



**Minutes of a meeting of the Local Pension Committee held at County Hall,
Glenfield on Friday, 19 January 2018.**

PRESENT:

Leicestershire County Council

Mr. L. Breckon JP CC (Chairman)
Dr. S. Hill CC

Mr. Max Hunt CC
Mrs. R. Page CC

Leicester City Council

Cllr Deepak Bajaj
Cllr Dr Lynn Moore

District Council Representative

Cllr. Malise Graham MBE

Staff Representatives

Mr. N. Booth

Ms. J. Dean

Independent Advisers and Managers

Mr. S. Jamieson
Mr. A. Green

Independent Investment Advisor
Hymans Robertson

94. Minutes of the previous meeting.

The minutes of the meeting held on 10 November were taken as read, confirmed and signed.

95. Question Time.

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

96. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

97. Urgent items.

There were no urgent items for consideration.

98. 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.

99. Market Outlook.

The Committee received a report concerning global market conditions which was presented by the Fund's Independent Investment Advisor. A copy of the report, marked '8' is filed with these minutes.

The Committee noted that the Fund had benefited from favourable investment conditions during 2017 thanks to various factors including strong US and Asia economies and a distinct lack of volatility across trading markets.

RESOLVED:

That the report be noted.

100. Strategic Investment Benchmark and Portfolio Structure of the Fund.

The Committee considered a report of the Director of Corporate Resources which was accompanied by appendices produced by the Fund's Independent Investment Advisor and Investment Consultants Hymans Robertson. The report recommended a small number of changes to the Leicestershire Fund's strategic investment benchmark and portfolio structure. A copy of the report and appendices marked '7' are filed with these minutes.

Arising from discussion, the following points were noted:

- The proposed changes to the Fund's strategic benchmark, whilst modest, would improve the overall structure of the portfolio. The extremely encouraging asset returns achieved since March 2016 were expected to reduce slightly as market conditions changed and as a result the strategies' medium term return had been reduced to 3.6% above CPI, lower than the previously require return target of 3.9% above CPI;
- The revised strategic benchmark included a slight increase in the Fund's opportunity pool, moving the upper limit from 6% to 8% of the Fund's total assets. Whilst the increase was minimal in relation to the overall portfolio, it would allow for additional investments to be made where suitable opportunities were identified and approved by the Investment Subcommittee. The recommended allocation of an additional total 1% of assets, with the potential of splitting the increase between the Fund's existing infrastructure managers, through the sale of a small amount of equity investments, would enable additional exposure to less volatile asset class with similar medium-term return expectations;
- The recommended change to the Fund's neutral hedging currency position to 50% (from 70%) followed a period in which sterling had generally recovered from the worst of its falls following the UK's decision to leave the European Union. The change would help to protect the profits generated during the last year;
- During 2018 the Investment Subcommittee would be asked to consider the Fund's approach to its geographical balance of equity investments and the indices that it tracked as part of its passive equity exposure to fossil fuels would also be carried out:

- Several Local Government Pension Schemes had purchased portfolio insurance, at a considerable cost, to protect against significant falls in equity markets following their rise during 2017. Whilst a fall in equity value could not be ruled out, and should it fall in the region of 15% or greater those with insurance would be protected, it was considered reasonable for the Leicestershire Fund not to purchase portfolio insurance but be prepared to consider its exposure to equity assets should valuations become more stretched.

RESOLVED:

- a) That the revised strategic benchmark for the Fund as shown on page 20 of Appendix A of the report be approved;
- b) That the Director of Finance ,following consultation with the Fund's investment consultants, be authorised to split the increase in the Fund's strategic asset allocation to infrastructure between the Fund's existing infrastructure managers;
- c) That the revised portfolio split within the Fund's targeted return portfolios as set out below, be approved:

Ruffer	6.0% of total Fund assets
Aspect Capital	3.5% of total Fund assets
Pictet	2.0% of total fund assets
- d) That a change in the neutral hedging position in respect of the Fund's currency exposure created by its overseas equity benchmark position to 50% be approved;
- e) That an additional £25m investment into the Kames Active Value Property Unit Trust II, in order to close some of the Fund's current underweight position in property, be approved;
- f) That the Investment Subcommittee be asked to consider over the course of 2018 the issues of the regional equity split, the appropriate benchmarks against which the Fund's passive equities should be managed, and the potential impact of climate change onto benchmark returns.

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