



Minutes of a meeting of the Local Pension Committee held at County Hall, Glenfield on Friday, 14 March 2025.

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. M. Cartwright

Employee Representative

Mr. V. Bechar
Mr. N. Booth
Mr. C. Pitt

In attendance

DTZ International

Mr. Chris Cooper
Ms. Sarah Bell
Ms. Andrea White
Mr. Sam Brice
Ms. Jennifer Linacre (Online)

LGPS Central

Mr. Mike Hardwick

Vice-Chairman's Announcement

Prior to commencement of the meeting, the Vice-Chairman want to put on record the Committee's thanks to Mr. Tom Barkley, Chairman, who had announced he would not be standing again as County Councillor in the upcoming election. Mr. Barkley has been Chairman of the Local Pension Committee since June 2021, and had overseen significant growth of the Fund with an increase from £5.4billion to £6.6billion. He had provided strong advocacy for pooling, and a strong voice for shareholder interests and the Fund's fiduciary duty, including time as Chairman of the Joint Committee, and overseeing the Fund's first Net Zero Climate Strategy. All Members and Officers joined in thanking Mr. Barkley for his time on the Committee.

Members of the Committee also thanked Mr. David Bill who was also not standing in the upcoming election, and all other members for their work and time spent on the Committee.

134. Minutes.

The minutes of the meeting held on 31 January 2025 were taken as read, confirmed and signed.

135. Question Time.

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

136. 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).

137. Urgent items.

There were no urgent items for consideration.

138. 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.

139. 2025 Fund Valuation - Results of the Stabilised Employer Modelling.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to seek approval of the results of the stabilised employer modelling, a consultation with the stabilised employers, and a mid-valuation cycle review in September 2027. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

The Chairman welcomed Mr. Tom Hoare from Hymans Robertson (Hymans) to the meeting who was in attendance online. A presentation was provided 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. In response to a Members' query, it was acknowledged that the 6% contribution reduction in terms of the risk of regret was applied uniformly across all contributions, and furthermore, the stabilised employers had been through a number of valuation cycles, and had the expectation and understanding of the requirement to underpay in bad times, and overpay in the good.
- ii. In response to a question over the disparity between Blaby and Leicestershire County Council where the 'risk of regret' was a 22% and 11% respectively, it was explained that it was important to also look at the downside risk of a funding plan, and the new metric had resulted in the figures presented.

- iii. It was explained that 'risk of regret' was the chance that remedial action would need to be taken at the next valuation, for example, if the contributions of an employer were to be reduced from 26% to 20%, and at the next valuation it was acknowledged that the decision to reduce the contribution had been wrong.
- iv. Members noted that it was right to express caution around the current economic environment at home and geo-politics. It was further noted that it was a difficult period to project forward when looking at demographics after recently coming out of the pandemic, and life expectancy had been modelled specifically across Leicester, Leicestershire and Rutland. In terms of modelling halfway through the valuation the purpose was to provide guidance, not to change rates for a future valuation.
- v. A Member questioned if the 6% reduction in contribution was applied across all authorities, if the 'risk of regret' would reduce equally across all. It was noted that 'risk of regret' would not reduce equally as it was dependent on different factors affecting different employers.
- vi. A Member drew attention to upcoming local government reorganisation and asked if predictions had been made based on there being a reduction in councils in a few years. Members were advised that results were modelled based on the current structure of the scheme, and if there were to be any change to the structure or boundary changes, a number of factors would be looked at, such as assets and liabilities, and rates remodelled from current to new. On an administrative side there would be a lot of work behind the schemes but statutorily pension entitlements would remain the same.
- vii. In response to a Member's question, Hymans Robertson undertook to circulate information on the value of the 6% reduction in year one at whole Fund level to Members following the meeting. It was noted that where the figure became relevant was on the cash flow side where the reduction would eat into the current next cash flow position, but it was noted that the Fund was in a very healthy net positive position with contributions coming in from employers covering pension payments. The Committee would need to revisit the position again in three to five years when payments would not be covered by employer contributions, with the possibility of switching investment units to bolster income.
- viii. A Member queried how the 'risk of regret' number would change if the 120% funding changed. It was explained that if the funding buffer target was reduced to 100%, then the 'risk of regret' would also reduce as there would not be any need to hold as much money, and in three years' time there would be a lower chance that reducing the contribution rates was a regret. Hymans was requested to share with Members following the meeting a few different scenarios of the modelling undertaken to help explain different 'risk of regret' examples.

RESOLVED:

- a. That the proposed changes to the stabilised employer contribution rates from 1 April 2026 to 31 March 2029, subject to there being no material changes, be approved.

- b. That the consultation with the stabilised employers to discuss the proposed rates from 1 April 2026 to 31 March 2029 be approved.
- c. That the mid-valuation cycle review in September 2027 be approved.
- d. That Hymans be requested to circulate information on the value of the 6% reduction in year one at whole fund level to Members.
- e. That Hymans be requested to provide examples of scenarios modelled to explain the term risk and regret.

Mr. Tom Hoare, Hymans Robertson, left the meeting at 10.15am.

140. Pension Fund Policy Report.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present the annual update of the Pension Fund's current strategies and policies, covering any new policies that have been introduced or amendments that had been made. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

RESOLVED:

That the revised policies as set out in the report be approved.

141. Pension Fund - Business Plan and Budget 2025/26.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to seek approval of the Pension Fund's Administration and Investment Business Plans, and the Pension Fund budget for 2025/26. The Committee also considered a Training Plan appended to the report. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

Arising from discussion, the following points were made:

- i. Members queried the increase in transaction costs which had risen by £6million compared to budget. It was explained that the budget for 2024/25 was set before the end of year outturn for the previous year, which had seen incurred costs in the nature of investments which had been chosen, for example, stamp duty when adding to the property fund, however, the investments had higher returns. The forecast for the current and future years now reflected those increased transaction costs.
- ii. Members were advised that any new Members sitting on the Committee would undertake an induction prior to sitting as a Member of the Committee.

RESOLVED:

- a) That the Pension Fund's Administration and Investment Business Plan and Pension Fund budget for 2025/26 be approved.
- b) That the Training Plan for 2025 be noted.
- c)

142. 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 9' is filed with these minutes.

A Member queried why Risk 12: Guaranteed Minimum Pension (GMP) data had been removed, and asked if it would have been prudent to keep it as a 'Green' risk under the RAG rating. It was explained that the reasoning for the risk's removal was following a national exercise which highlighted the importance to all funds of getting all GMP data from HMRC to ensure data was recorded, reconciled and either increases or decreases were all actioned. The exercise had been completed, and with anyone retiring that fell into the GMP category could be checked against the HMRC data, and had just become part of the retirement process rather than be considered a risk.

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.

143. DTZ International (DTZ) - UK Property Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide information on the Leicestershire Pension Fund (Fund) direct property investments and the performance of the UK direct property fund and market outlook. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

The Chair welcomed Mr. Chris Cooper, Ms. Sarah Bell, Mr. Sam Brice, (Ms. Andrea White (Online) and Ms. Jennifer Linacre (Online) from DTZ International (DTZ) to the meeting for the agenda item. They provided a presentation as part of this item. A copy of the presentation slides is filed with these minutes.

The Chair also welcomed Mr. Mike Hardwick from LGPS Central for the agenda item.

Arising from discussion, the following points were made:

- i. DTZ informed Members that there were four main risks in investing, namely, location, credit, obsolescence, and leasing. As investors, DTZ managed risks to minimise the impact of risk and to maximise returns. DTZ invested 85% of capital in the top six economic regions across the UK. In terms of economic output, the risk DTZ was most prepared to accept was leasing risk, where short term leases were taken into portfolios and relet on better terms.
- ii. In response to a Member's question, DTZ viewed the East Midlands as one of the critical regions for investments. Historically focus would have been on retail warehousing, but more recently, light industrial and logistics had been the main focus for the benefit of the East Midlands region. When looking at investments, DTZ usually had a minimum 10-year hold period in mind, however, the length of time of the investment was dependant on the performance and profile of risk and returns that could change over time and therefore alter the view of the asset itself.

- iii. It was noted that real estate looked at the mix of value in the land, the amount of value in the building, and value in the tenant lease. Purpose built buildings tended to have been tailored to one particular user, which brought its own risk whereby too much focus was on the quality of the tenant's credit rather than on a tenant's core business and should, therefore, be avoided.
- iv. It was noted that in previous years, land and its value had been the most important factor in an investment, but focus had moved towards the value in a building and the credit it would yield, for example, with logistics as an asset class, there were now some highly mechanised buildings, and the nature of the asset class as an investment had changed from being a value investment to a growth investment and the risk parameter had shifted.
- v. DTZ informed Members that when looking at economic outlook, whilst the year had ended positively for the commercial property market, it had not been matched by developments in the UK economy. Since the start of the year there had been weaker GDP growth, weaker business sentiment, increased geopolitical pressures under the Trump administration, increases in bond yields following a global bond market selloff, and market unease around the policies announced in the autumn budget.
- vi. In terms of property prospects, DTZ advised that investments should be targeted towards alternative sectors such as the living sectors, primary health care and essential retail segments, namely, supermarkets and retail warehouses, plus industrial sectors. It was advised to avoid non-prime retail and non-prime offices, both of which were likely to be impacted by lower levels of demand, both in terms of investors and also occupiers over the forecast period. It was also advised to currently avoid care homes just because of the some of the increases in national insurance contributions and also the minimum wage which was likely to hit many operators in the short term. A Member had queried why the care sector had been picked out specifically and was informed that the risk could also be applied to the leisure industry which fitted the same dynamic.
- vii. DTZ's ESG policy was focused on, at the point of acquisition, ensuring the right assets were purchased that could be transitioned in the future and that costs were built in. Tenant engagement was key to understanding tenants' usage of energy, water and waste production, and to help tenants reach their own ESG targets by making improvements to buildings.
- viii. A Member noted that many industrial and retail warehousing buildings had space for photovoltaic (PV) panels and queried if it was an area DTZ would encourage and invest in. DTZ stated it did form a clear part of its ESG strategy and asset improvement plans, and acknowledged that those types of buildings lent themselves to PV installations, and that it was going through a process of looking at a number of assets within the portfolio, and specifically on the assets in Maidstone, to look at the feasibility of installing PV panels on roofs, either through landlord installation, and through tenants within the estate who had approached DTZ to install their own PV panels.
- ix. A Member questioned if, with regards to the returns of offices in the City West End and Southeast, there were plans to change the relative weightings in those areas to something more long term. DTZ responded that the weightings reflected the relatively

early stage of investment of the portfolio, and the longer term aspirations of the fund were to build a balanced portfolio that would be invested across the various sectors.

- x. At the point of acquisition, a cash flow assessment of the asset was undertaken, which looked at current and future potential growth in income and current estimated rental values. DTZ had, on a number of occasions, outperformed performance targets and rents had been ahead of where assumed at acquisition on a number of assets.
- xi. The existing portfolio showed correlation in some sectors that were both overweight and forecast to deliver positive returns, namely retail warehouses, and industrials in both the Southeast and rest of the UK. A sector that was overweight but forecast not to perform and expected to deliver negative returns was Southeast offices.
- xii. In the round the portfolio was reasonably well placed at macro level with several sectors both overweight and forecast to perform well. The next stage would be to drill down into looking at individual properties and evaluate individual risk profiles within the portfolio, assessing each property against the four risk items.
- xiii. A member questioned when porting large warehouses, if a high performing company driving profits deteriorated over time and moved into administration with returns minimal, if anything at all, how it impacted reporting. DTZ explained that credit risk was difficult to control directly in terms of the tenant's own business, but there were a few tactics that you could be applied, for example to secure a guarantor for that group, secure a rental deposit which could be called upon if the tenant had not paid rent, or consider insurance products in the event of tenant default.

RESOLVED:

That the report DTZ Investors UK Property Update report and presentation be noted.

Mrs Fryer left the meeting at this point and did not return.

144. 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 the investment markets and how individual asset classes were performing. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Arising from the discussion the following points were made:

- i. In response to a Member's question, it was clarified that the Growth investment group was on target, however, the Income group was 7.5% behind target at around £500million, and was made up of infrastructure, private credit, property, and the multi asset credit (MAC) product.
- ii. Commitments had been made to the infrastructure funds which was behind target by approximately £150million, and would take time to be fully called, as would the global private credit commitments made largely via LGPS Central. Property was almost on target, with DTZ having funds outstanding to purchase more property within the next few months. With the MAC product, managers were currently being changed which would be completed around June 2025.

- iii. In terms of pooling, the Government had asked pools to submit their own plans on how they were going to deliver objectives, which was subsequently submitted on 28 February 2025, and formal feedback was awaited.
- iv. In the LGPS Central plan that went to Government, there were a number of ways the Fund could be 100% pooled that did not involve selling assets and rebuying them, but would require due diligence to progress.

RESOLVED:

That the Summary Valuation of Pension Fund Investments report be noted.

145. Responsible Investing Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on progress versus the Responsible Investment (RI) Pla 2025, and the Fund's quarterly voting report and stewardship activities. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

RESOLVED:

That the Responsible Investing Update report be noted.

146. Date of next meeting.

RESOLVED:

It was noted that the date of the next meeting of the Committee would be held on 27 June 2025.

147. 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.

148. Leicestershire Total Fund Summary Q4

The Committee considered a report of Hymans Robertson. 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 Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

149. LGPS Central Quarterly Investment Report - 31 December 2024

The Committee considered a report of LGPS Central. 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.

RESOLVED:

That the report be noted.

150. Ruffer Quarterly Report

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.

151. Adams Street Partners Quarterly Report

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.

152. Fulcrum Diversified Core Absolute Return Quarterly Report

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

153. Legal and General Investment Manager Quarterly Report

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

154. LGPS Central PE Primary Reports

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

155. Patria SOF Quarterly Report

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.

156. KKR Global Infrastructure Investors Quarterly Report

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.

157. LGPS Central Direct Property Quarterly Report

The Committee considered an exempt report by LGPS Central Direct Property. 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.

158. Saltgate UK AVPUT

The Committee considered an exempt report by Saltgate UK AVPUT. 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.

159. Christofferson Robb & Company CRF Quarterly Report

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

160. IFM Global Infrastructure Quarterly Investor Report

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

161. Infracapital Greenfield Partners LP

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

162. JP Morgan Asset Manager Infrastructure Investments Fund Quarterly Report

The Committee considered an exempt report by JP Morgan Asset Manager. 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.

163. LaSalle Leicestershire County Council Pension Fund Quarterly Report

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

164. LGPS Central Credit Partnership Quarterly Report

The Committee considered an exempt report by LGPS Central Credit Partnership I LP. 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.

165. LGPS Central Core/Core Plus Infrastructure Partnership LP Quarterly Report

The Committee considered an exempt report by LGPS Central Core/Core Plus Infrastructure Partnership LP. 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.

166. M&G Investments Debt Opportunities Quarterly Report

The Committee considered an exempt report by M&G Investments Debt Opportunities Fund II. 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.

167. Partners Group Multi Asset Credit Monthly Report

The Committee considered a report of Partners Group. 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 Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

168. Stafford Timberland Quarterly Report

The Committee considered an exempt report by Stafford Timberland. A copy of the report marked 'Agenda Item 36' 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.

169. Aegon Asset Management Quarterly Report

The Committee considered an exempt report by Aegon Asset Management. A copy of the report marked 'Agenda Item 37' 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.

9.30am to 11.58am
14 March 2025

CHAIRMAN

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