



**LOCAL PENSION COMMITTEE – 19<sup>TH</sup> JUNE 2020**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**LGIM MARKETS UPDATE**

**Purpose of the Report**

1. To provide the Committee with background information on the Leicestershire Pension Funds (Fund) investment held with Legal and General Investment management (LGIM). A PowerPoint presentation will be made at the meeting by representatives from LGIM, a copy is attached at Appendix A.

**Background**

2. The Fund has invested in a number of passive investments with LGIM since 2007. These funds aim to track a benchmark and therefore there is no active manager involvement, rather individual shares are included and excluded from a benchmark based on pre-defined rules for the particular benchmark.
3. As at 31<sup>st</sup> March 2020 the Fund held £1.22 billion in LGIM funds per the table below.

<b>Fund</b>	<b>Benchmark</b>	<b>Valuation at 31<sup>st</sup> March 20 £m</b>
North America Equity Index	FTSE North America	£231.3 m
Europe (exc UK) Equity Index	FTSE Developed Europe exc UK	£109.8 m
Japan Equity Index	FTSE Japan	£95.8 m
Asia Pacific (exc Japan) Developed Equity Index	FTSE Developed Asia Pacific exc Japan	£96.1 m
World Emerging Markets Equity Index	FTSE Emerging	£69.0 m
FTSE RAFI all World 3000 – Developed Europe exc UK	RAFI all world 3000 Dev Europe exc UK	£108.1 m
FTSE RAFI all World 3000 – North America Equity Index	RAFI all world 3000 Nth America	£230.3 m
UK Equity Index	FTSE all Share	£126.8 m
UK Core Equity Index	FTSE all share core	£125.9 m
Single stocks		£28.0
<b>Total</b>		<b>£1,221 m</b>

4. LGIM perform rebalancing to the benchmarks by geographic funds.
5. The Fund's two RAFI (Research Affiliate Factor Index) funds invest in an index that is a non-price-weighted index strategy rather than traditional passive investment vehicles which are market capitalisation weighted, which means that as the price of a company increases so does its overall weight in the portfolio. The two RAFI funds favour companies which display 'value' characteristics.

6. The UK core Equity index fund which includes shares from the all share index (619 companies as at 31<sup>st</sup> March 2020) excludes specific companies, those that have weighting of more than 5% in the FTSE all share index.
7. These excluded companies are then held as single stock lines so that the Fund does not lose the full exposure to these companies from the UK core equity index Fund. The target weight for these largest companies is 3.5% of the UK core equity index Fund.
8. The Fund's LGIM passive holdings come with very low management fees and as such are considered to be 'pooled'.
9. Due to the cost of transaction fees, management fees, tax and tracking error there is a chance that the funds do not meet the benchmark index returns.
10. The Fund will hear from LGIM and their responsible investing policy within the presentation with a view to understanding any material policy differences.

### **Recommendation**

11. The Local Pension Committee is asked to note the report.

### **Equality and Human Rights Implications**

12. None

### **Appendix**

13. Appendix A - LGIM presentation

### **Background Papers**

14. None

### **Officers to Contact**

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