

Local Government Pension Scheme Bulletin



Issue 5

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Leicestershire County Council Pension Fund and the Russia - Ukraine conflict

As the Russia – Ukraine conflict persists we thought it would be useful to provide an update about the Pension Fund’s position.

The Fund has a minimal exposure to Russian stocks or bonds. At the latest available position, we estimate this to be about 0.15% of total fund assets, or about £10 million.

This exposure is spread across a number of investments, with LGPS Central and Legal and General’s Passive World Emerging market fund holding the majority of the exposure.

The LGPS Central funds include the Global Equity Fund, the Global Emerging Market Equity Fund, the Multi Asset Credit Fund, and the Climate Multi Factor Fund. This week we have been talking to the managers at LGPS Central to understand the position of these four funds.

Three of the funds are run by active managers who are able to ‘choose’ their investments rather than mimic an index.

Most of the managers have sold before the conflict escalated or are planning to sell when possible, or do not have a position. However, the Russian stock exchange is currently closed. This obstruction is further compounded by the fact any such sales and proceeds may be currently blocked from leaving Russia. The Central Bank of Russia has imposed a temporary suspension on Russian banks executing withdrawal transactions of funds in all currencies held by foreign clients (both legal entities and individuals), to the accounts opened in foreign countries. The suspension covers residents of the countries who have issued sanctions against the Russian Federation.

Three of the managers are adopting a 'wait and see' approach and the Leicestershire County Council Pension Fund intends to work with LGPS Central to strongly encourage the move to zero exposure.

Investments which are based on passive indexes (Legal and General World Emerging markets and LGPS Central Climate Multi factor fund) are dependent on the index providers position on the constituents. FTSE Russell, who provide the indexes to our two passive funds, stated on 2nd March, "Russia will be deleted from all FTSE Russell Equity Indices effective from the open on Monday 7th March 2022". The deletion of Russia from indexes will mean a small reweight across other countries and any holdings removed will be divested (when markets and regulations allow) at a significant loss versus their pre-conflict prices.

We have one other exposure of £1 million through Adam Street Partners. This is through a fund of funds product, which reduces our level of influence and together with the holding being in private markets, makes the holding less liquid. Adam Street Partners have confirmed that these holdings are not new, and they and their underlying funds have not made new investments in Russia for a number of years. The Fund will take the same stance, encouraging the removal of exposure to Russia.

Other Local Government Pension Scheme (LGPS) Funds that have communicated their exposure to Russia to the Local Government Chronicle (LGC) have similar or higher levels of exposure. You can read the article [on the LGC website](#).

Greater Manchester Pension Fund (GMPF) report having around 0.2% connection to Russian holdings and Kent report having around 0.3%. Note that not all LGPS funds will have communicated their holdings to the LGC. However, it appears that the Leicestershire County Council Pension Fund is at the lower end of exposures.

Officers see the changes being made to be in line with wider policy and statements from other countries and pension funds and whilst the Leicestershire Fund has a small exposure, we are supportive of the changes being proposed.

If you require any further information on this topic, please email pensioninvestments@leics.gov.uk.

Regards,
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