

Minutes of a meeting of the Local Pension Committee held at County Hall, Glenfield on Friday, 31 January 2025.

PRESENT

Leicestershire County Council

Mr. T. Barkley CC (in the Chair)

Mrs. H. Fryer CC

Mr. D. J. Grimley CC

Mrs. M. Wright CC

District Council Representative

Cllr. R. Denney

University Representative

Mr. J. Henry

Employee Representatives

Mr. N. Booth

Mr. V. Bechar – in attendance online

Independent Advisors in Attendance

Mr. Richard Lunt                      Hymans Robertson

Mr. Russell Oades                      Hymans Robertson

124. Minutes.

The minutes of the meeting held on 29 November 2024 were taken as read, confirmed and signed.

125. Question Time.

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

126. 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).

127. Urgent items.

There were no urgent items for consideration.

128. 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.

129. Fit for the Future Consultation Response.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to outline the Fund's appended response to the consultation paper issues by the Ministry of Housing, Communities and Local Government titles "Local Government Pension Scheme (LGPS): Fit for the future" following the Committee's views on 29 November 2024. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from discussion, the following points were made:

- i. Members were asked to note that the Fund's response was largely supportive of the proposals, as the benefits of pooling were recognised, but the consultation and draft proposals had raised a number of questions and challenges and the response included some suggested solutions on how to deal with some of the these. For example, the Fund had put forward a request that fiduciary duties should be extended to pools as well as administering authorities, and that the Fund should retain a remit for high level investment objectives and strategic asset allocations. Members reiterated their view that these requests were absolutely fundamental to ensure protection of the Fund for scheme members.
- ii. The Fund had raised concerns around how legacy assets would be transferred, and the response sought to ensure this would be done in the most safe and cost effective way.
- iii. There was no timescale in terms of a government response, but regular updates would be provided to the Committee.

RESOLVED:

That the response to the Local Government Pension Scheme Fit for the Future consultation as set out in the report be noted.

130. Overview of the Current Asset Strategy and Proposed 2025 Asset Strategy

The Committee considered a report of the Director of Corporate Resources the purpose of which was to provide information on the outcome of the annual review of the Leicestershire Pension Fund's (the Fund) strategic investment allocation and structure. A paper written by the Fund's investment advisor Hymans Robertson (Hymans) in support was appended to the report. The report also provided guidance regarding the Fund's investment strategy in respect to the ongoing Fit for the Future (pooling) consultation. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Chair welcomed Mr. Richard Lunt and Mr. Russell Oades from Hymans 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 were reassured that advice and recommendations provided by Hymans on the direction of travel for the Strategy review had been consistent with the government's Fit for the Future consultation.

- ii. In terms of listed equity, the increase in asset value had caused the percentage of liquid equities to increase and these had performed well relative to some of the other classes, in particular bonds.
- iii. A Member queried, in terms of listed equity, if it was too simplistic to consider them as one block, instead of considering the different asset allocations separately. It was reported that whilst previously there had been several regional allocations, such as to Japan and emerging markets in North America, the portfolio had since been reduced to just five holdings: central global equity; central climate multi factor fund; LGIM low carbon transition; LGIM global equity; and LGIM UK equity.
- iv. A Member questioned if the listed equities were all passive funds. It was noted the LGIM funds were passive, the central global equity funds were wholly active, and the climate multi factor fund was semi-passive.
- v. In response to a question regarding the management of risk, Hymans responded that the equities portfolio had been spread amongst the developed markets, such as the US and UK, and allocations looked consistent with other LGPS funds. It was also important for the actuarial valuation that the expected return from the assets was high enough to make sure that contributions were of an appropriate level and that risks associated with this strategy were not too significant should there be a recession. Proposed targets were run through Hyman's modelling system, and both the expected levels of return and risk were comparable to the current strategy.
- vi. Members supported the need to keep diversification within the Fund. Hymans reported that this was a balancing act in terms of wanting to support the pool but also wanting to keep diversification. Part of the review to be carried out in 2025 would be in collaboration with Central looking at different areas of opportunity, noting it was key to keep diversification in the portfolio.
- vii. Further clarity was sought by a Member on why there was no case for moving into infrastructure further as an element of protection to reduce risk. It was explained that the weighting to infrastructure at 12.5%, including Timberland, was relatively illiquid, and as a long-term investor the Fund is mindful of illiquid investments, given assets could not be realised in the short term for cash flow purposes if needed. Members were assured that the weighting was considered to be appropriate at this time.
- viii. Members were advised of equity portfolio insurance, which paid out in the event of a fall in the market. It was noted there would be a modest drag on returns, but it was considered appropriate and justifiable as a way of reducing risk if the equity market were to fall significantly. It was noted that other pension schemes which had looked at the insurance considered cover for a period of 6 to 12 months to be an appropriate but some had chosen to take cover for a period of three years to match the actuarial cycle.

#### RESOLVED:

- a) That the changes to the 2025 target SAA allocation as described at paragraph 21 of the report be noted.

b) That the Committee approve that the three reviews below be undertaken and findings presented to the Investment Sub-Committee for consideration:

- A tail risk protection review scheduled for the end of 2025 with the scope to be defined in advance between officers and investment advisors and taking into account the outcome of the 2025 triennial valuation and required rates of future investment return.
- A review of two asset classes, property and private global credit with the aim to maintain exposure and take into account pooling consideration. The final scopes of both reviews to be agreed between officers and investment advisors.

131. Draft Responsible Investment Plan 2025.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to seek approval of the Leicestershire Pension Fund's Responsible Investment (RI) Plan 2025, to enable the Fund to further improve the management of responsible investment risks. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Members noted the high-level progress against the interim targets set which had been reached before the 2030 deadline, and development of metrics that were now coming in would provide greater insight into the companies invested in, and the Fund's involvement in resolutions.

RESOLVED:

That the Responsible Investment Plan 2025 be approved.

132. Pension Fund Training Needs Self Assessment.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on Training Needs Self Assessments which have been undertaken, and set out progress against the Fund's Training Policy and 2024 Training Plan. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

RESOLVED:

- a) That all members should complete the training needs assessment if not yet completed by 31 January 2025.
- b) That members not in current compliance with the Training Policy should commit to progressing completion of Hymans Aspire modules, noting that a record would be taken as at 31 March 2025 for the Fund's Annual Report.

133. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Committee would be held on 14 March 2025.