

Minutes of a meeting of the Local Pension Committee held at County Hall, Glenfield on Friday, 29 November 2024.

PRESENT

Leicestershire County Council

Mr. T. Barkley CC (in the Chair)
Mr. D. C. Bill MBE CC
Mrs. H. Fryer CC
Mr. D. J. Grimley CC
Mr. P. King CC

Leicester City Council

Cllr. G. Whittle

District Council Representative

Cllr. R. Denney

University Representative

Mr. J. Henry

Employee Representative

Mr. N. Booth

Independent Advisors in Attendance

Mr. Sameed Afzal	LGPS Central
Mr. Alex Galbraith	LGPS Central
Mr. Basyar Saleh	LGPS Central

90. Minutes.

The minutes of the meeting held on 6 September 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 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).

93. 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.

94. 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.

95. 2025 Valuation Principles.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to seek the Committee's approval of the funding principles for the Leicestershire County Council Pension Fund (the Fund) 31 March 2025 valuation. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

The Chair welcomed Mr. Tom Hoare from Hymans Robertson to the meeting.

Arising from discussion, the following points were made:

- i. The proposal to increase the prudence level within the future investment return assumption to 80% was supported. A Member queried if the same position was being taken by members of the pool and across the country generally. Hymans reported that the regulatory requirement was for pension funds to set prudent assumptions to ensure member benefits were protected. This was a subjective assessment for each fund, but looking at what other funds were doing was a useful guide. Historically most funds had sat somewhere between 70-75% but there had been a gradual increase in response to improved funding positions, improving market conditions but also increasing market volatility, and increased uncertainty for the future. Most funds were placed at around 75% at the last valuation, but early indications suggested the majority of funds would make the jump to an 80% prudence level at the current valuation.
- ii. A Member questioned in terms of the 120% employer funding level, if it would doubly ensure an increasing level of prudence. Hymans responded that it was a different way of rationalising prudence. Employers were not expected to be more than 100% funded, but the 120% was more of a target level to manage future volatility and a cushion against other things harder to predict, for example climate risk, which was more of an uncertainty than a risk and harder to quantify.
- iii. It was noted that if the target employer funding level was 100%, the Fund would systematically always be underfunded, which put individual employers in an uncomfortable position. For example, if an employer left the scheme, other employers would have to pick up the deficit, so having a 120% target provided a layer of prudence which helped with good management of the Fund, and took the risk off individual employers.
- iv. A Member queried that, when discussing stabilised employers which were the main principal councils, what impact the 120% prudence level had on those employing bodies that were not currently in surplus with the Fund, and if this affected their ability to reduce their deficit, or if they would be asked to pay more in contributions for a lower return. Hymans responded that it was critical for the Fund to strike a balance between protecting the Fund and protecting the employers. There were challenges being faced by stabilised employers on affordability and budgets, but it was reported they were all now in a surplus position (sufficiently

well-funded). Information on contributions would be provided at the Committee meeting in March 2025, when the results of a Hymans contribution modelling exercise would be available. The report would also contain information on quantitative factors as well as qualitative factors around affordability and fairness.

RESOLVED:

That the following principles for use in the 2025 valuation be approved:

- (i) To maintain the current stabilised approach for the employers deemed lower risk;
- (ii) To maintain the higher funding level target (of 120%) introduced at the 2022 valuation;
- (iii) To increase prudence level to 80%.

96. Mansion House Proposals.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was inform the Committee of a consultation paper issued by the Ministry of Housing, Communities and Local Government titled “Local Government Pension Scheme (LGPS): Fit for the Future” and which sought the Committee’s views on the key themes and approval for the Director of Corporate Resources to be authorised to respond to the consultation by the required deadline of 16 January 2025. A copy of the report marked ‘Agenda Item 7’ is filed with these minutes.

Arising from discussion, the following points were made:

- i. Primary legislation would be needed in order for the Government to implement proposals in relation to the LGPS, and administering authorities would have to comply with any legislation. Members raised concerns that the Fund might not get the same levels of returns if directed to invest in a specific way.
- ii. Members suggested that, following consultation, the Fund and LGPS Central move forward in a positive way to begin to implement the proposals put forward by the Government prior to any legislation being passed, subject to the primary focus being the protection of the Fund to ensure future payments to scheme members. The Director of Corporate Resources reported that the sentiment was that pooling was inevitable, and the Fund had embraced pooling, so the Government’s proposals were not as onerous as they would be for other authorities. However, a balance needed to be struck between the responsibilities the Committee would still hold and the relinquishing of power to Government, noting it would be hard to get consensus from the authorities across the pool because mindsets were different.
- iii. Members suggested that one concern that should be raised in response to the consultation was the returns on investment on areas such as housing and green energy, and that the feedback should include the need for checks and balances on all investments of whatever type to ensure that project budgets did not run out of control and become an investment problem. The Director suggested that the response could be strengthened to add that it would be important for investment returns to be commensurate with what could be received from elsewhere, and that it needed should be investment management led rather than politically led.

- iv. Members queried what would happen to legacy assets owned, such as property, farms, etc. and if the Fund would be affected by Stamp Duty Land Tax (SDLT). The Director reported that it was not yet known what had been agreed with HMRC. It was noted that there were ways to pool property directly without having to sell and rebuy, and that officers were working on the Fund's direct property portfolio to enable it to be pooled with LGPS Central.
- v. Members commented with concern that the proposals would mean administering authorities would be left with the responsibility of managing the Fund but with less control, and requested that this be fed back as part of the consultation process.

RESOLVED:

- (a) That the government consultation titled 'Local Government Pension Scheme – Fit for the Future' be noted.
- (b) That the Director of Corporate Resources, in consultation with the Chairman of the Local Pension Committee, be authorised to prepare the detailed response to the consultation on behalf of the Fund taking account of the comments now made by the Committee, and to submit this to Government by the deadline of 16 January 2025.

97. 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 investment markets and how individual asset classes were performing. The report also provided an update on action taken by the Investment Sub-Committee (ISC) at its meeting on 2 October 2024 with respect to an investment recommendation in sub-investment grade debt and sought approval for a proposal to commit £25million to a timberland investment. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from discussion, the following points were made:

- i. It was noted that the Fund had only a small number of Legal and General Investment Managers (LGIM) and LGPS investments in the Chinese economy, and that there was lower exposure than in past years with some mandates having been removed over time.
- ii. Members queried the potential for a depression of value if investors took money out of Western Asset Management (WAM). It was noted that the Fund had £400million invested in very liquid credit, and it was therefore unlikely to be affected, although planned investments had been halted whilst an internal investigation took place following allegations of potential violations of securities laws.
- iii. Members noted that the report had been written before the Chancellors budget announcement, and the finances in the report reflected that. It was reported that on UK growth in general, the Fund did not have a huge exposure to liquid equity in the UK and had become a more global fund over time. The Government wanted Funds to invest in the UK, but it would require due diligence and consideration from partners to ensure that the Fund was protected for its beneficiaries.

- iv. Members asked that, given the weighting to overseas investments, information on investments in BRICS countries be provided to Members.

RESOLVED:

- (a) That the update provided regarding investment markets, how individual asset classes are performing and action taken by the Investment Sub-Committee (ISC) at its meeting on 2 October 2024 be noted.
- (b) That the recommended £25million commitment to the Stafford infrastructure continuation fund (SITCON) be approved.
- (c) That the Director of Corporate Resources be requested to provide information to Members on investments in BRICS countries.

98. Investment Advisor Objectives 2025.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide details regarding the proposed 2025 investment advisor objectives for Hymans Robertson, the Fund's investment advisor. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

RESOLVED:

That the investment advisor objectives for 2025 as detailed in the appendix to the report be noted.

99. 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. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

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.

100. Climate Risk Management Report 2024 and Responsible Investment Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to set out how Leicestershire County Council's Pension Fund (the Fund) had achieved its first two major milestones with reductions in carbon intensity and financed emissions in achieving its 2030 interim targets for the equity portfolio. The report also presented the Fund's 2024 Climate Risk Management Report as (Appendix A) and recommended changes to the Climate Stewardship Plan and the primary measures related to climate solutions and fossil fuel reserves monitoring.

Further, the report provided an update on progress versus the Responsible Investment Plan 2024 (Appendix B), quarterly voting report (Appendix C) and stewardship activities

and a high-level overview of the Fund's investment managers net zero approaches. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

The Chairman welcomed Mr. Sameed Afza, Mr. Basyar Saleh and Mr. Alex Galbraith from LGPS Central to the meeting. They provided a presentation as part of this item. A copy of the presentation slides is filed with these minutes.

Arising from discussion, the following points were made:

- i. Members asked about the impact of President Elect Trump's intention to withdraw from the Paris agreement. Members were reassured that when previously elected President Trump's views and withdrawal from the agreement had minimal impact to how other countries in the world viewed climate change and that it was unlikely that the world would reverse its course. It was further noted there would still be opportunities to invest in the US and elsewhere, and it was LGPS Central's job as an investor to identify, assess and manage any risk, whether environmental, social, governance (ESG), or financial factors within its investments.
- ii. In response to a Member's question, it was confirmed the Fund had some exposure in terms of listed equities to fossil fuel companies. It was explained that the LGPS Central's Climate Stewardship Plan required a check on a company's contribution to finance emissions, upon which LGPS Central would focus on engaging with them to encourage a reduction in emissions, and also encourage companies to put more capital into ESG factors, for example, clean technology. Members were reassured that LGPS Central were engaging with companies to drive them forward to reduced emissions.

RESOLVED:

- a) That the Climate Risk Management Report, progress verses the Responsible Investment Plan 2024, quarterly voting report, stewardship activities and high-level overview of the Fund's investment managers net zero approaches be noted.
- b) That the proposed changes to the Climate Stewardship Plan companies as set out in paragraph 35 to 36 of the report be approved.
- c) That the proposed to changes to the primary focus of the climate solutions and fossil fuel measures to 'by revenue' within future reporting, as set out in paragraphs 17 to 19, in recognition of the rudimentary nature of the metrics as set out in the NZCS be approved.
- d) That the appropriate metrics as part of the review of the Net Zero Climate Strategy throughout 2025 and 2026 be noted.

101. Date of next meeting.

RESOLVED:

That it be noted that the date of the next meeting would be 31 January 2025.

102. 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.

103. Climate Risk Management Report - Exempt Information.

The Committee considered an exempt report of the Director of Corporate Resources, the purpose of which was to provide the Local Pension Committee with supplementary information to the public Climate Risk Management Report 2024 relating to fund-by-fund climate metric analysis and Climate Stewardship Plan company details. A copy of the report marked 'Agenda Item 15' 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.

104. LGPS Central Quarterly Investment Report - 30 September 2024.

The Committee considered an exempt report by LGPS Central. A copy of the report marked 'Agenda Item 16' 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.

105. Leicestershire Total Fund Summary Q3.

The Committee considered an exempt report by Hymans Robertson. A copy of the report marked 'Agenda Item 17' is filed with these minutes. The report was not for publication by virtue of paragraph 3 of Part 1 Schedule 12(A) of the Local Government Act 1972.

REESOLVED:

That the report be noted.

106. Ruffer.

The Committee considered an exempt report by Ruffer. 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.

107. Adams Street Partners.

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

108. LGPS Central PE Primary Partnership.

The Committee considered an exempt report by LGPS Central PE Primary Partnership. 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.

109. Fulcrum Diversified Core Absolute Return.

The Committee considered an exempt report by Fulcrum Diversified Core Absolute Return. 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.

110. Legal and General Investment Manager.

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

111. Patria SOF III.

The Committee considered an exempt report by Patria SOF III. 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.

112. KKR Global Infrastructure Investors.

The Committee considered an exempt report by KKR Global Infrastructure Investors. 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.

113. Christofferson Robb & Company.

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

114. IFM Global Infrastructure.

The Committee considered an exempt report by IFM Global Infrastructure. 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.

115. Infracapital Greenfield Partners LP.

The Committee considered an exempt report by Infracapital Greenhill Partners LP. 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.

116. LaSalle Leicestershire County Council Pension Fund.

The Committee considered an exempt report by LaSalle Leicestershire County Council Pension Fund. 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.

117. JP Morgan Asset Manager Infrastructure Investments Fund.

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.

118. LGPS Central.

The Committee considered an exempt report by LGPS Central. 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.

119. M&G Investments.

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

120. Partners Group.

The Committee considered an exempt report by Partners Group. 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.

121. Quinbrook Infrastructure Partners.

The Committee considered an exempt report by Quinbrook Infrastructure Partners. 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.

122. Stafford Timberland.

The Committee considered an exempt report by Stafford Timberland. 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.

123. Aegon Asset Management.

The Committee considered an exempt report by Aegon Asset Management. 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.

9.30 to 11.58am
29 November 2024

CHAIRMAN