

Minutes of a meeting of the Local Pension Committee held at County Hall, Glenfield on Wednesday, 19 June 2024.

PRESENT

Leicestershire County Council

Mr. T. Barkley CC
Mrs. H. J. Fryer CC
Mrs. M. Wright CC

District Council Representative

Cllr. M. Cartwright

Staff Representatives

Mr. V. Bechar
Mr. N. Booth

University Representative

Mr. J. M. Henry

Independent Advisors in Attendance

Mr. Richard Law Deeks (CEO) – LGPS Central
Mr. Nadeem Hussain – LGPS Central
Ms. Anouska Ramsey – LGPS Central
Ms. Susan Martin – LGPS Central

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 2025.

2. Appointment 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 2025.

3. Minutes.

The minutes of the meeting held on 8 March 2024 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. Urgent Items.

There were no urgent items for consideration.

7. 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.

8. Risk Management and Internal Controls.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide 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. The report also provided updates on the information provided to the Local Pension Board on the internal audit arrangements for the Pension Fund, outcomes of audits conducted during 2023/24 and outlined the internal audit plan for 2024/25. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from discussion, the following points were made:

- i. East Midlands Shared Service (EMSS) had ended its contract to provide payroll services for Leicestershire County Council schools and academies. Some difficulties had been experienced in getting all necessary data from their new provider, due to the number of new employers it had taken on over a short period. However, the Director provided reassurance that meetings were taking place weekly, and the number of data queries awaited had fallen from approximately 80 cases down to five schools and 19 academies. Any continuing issues during the next quarter would be reported to the Board and Committee in terms of impact on annual benefit statements.
- ii. A Member asked, in terms of individuals transferring out of the Fund, what could be done within the regulations to ensure they did not transfer to a fraudulent scheme. It was noted that transfers and controls around this process were looked at every two years to ensure adequate approval processes had been followed. Alongside a tightening of regulations in 2023, the rules had introduced a Red / Amber / Green flag system to inform officers where a further detailed look at certain transfers, particularly overseas, was needed. In addition, any transfer over £100,000 went through a further legal check to establish the security of a scheme.

- iii. Assurance was being sought from LGPS Central that work would commence on a Type 1 Audit and Assurance Facility (AAF) report and be delivered in August 2024 as planned, especially as the request for a Type 2 AAF report had been rejected, which had been a problem for all internal auditors.
- iv. In response to a members' query regarding three deferred audits, it was confirmed that the charge applied was for work completed only, and the figure for 2024 was an estimate based on the number of days work required to complete the plan.
- v. A Member questioned whether there was any historical data on payments made to deceased members, and the amount of money lost as a result. The Director reported that the Pension Section used to rely on the data provided by the two-yearly National Fraud Initiative (NFI) system, which was a large, time-consuming exercise undertaken by the Cabinet Office. However, because this process could take up to two years to reveal any such cases the Fund had enrolled on the six-monthly Mortality Screening Service (MSS), also managed via the Cabinet Office. This compliments the Pension Sections mortality screening service, which usually results in the Section being informed of deaths within a month of the person's passing. In response to a request from a Member, the Director undertook to provide further information on the number of cases that had resulted in overpayments, including where amounts had been written off.

RESOLVED:

- (a) That the Risk Management and Internal Controls report be noted.
- (b) That the revised Pension Fund Risk Register attached as Appendix A to the report be approved.
- (c) That the Director of Corporate Resources be requested to provide further information to Members on the number of cases of continued payments to deceased members, and action taken including where amounts had been written off.

9. Responsible Investing Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on progress versus the Responsible Investment (RI) Plan 2024, the Fund's 2023 Taskforce for Climate-related Financial Disclosures report and the Fund's quarterly voting report and stewardship activities. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from discussion, the following points were made:

- i. Members thanked officers for the opportunity to discuss the Funds approach to monitoring and reporting on responsible investment outside of the meeting, which had helped Members understanding when approaching the subject.
- ii. Officers were aware of the action taken by Exxon against its shareholders for putting forward a climate related motion to its Committee annual meeting. An update would be provided within the next quarterly report.

RESOLVED:

That the update report on Responsible Investing be noted.

10. McCloud Remedy Progress Report.

The Committee considered a report of the Director of Corporate Resources which provided an update on progress in respect of the implementation of the McCloud remedy for Leicestershire County Council Pension Fund. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from discussion, the following points were made:

- i. It was noted that only a small number of people had been aware of the McCloud decision and subsequently raised a complaint. Approximately 30 people had complained, however, only two of these had been eligible to receive a very negligible increase. If anyone wrote in to query a potential increase in their pensions due to McCloud, their case would be dealt with through the usual process.
- ii. It was questioned what the cost of administering the implementation of McCloud had been over the cost of actual benefits paid out to Members. It was noted that the metrics were not confirm either way were not currently available, but that the question was being asked nationally.
- iii. Members noted that the KPI figures highlighted in the Appendix to the report were reflective of those that were, and those that were not, affected by McCloud, noting that those on career average pensions since 2014 were not affected. It was further noted that the KPIs were reflective of the impact on workload, with additional overtime hours and extra resources required to assist with the McCloud implementation. Members were informed there were no additional grant payments from Government to meet the cost of the additional administration needed to complete this work. Members asked that the welfare of staff be considered above KPIs performance.

RESOLVED:

That the McCloud Remedy Progress Report be noted.

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 classes and how individual classes were performing. The report also provided an update on progress with respect to the listed equity changes, as approved by the Investment Sub-Committee (ISC) on 19 April 2023, and update on progress at the ISC meetings on 11 October 2023 and 8 March 2024. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Arising from discussion, the following points were made:

- i. A Member questioned if the one-year figure at -2.5% below benchmark had anything to do with private equity not being revalued in time, or if it was a real loss. The Director reported that underperformance was driven by the growth asset class

and within which private equity's performance was lower, and it was correct to assume that it was due to a lag in valuations.

- ii. With regards to cash holdings, term deposits and certificates of deposit having a maximum term of one year, it was questioned if, with a potential fall in interest rates, consideration had been given to longer term investments for cash flow purposes. The Director advised that the current policy did not allow for investments beyond the one year and that when premium levels for two-year investments over one year had previously been compared these were not found to be significantly better.

RESOLVED:

That the Summary Valuation of Pension Fund Investment report be noted.

12. Action Agreed by the Investment Sub-Committee.

The Committee considered a report of the Director of Corporate Resources which provided details of decisions taken by the Investment Sub-Committee at its meeting held on 1 May 2024. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

RESOLVED:

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

13. Training Policy Review.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to seek the Committee's approval of the revised Training Policy. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

A Member commented that whilst progress in training was encouraging, this was not mandatory and it was therefore disappointing that a six-month timespan was being put on Members to complete the training.

RESOLVED:

That the proposed changes to the Training Policy attached as Appendix A to the report be approved.

14. Investment Sub-Committee Membership.

The Committee considered a report of the Director of Corporate Resources, which informed Members of the membership of the Investment Sub-Committee for the period ending May 2025.

RESOLVED:

That the Investment Sub-Committee Membership be noted.

Cllr. Cartwright left the meeting at 11:06am and did not return.

15. LGPS Central Update.

The Committee considered a report of the Director of Corporate Resources the purpose of which was to provide an update on the Leicestershire Pension Fund's (the Fund) investments with LGPS Central (Central). A copy of the report marked 'Agenda Item 15' is also filed with these minutes.

The Chairman welcomed Mr. Richard Law Deeks, Mr. Nadeem Hussain, Ms. Anouska Ramsey and Ms. Susan Martin from LGPS Central, who supplemented the report with a presentation. A copy of the presentation slides is filed with these minutes.

It was noted that LGPS Central influenced and challenged investment managers for public markets through engagement. As a large pool it (Central) was a desirable investor and has used its leverage with managers to encourage more transparent reporting processes and encourage managers to make improvements.

RESOLVED:

That the report on the Leicestershire Pension Fund's investments with LGPS Central and presentation be noted.

16. LGPS Central - Infrastructure Presentation.

The Committee considered a report of the Director of Corporate Resources which provided information on the Leicestershire Pension Fund (the Fund) infrastructure investments with LGPS Central (Central). A copy of the report marked 'Agenda Item 16' is filed with these minutes.

Representatives from LGPS Central were again present and supplemented the report with a presentation. A copy of the presentation slides is filed with these minutes.

Arising from discussion the following points were made:

- i. It was recognised that infrastructure problems whereby solar and wind farms could not connect to the National Grid was currently an issue both nationally and internationally and caused a bottleneck to the delivery of projects, despite planning permission having been granted. However, the industry was evolving and other solutions were beginning to form, such as large scale hydrogen plants and utility scale batteries to manage grid fluidity.
- ii. A Member questioned, should infrastructure projects not go ahead, particularly when looking at North America, what the implications would be for Fund investments. LGPS Central reported that in America trillions of dollars of tax credits to encourage investment in renewables would continue to be available. Also, the UK was further ahead than a lot of other advanced economies in terms of renewables which was one of its differentiators compared to other markets, and it was not expected to be a retracting investment.

RESOLVED:

That the report on the Leicestershire Pension Fund's infrastructure investments with LGPS Central and presentation be noted.

17. Date of next meeting.

RESOLVED:

That it be noted that the date of the next meeting would be 6 September 2024, at 9.30am.

18. 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.

19. Presentation on LCCPF and Infrastructure Investments

The Committee received a presentation by LGPS Central. A copy of the presentation marked 'Agenda Item 20' is filed with these minutes. The presentation 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 presentation on LCCPF and infrastructure investments delivered by LGPS Central be noted.

20. LGPS Central Quarterly Report.

The Committee considered an exempt report by LGPS Central. 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.

21. Ruffer.

The Committee considered an exempt report by Ruffer. 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.

22. Aberdeen SL Capital.

The Committee considered an exempt report by Aberdeen SL Capital. 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.

23. Adam Street Partners.

The Committee considered an exempt report by Adam Street Partners. 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.

24. Catapult Ventures.

The Committee considered an exempt report by Catapult Ventures. 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.

25. Fulcrum.

The Committee considered an exempt report by Fulcrum. 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.

26. Legal and General Investment Managers.

The Committee considered an exempt report by Legal and General Investment Managers. 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.

27. LGPS Central Limited.

The Committee considered an exempt report by GGPS Central Limited. 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.

28. Colliers Property Performance and Investment.

The Committee considered an exempt report by Colliers Property Performance and Investment. 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.

29. Christofferson Robb & Company.

The Committee considered an exempt report by Christofferson Robb & Company. 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.

30. IFM Investors Quarterly Report.

The Committee considered an exempt report by IFM Investors. 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.

31. Infracapital Greenfield Partners.

The Committee considered an exempt report by Infracapital Greenfield Partners. 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.

32. LaSalle.

The Committee considered an exempt report by LaSalle. 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.

33. M&G Investments.

The Committee considered an exempt report by M&G Investments. 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.

34. Partners Group.

The Committee considered an exempt report by Partners Group. A copy of the report marked 'Agenda Item 35' 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.

35. Quinbrook Infrastructure Partners

The Committee considered an exempt report by Quinbrook Infrastructure Partners. A copy of the report marked 'Agenda Item 36' 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.

36. Stafford Timberland Quarterly Report.

The Committee considered an exempt report by Stafford Timberland. A copy of the report marked 'Agenda Item 37' 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.

37. Aegon Asset Management.

The Committee considered an exempt report by Aegon Asset Management. A copy of the report marked 'Agenda Item 38' 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.

38. Total Fund Summary 31 March 2024.

The Committee considered an exempt report by Hymans Robertson. A copy of the report marked 'Agenda Item 39' 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.

9.30am to 12.33pm
19 June 2024

CHAIRMAN