

**26. Urgent Items.**

There were no urgent items for consideration.

**27. 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.

**28. Cash Position 31 March 2023 and Forecast to Year Ending 2024/25.**

The Sub-Committee considered a report of the Director of Corporate Resources which provided an update on the cash holding of the Leicestershire County Council Pension Fund (Fund) and the plans for its deployment against the Strategic Asset Allocation (SAA). A copy of the report marked 'Agenda Item 6' is filed with these minutes.

The Chairman welcomed Mr. Philip Pearson from Hymans Robertson (Hymans) who was in attendance at the meeting.

Arising from discussion the following points arose:

- i. In response to a query regarding how weightings were arrived at the Director reported that it was an annual process and they were set on the advice of investment consultants Hymans Robertson in advance of each January meeting of the Local Pension Committee.
- ii. Members noted that an approved banks list was utilised from the Fund's treasury advisor, on which there were overseas banks. However, the Fund tended to lend in Sterling, so any body lent to on the approved list usually had branches in the UK.
- iii. In response to a Member's question, the Director report the Fund had a total of £250million term deposits, which was the counterparty limit for term deposits. It was questioned whether information could be provided on individual deposits. However, Members were informed that the limit for each deposit was £50million, with some deposits being substantially less.
- iv. It was reported the Fund was at a point where it was holding higher rates of cash and so taking advantage of the high interest rates. It was noted that as money market funds are liquid and rates changed daily, but also some money was fixed for the duration of the term.
- v. A Member questioned if there was a formal benchmarking process or

metrics looked at across other funds. The Director reported the Fund tracked its own performance against benchmarks of the individual investments it made, for example, if it were to invest in a global equity product, it would be benchmarked against a global equity benchmark.

- vi. A Member queried the allocation and overweight of growth assets, and asked if it was fine to leave it at overweight whilst markets were doing so well. The Director said that ideally the Fund would go straight to target allocation as approved by Committee, but presently it was difficult to allocate money into areas which were underweight. Hymans Robertson continued it was generally recognised that it was good to regularly rebalance allocations to those targets to ensure there were no huge under or overweight's, which would earn more return than if asset allocations were left to drift. Hymans continued that it was comfortable with maintaining a modest overweight.
- vii. Equity targeted return funds and private equity had been listed as growth assets. Listed equity would have equities within which were more growth stocks and paid lower income. The mix of equities was derived through a number of mandates, such as Legal and General passives which was one of the Funds bigger holdings. There were also three mandates with LGPS Central, the makeup of which was agreed via a listed equity review completed in 2023 which defined what percentage of the 37.5% of fund assets should be split across the mandates.

**RESOLVED:**

That the report on Cash Position 31 March 2024 and Deployment Against the Strategic Asset Allocation be noted.

**29. Review of the Leicestershire LGPS Protection Asset Portfolio.**

The Sub-Committee considered a report of the Director of Corporate Resources the purpose of which was to provide an update in respect of a planned review of the Fund's protection assets as agreed at the January 2024 meeting of the Local Pension Committee. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

Mr Philip Pearson from Hymans Robertson (Hymans) was attendance at the meeting for the item and supplemented the report with a presentation, which is also filed with these minutes.

Arising from the discussion, the following points arose:

- i. A Member queried if the unrest between China and Taiwan might be a problem in the near future for pension fund investments. Hymans responded that the issue hadn't been included as part of its asset liability modelling (ALM) simulations, but in calibrating the 5,000 scenarios it had considered historic events, which were characteristic of the sort of things that might happen, such as, what could happen in Taiwan if China were to invade. It was not thought that the reason China was buying gold

because of any unrest with Taiwan, but more because they wanted to diversify their sovereign reserves away from treasuries.

- ii. Regarding protection assets and how these were defined, when a lot of equities were protective in their nature, Hymans Robertson advised that most of the other assets in the portfolio protected against certain risks, not just protection assets, and the way they were defined as protection assets was based more on the function and characteristics of the assets themselves. Consideration was given to low the risk of fundamental loss of not getting money back, and where it was expected that an asset's value would fluctuate in line with the market.
- iii. A Member queried if the Fund had always had 8% allocation towards protection assets. The Director of Corporate Resources said it had been at 8% for the past four years but would check on when it was last amended. Hymans added that it would not usually be higher because generally LGPS funds were much more heavily invested in equities and had been selling their equities rather than selling their protection assets.
- iv. A Member commented that from a governance perspective it would be useful to understand more around the ALM which was relied on heavily to inform significant decisions. The Member queried as to what sort of quality assurance or other took place within the funds to ensure the integrity of the modelling. Hymans reassured Members there were checks and balances on every new assumption made within the modelling, and that it did have some material that could be supplied to Members around model governance.
- v. A Member questioned Hymans as to what degree climate risk as a threat multiplier (and recognised by the United Nations) formed part of the vocabulary or the discourse amongst its peers, when there were more likely to be global, significant events, such as drought, that would have an impact on markets. Hymans reported climate risk was considered when setting assumptions and thinking about scenarios to best describe the range of things that could happen due to climate change and were conscious of inter-dependencies and multiplier effects. Hymans continued that, due to the way models were calibrated against historical experience, it could not explicitly model all of those inter-dependencies and how they played out.

#### RESOLVED:

- a) That the report on the Review of the Leicestershire LGPS Protection Asset Portfolio be noted.
- b) That Hymans Robertson be requested to supply information to Members of the Local Pension Committee around model governance.

### **30. Date of Next Meeting.**

It was noted that the next meeting would be held on 24 July 2024.

Wednesday, 1 May 2024  
10.00am to 11.27am

CHAIRMAN