



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.

45. Governance Review.

The Committee received a report from the Director of Corporate Resources regarding a governance review undertaken by the Fund's Independent Advisor. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from the presentation set out by Clare Scott, the Fund's Independent Advisor the following points were noted:-

- i. The Local Pension Board's role was to assist the Authority and Local Pension Committee. It had no decision-making powers, other than to report breaches to the Pensions Regulator where necessary.
- ii. Further consideration by officers would be given to how the Committee and Investment Subcommittee oversaw investments, longer-term performance and net new money. A report setting out arrangements would be brought to a future meeting.
- iii. Members were encouraged to complete the Training Knowledge Assessment form provided, to enable officers to create an individualised training plan and update the Training Policy if needed.

RESOLVED:

That the report be noted.

46. Terms of Reference.

The Committee received a report from the Director of Corporate Resources regarding the revised Terms of Reference. A copy of the report is marked 'Agenda Item 7' is filed with these minutes.

RESOLVED:

That the revised Terms of Reference be approved.

47. Annual Report and Accounts 2019/2020.

The Committee received a report from the Director of Corporate Resources regarding the Leicestershire Pension Fund's Annual Report and Accounts 2019/20. A copy of the report is filed with these minutes, marked 'Agenda Item 8'.

Arising from discussion the following points were noted:-

- i. Grant Thornton audited Leicestershire County Council account's and the Leicestershire Pension Fund jointly. The Committee noted that the Corporate Governance Committee was responsible for the maintenance of high standards within the Authority in relation to the Council's Code of Corporate Governance and

had discussed the report at its meeting on 25 November. Members were pleased to note that the Fund received a clean audit with no significant issues of concern.

- ii. One risk, related to the County Council's ERP Finance Software, was queried by the Committee. The Director informed Members that the risk was not material to the Fund. The Fund's own IT systems and website was supported by Haywood's, the system creator that ensured security remained up to date. Additionally, Hymans Robertson aided checks of data quality in relation to monthly posting while the Council's Internal Audit Team monitored processes within the Pensions Team.
- iii. The increase of £36million to £40million in investment manager costs was a result of the asset base of the Fund increasing and additional transitional costs to LGPS Central. The Committee noted that transitions to Central had been slower than initially planned.
- iv. Administration performance was reported to the Local Pension Board quarterly. A handful of targets had been missed partly due to the IT system upgrade and new legislation being introduced. The Board would continue to scrutinise and monitor the situation and highlight any issues to the Committee.
- v. The Fund was committed to responsible investment as had been set out in its 2020 plan, there were a few remaining milestones to reach and a further plan would be created for 2021 that would be brought to Committee.

**RESOLVED:**

That the Pension Fund Annual Report and Accounts for 2019/20 be approved.

**48. Restriction of Public Sector Exit Payments.**

The Committee received a report from the Director of Corporate Resources regarding the Fund's response to the consultation on the Restriction of Public Sector Exit Payments and the Fund's proposed solution for dealing with impacted cases. A copy of the report is filed with these minutes, marked 'Agenda Item 9'.

The Director informed the Committee that on 4 November 2020 the Restriction of Public Sector Exit Payments Regulations came into effect, which would reduce the total benefit package of a scheme member that breached the £95,000 cap.

The Committee noted the current inconsistency with current LGPS Regulations where if a member retired on either redundancy or efficiency grounds aged 55 or over, a pension strain cost was calculated and paid by the employer to the Fund, funding the early release of unreduced pension benefit to the scheme member. It was expected that the LGPS regulations would be aligned with the Exit Cap the first quarter of 2021.

In the interim, the Fund had taken legal advice and followed the Local Government Associations guidance and proposed a solution to deal with cases where the member retires from 4 November 2020, as was set out in the report, which the Committee supported.

The Pensions Manager had informed employers of the situation and asked that they inform employees that may be affected by such changes. The Committee noted that the Fund was unable to provide financial advice as to what action employers and employee would take.

Members remained concerned that until legislation was confirmed and finalised it was impossible to understand the potential impact the £95k cap may have on employees, employers and the Fund (in relation to pension strain). The Committee was assured that they would be kept updated on the matter.

RESOLVED:

- a) That the Committee note the Fund's reply to the consultation on the Restriction of Public Sector Exit Payments.
- b) That the Fund's proposal for dealing with impacted cases from 4 November 2020 be approved.

49. Action agreed by the Investment Subcommittee and LGPS Central Transitions Update.

The Committee received a report from the Director of Corporate Resources regarding the action agreed by the Investment Subcommittee on 14 October 2020 and progress with LGPS Central transitions. A copy of the report is filed with these minutes, marked 'Agenda Item 10'.

RESOLVED:

That the report be noted.

50. Summary Valuation of Pension Fund Investments.

The Committee received a report from the Director of Corporate Resources regarding the Summary Valuation to 30 September 2020. A copy of the report is filed with these minutes, marked 'Agenda Item 11'.

The Committee noted that as at quarter end not all of the 2020 Asset Allocation moves had been enacted, such as the investment into Central's Multi-Asset Credit Fund. Members were pleased to note however, that the Fund hoped to transition its Ashmore holding to LGPS Central's two manager Active Emerging Market Debt fund in early December 2020.

The Fund held £133million in cash reserves, part of which would be invested in the expected LGPS Central Multi-Asset Credit fund in 2021. Instruction had further been provided to the Fund's existing property managers to consider properties that may fit with the current Fund profile. The updated 2021 asset allocation would continue to look at the balance of asset allocation within the Fund.

RESOLVED:-

That the report be noted.

51. Risk Management and Internal Controls.

The Committee received a report from the Director of Corporate Resources the purpose of which was to provide an update on risk management, internal control and the Fund's Budget. A copy of the report marked '12' is filed with these minutes.

RESOLVED:

That the revised risk register be approved.

52. Responsible Investing Update.

The Committee received a report from the Director of Corporate Resources regarding Responsible Investing. A copy of the report is filed with these minutes, marked 'Agenda Item 13'.

Arising from the discussion the following points were noted:

- i. The Fund submitted voting recommendations at 864 company meetings containing 8,891 resolutions in the quarter. At 480 of those meetings the Fund, via its managers, recommended voting against or abstaining on over 5,600 separate resolutions. Of those 44% were board structure related, 14% remuneration related.
- ii. The Committee were pleased to note that good progress had been made to completing actions within the 2020 Responsible Investment Plan. The following years plan would developed with LGPS Central and be brought in early 2021 for comment and approval.
- iii. The Fund was a member of the Local Authority Pension Fund Forum, an association of 80 local authority pension funds. The Forum sought to protect and enhance the value of members shareholdings by optimising funds influences as shareholders on environmental, social and governance issues and thereby to promote corporate social responsibility and high standards of corporate governance. Leicestershire contributed £10,000 annually to the Forum.

RESOLVED:

That the report be noted.

53. Date of Next Meeting.

That the next meeting of the Committee take place on 22 January 2021 at 9.30am.

54. Exclusion of the Press and Public.

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.

55. Climate Risk Report.

The Committee received a presentation from LGPS Central which detailed the Climate Risk Report. The presentation was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972. The Committee welcomed Amelia Gaston, Gordon Ross Laura Michie and Valborg Lie from LGPS Central.

Arising from the discussions the following points were noted:-

- i. LGPS Central used an external service provider to conduct the Climate Scenario within the Climate Risk Report. Having considered the implications different climate scenarios would have on business sectors and each of the Fund's asset classes it considered that a two-degree scenario was the most that could be sustained, which aligned to the commitments of the Paris Agreement.
- ii. The Committee noted that the Intergovernmental Panel on Climate Change (IPCC) had recently stated that a 1.5 degree impact was as much as could be sustained. The International Energy Agency had also recently published a long-term energy scenario reflecting that scenario. It was expected a revised scenario would be developed in due course as the market moved towards the 1.5 degree scenario as standard. This would produce more accurate data that could be modelled against the Fund's assets.
- iii. LGPS Central would continue to monitor its managers climate performance, where there was underperformance Central would engage with managers to understand any justification or motivation behind decisions made.
- iv. The Committee were pleased to note that the report evidenced that the revised Asset Allocation, approved by the Committee in January 2020, had improved the Fund's performance in such climate scenarios with its increase in weighting to low carbon equities. Hymans Robertson, the Fund's independent advisor would further consider the Climate Risk Report as part of its 2021 review of the Fund's Asset Allocation which the Committee would consider January 2021.

RESOLVED:

That the report be noted.

56. LaSalle Property Markets Update.

The Committee received a presentation from LaSalle providing an update on Property Markets. The presentation was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

The Committee welcomed Amelia Gaston, Anne Lucking and Alistair Dryer from La Salle.

The Committee were pleased to note that La Salle believed in taking care in Environmental, Social and Governance factor per best practice, understanding that it only enhanced performance for the Fund's investments. LaSalle's commitment was evidenced having achieved A+ in strategy in governance for the past four years with its submission to the Principles for Responsible Investing.

RESOLVED:

That the presentation be noted.

57. LGPS Central Quarterly Report.

The Committee considered a report by LGPS Central, a copy of which marked 'Agenda Item 18' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

58. LGPS Central Quarterly Emerging Markets Equity and Global Equity Reports.

The Committee considered a report by LGPS Central, a copy of which marked 'Agenda Item 19' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

59. Legal and General Investment Manager Quarterly Report

The Committee considered a report by Legal and General Investment Manager, a copy of which marked 'Agenda Item 20' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

60. Adams Street Partners Quarterly Report.

The Committee considered a report by Adams Street Partners, a copy of which marked 'Agenda Item 21' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

61. LGPS Central Global Active Investment Grade Corporate Bond Fund.

The Committee considered a report by LGPS Central, a copy of which marked 'Agenda Item 22' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

62. LGPS Central - Property Quarterly Report.

The Committee considered a report by LGPS Central, a copy of which marked 'Agenda Item 23' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

63. Aegon Asset Manager Quarterly Report

The Committee considered a report by Aegon,, a copy of which marked 'Agenda Item 24' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

64. JP Morgan Quarterly Report

The Committee considered a report by JP Morgan, a copy of which marked 'Agenda Item 25' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

65. IFM Investors Quarterly Report

The Committee considered a report by IFM Investors, a copy of which marked 'Agenda Item 26' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

66. Kohlberg Kravis Roberts (KKR) Quarterly Report.

The Committee considered a report by KKR, a copy of which marked 'Agenda Item 27' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

67. LaSalle Quarterly Report.

The Committee considered a report by La Salle, a copy of which marked 'Agenda Item 28' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

68. Stafford Timberland Quarterly Report

The Committee considered a report by Stafford Timberland, a copy of which marked 'Agenda Item 29' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

69. Millennium Global Quarterly Report

The Committee considered a report by Millennium Global a copy of which marked 'Agenda Item 30' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

70. Christofferson Robb & Company Quarterly Report.

The Committee considered a report by Christofferson Robb & Company, a copy of which marked 'Agenda Item 31' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

71. Partners Quarterly Report.

The Committee considered a report by Partners, a copy of which marked 'Agenda Item 32' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

72. LGPS Central Emerging Market Debt Quarterly Report

The Committee considered a report by LGPS Central a copy of which marked 'Agenda Item 33' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

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27 November 2020

CHAIRMAN