

Minutes of the Annual Meeting of the Leicestershire Pension Fund with the Contributors to, and Beneficiaries of the Pension Fund, held at County Hall, Glenfield on Monday 18 November at 12.30pm.

PRESENT:

Leicestershire County Council

Mr. P. Osborne CC (Chairman)
Mr. T. Barkley CC

Mr. R. Shepherd CC

District Representative

Cllr. M. Graham MBE

Leicester City Council Representative

Cllr. Bajaj

University Representative

Mr. Z. Limbada

Employee Representatives

Mr. N. Nick Booth
Ms. J. Dean

Mr. R. Bone

1. Minutes of the previous meeting.

The minutes of the meeting held on 11 January 2019 were taken as read, confirmed and signed.

2. Question Time.

The Chief Executive reported that questions had been received under Standing Order 35.

Question by Mr Richard Grenfell:

1. In the Statement of Investment Principles, section 4.2 Funding Risks, should the climate emergency be included as a systemic risk?
2. As part of the ESG principles section 7.0, given the climate emergency and the need to find more sustainable investments, is it time for the LGPS fund to divest itself of all direct and indirect exposure to fossil fuels, if not already done?

Reply by the Chairman:

1. The Leicestershire Pension Fund is currently in the process of consulting on the revised Investment Strategy Statement (ISS) which has replaced the mentioned Statement of Investment Principle's. Section 6.2 Asset Risk in the ISS covers this and highlights the risks and mitigation for the Pension Fund which describes systemic risk as, 'the possibility of an interlinked and simultaneous failure of several asset classes and / or investment managers, possibly compounded by financial contagion, resulting in an increase in the cost of meeting the Fund's liabilities.' The climate emergency does not neatly fall within this description and as such its importance is captured within section 8, Responsible Investing which covers our wider approach to environmental, social and governance (ESG) factors. The risk states that 'financial markets could be materially impacted by climate change and by the response of climate policymakers. Responsible investors should proactively manage this risk factor through stewardship activities, using partnerships of likeminded investors where feasible.' The Fund has committed to take responsible investment matters seriously and would not appoint an investment manager unless they could also evidence their RI considerations as an integral part of their investment decision-making process. Following the consultation period for the ISS we will look at making the linkage between the two sections (risk and RI) clearer so that the importance is apparent.
2. The overall objective of the Fund is to "provide pension and lump sum benefits as and when they fall due for members or their dependents." We aim to do this whilst maintaining our ESG principles as outlined in the Investment Strategy Statement. The Fund is part of LGPS Central, which exists to invest the pension funds of eight local authorities, which have total combined assets of over £40billion and as such has significant influence. LGPS Central has a dedicated Responsible Investing team which is utilised in a variety of ways to influence RI matters and is a signatory to the Principles of Responsible Investing (PRI). Being a signatory requires adherence to 6 principles. Principles 2 and 3 are of particular note:

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

As a result, LGPS Central will vote and influence companies in line with the stated policy on a variety of RI matters. We feel that working with company boards to highlight RI issues is a better use of our voting rights than divesting and losing our 'seat' at the table to influence improving RI which we believe can improve risk adjusted returns in the long run to the benefit of the members in our Pension Fund.

3. Questions asked by members.

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

4. Urgent items.

There were no urgent items for consideration.

5. 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.

6. Pension Fund Annual Report and Accounts 2018/19.

The Director of Corporate Resources gave a presentation on the annual report and accounts of the Pension Fund 2018/19. A copy of the report and presentation is filed with these minutes.

Arising from questions raised by members of the fund the following points were noted:-

- i) The employer costs cap had been reviewed as part of the Fund's scheme valuation, any change to the cost cap would only affect active members, not pensioners whose benefits would continue to rise in line with the consumer price index (CPI).
- ii) The Local Pension Committee and the Investment Subcommittee made investment decisions based on advice from the Fund's Investment Consultant and the Actuary, Hymans Robertson in line with the Fund's Investment Strategy.
- iii) Scheme Members were assured that events such as the USA China trade war, elections, the United Kingdom's exit from the European Union were relatively small blips on the Fund's overall performance, and that investment returns had continued to increase. The Fund diversification in property, equity, debt and infrastructure balanced out overall returns.
- iv) The Fund had committed to take responsible investment matters seriously and encouraged employees to respond to its current Investment Strategy Statement consultation.

RESOLVED:

That the contents of the Annual Report for 2018/19 and presentations from the Fund's Actuary and Director of Corporate Resources be noted.

7. Reports of the Employee Representatives of the Local Pension Committee and Local Pension Board.

Employee representatives of the Local Pension Committee and Local Pension Board provided members with an update on the work undertaken by the respective Committee/Board over the preceding year. A copy of the reports are filed with these minutes.

Mr. N. Booth was pleased to report that the Fund had moved from 76% funded in 2016 to 89% in 2019 and continue to retain some of its investment service in house. It was reiterated that the Fund was committed to reviewing its investment manager's position on environmental, social and governance factors and that such factors were taken into account when considering investment. As per one of the Fund's infrastructure funds which included solar and wind assets and nil exposure to coal with a positive return rate.

RESOLVED

That the reports be noted.

8. Election of Employee Representative to the Local Pension Committee.

The Chairman reported that two nominations for the position of Employee representative on the Local Pension Committee had been received. The nomination was for a Mr R Bone and Mr A Wilson. A ballot was therefore required. It was noted that current staff representatives elected to the Committee were:

Ms J Dean (to remain an employee representative for a period of 2 years, expiring at the Annual Meeting in 2021)

Mr N Booth (to remain an employee representative for a period of 1 year, expiring at the next Annual Meeting)

RESOLVED:

That Mr A. Wilson be appointed Employee Representative for a period of three years, expiring at the Annual Meeting in 2022

9. Election of Employee Representative to the Local Pension Board.

The Chairman reported that two nominations for the position of Employee representative on the Local Pension Board had been received. The nomination was for a Ms. R. Gilbert and Mrs D Stobbs. A ballot was therefore required.

It was noted that current staff representatives elected to the Board were:

Ms D Haller (to remain an employee representative for a period of 2 years,

expiring at the Annual Meeting in 2021)

Ms C. Fairchild (to remain an employee representative for a period of 1 year, expiring at the next Annual Meeting)

RESOLVED:

That Ms. R. Gilbert be appointed Employee Representative for a period of three years, expiring at the Annual Meeting in 2022.

That Ms. D. Stobbs be appointed as reserve Employee Representative for a period of one year, expiring at the next Annual Meeting.

10. To arrange the date and time of the next Annual Meeting.

RESOLVED:

That officers be requested to determine an appropriate date and time for the next Pension Fund Annual Meeting and publicise this date on the County Council's website.

CHAIRMAN

This page is intentionally left blank