



Meeting **Pension Fund Annual General Meeting**

Date/Time **Monday, 14 December 2020 at 12.00noon**

Location **Microsoft Teams (details below)**

Officer to contact **Miss C Tuohy (0116 305 5483).**

E-Mail cat.tuohy@leics.gov.uk

Arrangements for Access.

Any Leicestershire Pension Fund Scheme Member or Member of the Public can follow proceedings at this 'virtual' Annual General Meeting and participate in a moderated Q&A session during the live event via the weblink below.

[https://teams.microsoft.com/l/meetup-join/19%3ameeting_NDYyOTZjYmUtNWM4NC00OTMwLWI3MjltOTg3MzhlOTBhYml5%40tthread.v2/0?context=%7b%22Tid%22%3a%221fcf6b4b-21c9-40c2-b753-a29d57017359%22%2c%22Oid%22%3a%2256283e58-4fc8-4dc9-9c91-4b473cfa20b8%22%2c%22IsBroadcastMeeting%22%3a%22true%22%7d](https://teams.microsoft.com/l/meetup-join/19%3ameeting_NDYyOTZjYmUtNWM4NC00OTMwLWI3MjltOTg3MzhlOTBhYml5%40thread.v2/0?context=%7b%22Tid%22%3a%221fcf6b4b-21c9-40c2-b753-a29d57017359%22%2c%22Oid%22%3a%2256283e58-4fc8-4dc9-9c91-4b473cfa20b8%22%2c%22IsBroadcastMeeting%22%3a%22true%22%7d)

Further advice on accessing meetings through Teams, is available here:

<https://support.office.com/en-us/article/Attend-a-live-event-in-Teamsa1c7b989-ebb1-4479-b750-c86c9bc98d84>

AGENDA

| <u>Item</u> | <u>Report By</u> | <u>Marked</u> |
|---|------------------|---------------|
| 1. Minutes of the meeting held on 18 November 2019. | | (Pages 3 – 8) |
| 2. Question Time. | | |
| 3. Questions asked by members under Standing Order 7(3) and 7(5). | | |



4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.
5. Declarations of interest in respect of items on the agenda.
6. Pension Fund Annual Report and Accounts 2019/2020. Director of Corporate Resources (Pages 9 - 52)

This item will include a presentation by the Director of Corporate Resources followed by a moderated question and answer session via Teams Live.
7. Local Pension Board Annual Report. Local Pension Board (Pages 53 - 62)
8. Election of Employee Representative to the Local Pension Committee.
9. Election of Employee Representatives to the Local Pension Board.
10. Any other items which the Chairman has decided to take as urgent.
11. Date of the next Annual General Meeting.

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

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LOCAL GOVERNMENT PENSION SCHEME LEICESTERSHIRE

Administered by

LEICESTERSHIRE COUNTY COUNCIL

Pension Fund Annual Report

Year ended 31st March 2020

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The fund has a number of policy statements that are available on the links below. They have not been reproduced within the Annual report, as when taken in combination are sizeable and some have previously been seen by the Pensions Committee.

13. Statement of Accounts - <https://www.leicestershire.gov.uk/about-the-council/council-spending/accounts-and-payments>

14. Funding Strategy Statement - https://leicsmss.pensiondetails.co.uk/documents/Funding_Strategy_Statement_September_2020.pdf?language_id=1

15. Statement of Investment Principles - https://leicsmss.pensiondetails.co.uk/documents/Investment_Strategy_Statement_Feb_2020.pdf

16. Administration & Communication Strategy - <https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2018/9/7/LCC-Pension-Fund-Admin-and-Comms-Strategy.pdf>

1. INTRODUCTION

Leicestershire County Council is the administering body for the Local Government Pension Scheme (LGPS) within Leicestershire and Rutland. Leicestershire County Council has a statutory obligation to administer a Pension Fund for eligible employees of all Local Authorities within the County boundary and also the employees of certain other scheduled and admitted bodies. The Fund does not cover teachers, police or fire-fighters as they have their own schemes.

This report has been produced in accordance with Section 57 of the Local Government Pension Regulations 2013. It sets out the way in which the Pension Fund is managed both in relation to the administration of benefits and to the investment of the Fund's assets.

The benefits within the scheme are determined by regulation and guaranteed by statute. The pension fund exists to help defray the cost of paying pension benefits. Contributions to the pension scheme are made by both employees and employers. Any new employee is automatically brought into the scheme unless they opt out.

$$\boxed{\begin{array}{l} \text{Employee} \\ \text{Contributions} \end{array}} + \boxed{\begin{array}{l} \text{Employer} \\ \text{Contributions} \end{array}} + \boxed{\begin{array}{l} \text{Investment} \\ \text{Returns} \end{array}} = \boxed{\begin{array}{l} \text{Pension} \\ \text{Payments} \end{array}}$$

The Fund's membership increased by approximately 2,500 during 2019/20 and at the year-end stood at just over 95,000. Active employees and Pensioners saw an increase in numbers while deferred pensioners saw a decrease in numbers.

2. SCHEME MANAGEMENT AND ADVISORS

The Local Pension Committee is responsible for the management of the Fund, and considers pensions matters with a view to safeguarding the interests of all Fund members. The Members who sit on the Committee act on behalf of the beneficiaries of the LGPS and in this way have a similar role to trustees in primarily protecting the benefits of the LGPS members, overseeing the direction of investments and monitoring liabilities. The Committee comprises of five County Council members, two from Leicester City Council, two members representing the District Councils, one representative of De Montfort/Loughborough Universities and three non-voting staff representatives. In order to ensure continuity, staff representatives, who are chosen at the Fund's Annual General Meeting, are appointed to the Committee for a three year period but arrangements have been made to ensure that at least one staff representative place becomes available each year. The Local Pension Committee sets the overall investment strategy for the Fund and will deal with all investment governance issues. The Committee meets quarterly and also has a separate annual meeting to consider strategic issues relevant to the Fund.

The Investment Subcommittee consists of six voting members (the Chair, Vice Chair, one other elected member of the County Council, the Universities representative and one member representing each of the City and District Councils, all of whom are members of the Local Pension Committee) and one non-voting staff representative. Its role is to consider action that is in-line with the strategic benchmark agreed by the Board and to take a pro-active approach to the Fund's investments, and also to deal with 'tactical' issues associated with implementing the strategy, such as investment manager appointments and the timing of asset allocation changes.

The Committee and Subcommittee receive investment advice from Hymans Robertson LLP and are supported by Independent Advisor, Clare Scott. Other consultants will also be utilised if there is felt to be an advantage to this.

The Local Pension Board was established by the Administering Authority under Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) and operates independently of the Local Pension Committee. The Board's role is to assist the County Council as the Administering Authority as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme. The Administering Authority retains ultimate responsibility for the administration and governance of the Scheme.

Membership of the Local Pension Board consists of six voting members. Three employee representatives elected in the same manner as those employee representatives on the Local Pension Committee, and three employer representatives comprising two elected members of Leicestershire County Council and one elected member from Leicester City Council.

There is a statutory requirement for the Fund to maintain a Governance Compliance Statement, and this is replicated in full in section 10.

At a national level the LGPS is governed by the Ministry of Housing Communities and Local government (MHCLG) and the LGPS Scheme Advisory Board (SAB). The LGPS also takes account of guidance issued by the Pensions Regulator and Pensions Ombudsman determinations.

The role of the Scheme Advisory Board is to help and support MHCLG and administering authorities fulfil their statutory duties and obligations. SAB aims to be both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.

Scheme Management and Advisors

| | |
|--|--|
| <u>Local Pension Committee</u> | |
| <u>Leicestershire County Council</u> Mr. P. C. Osborne CC (Chairman) Mr. T. Barkley CC (Vice-Chairman) Mr. P. Bedford CC Dr. S. Hill CC Mr. M. Hunt CC | <u>Leicester City Council</u> Cllr. D. Bajaj Cllr. R. Govind <u>District Council Representatives</u> Cllr. C. Frost Cllr. M. Graham MBE |
| <u>Employee Representatives</u> Mr. A. Wilson (from November 2019) Mr. R. Bone (to November 2019) Mr. N. Booth Ms. J. Dean | <u>University Representative</u> Mr. Z. Limbada |
| <u>Local Pension Board</u> | |
| <u>Employer Representatives</u> Mr. R. Shepherd Mrs. R. Page CC (Chair) Cllr. E. Pantling | <u>Employee Representatives</u> Ms. C. Fairchild (Vice- Chair) Ms. D. Haller Ms. D. Stobbs (to November 2019) Ms R. Gilbert (from November 2019) |
| <u>Officers responsible for the Fund</u> | |
| <u>Finance</u> Chris Tambini - Director of Corporate Resources - Leicestershire County Council | <u>Pensions Administration</u> Ian Howe - Pensions Manager - Leicestershire County Council |
| <u>Investment Managers</u> | |
| Investments managed by LGPS central Pool LGPS Central Global equities (<i>Harris, Schroders & Union</i>), Emerging market equities multi-managers fund (<i>BMO, UBS, Vantabel</i>), LGPS Central PE Partnership 2018LP | |
| Others: Adams Street Partners Ashmore Aspect Capital La Salle Investment Management Catapult Venture Managers Colliers Capital UK Cristofferson, Robb & Company Infrastructure Funds Management Internally Managed JP Morgan Asset Management | Aegon Asset management (formerly Kames Capital) Kravis Kohlberg Roberts Legal & General Investment Management Macquarie Investments Partners Group Permal (formerly Fauchier Partners) Pictet Asset Management M&G Investments Ruffer LLP Stafford Capital Partners Standard Life Aberdeen |
| <u>Pooled investments</u> LGPS Central | |
| <u>Fund Custodian</u> JPMorgan, Bournemouth | <u>Legal Advisor</u> County Solicitor, Leicestershire County Council |
| <u>Independent Investment Advisor</u> Clare Scott | <u>Actuary and Investment Consultant</u> Hymans Robertson LLP, Glasgow |
| <u>Auditor</u> Grant Thornton LLP | <u>AVC Provider</u> Prudential, London |
| <u>Banker</u> National Westminster Bank, Leicester | <u>Scheme Administrator</u> Leicestershire County Council |

3. Risk management

There are many risks associated with the Local Government Pension Scheme, covering both the investment of the assets and the administration of the benefits payable. It is almost impossible to create a definitive list of these risks and many of the on-going risks are monitored by Officers. Regular reports are brought to the attention of the Local Pension Committee and Local Pension Board to provide the latest position on key risks.

The biggest risk for the Fund is that the value of assets held will ultimately be insufficient to pay for all the benefits due. This risk is quantified by a triennial actuarial valuation, which compares the value of assets to the accrued liabilities and sets employer contribution rates that are considered appropriate to ensure that all benefits can be paid; the Fund is currently in deficit (i.e. the value of assets is less than the accrued liabilities) so the employer contribution rates, at a whole Fund level, include payment for not only future service as it accrues but also contributions towards the deficit. Given that many benefits will not become payable for a long time, and taking into account the financial strength of most employers, the actuary is able to take a long-term approach to recovery of the deficit.

The performance of the assets of the Fund is an important element in helping to maintain affordable employer contribution rates – the higher the long-term investment return achieved, the more of the benefits will be funded by investment returns rather than employer and employee contributions. A long-term approach is taken to agreeing an asset allocation benchmark, with both return and risk considered. The Fund's asset allocation policy is reviewed annually.

Individual investment manager performance is of lower importance than the asset allocation benchmark, but individual manager performance does have an impact and their performance is considered and reviewed regularly. When there are doubts about a manager's ability to generate future performance that is in line with the Fund's requirements/expectations appropriate action will be taken, and this may include the release of a manager. It is not generally optimal to change managers on a frequent basis due to the associated costs (which are mainly the impact of bid/offer spreads and charges within markets), and as a result changes are considered very carefully before they are agreed.

The Local Pension Committee receives advice from the investment practice of Hymans Robertson and is supported by an independent investment advisor, and this assists in making decisions in respect of both overall investment policy, manager selection/retention and good governance.

The Fund employs a large number of investment managers, and all of these invest in a specific asset class and can be termed 'specialist'. Many of these managers are required to have external assessments of their systems and operations and these are reviewed to ensure that there are no issues which put the Fund's investments at risk.

Other investment managers that the fund employs are appointed by LGPS Central Ltd, a company which pools together pension fund assets from various pension funds across the Midlands. Leicestershire County Council along with 8 other pension funds is a joint owner of the company. The company has its own governance and risk management structures in place.

Under the Pensions Regulations all employers must pay over contributions deducted from employees, plus the required employer contributions, to the administering authority within certain timescales. These payments are monitored closely, and immediate action is taken in the event of a late payment. Late payment does not put the benefits of individuals at risk.

Many of the risks associated with providing efficient and cost-effective Pensions Administration are mitigated by ensuring that officers involved in LGPS are knowledgeable and well-trained on an on-going basis. Ensuring that employers understand their responsibilities to the Fund and fulfil them efficiently is also crucial, and an on-going programme of support for them is in place.

4. Financial Performance

Non-investment cash inflows for the fund come via contributions from Employers. There were a small number of incidences of late payment of contributions by employers over the year, and these were exclusively because of administrative failings on their part. On each occasion the employer was reminded of their responsibilities, and it was not felt necessary to levy interest on overdue contributions. Employer contributions ranged from 15% to 32.0% with the average employer rate being 24.5%.

Administrative costs were at £40.1m for the year compared to £36.0m in the previous year (2018/19). This increase was largely due to additional investment manager costs based on the assets under management and transitioning investments to LGPS central. Investment management fees are variable as they are based on market values that are impossible to predict in advance. Action was taken during the year to reduce investment management costs where there was opportunity to do so. There were no material movements in non-investment assets and liabilities.

The general trend of overall net cash flows is monitored, whether these are derived from investment or non-investment related sources. Non-investment cash flows were positive by almost £44.1m in 2019/20, compared to £25.9m in 2018/19. In addition, the Fund received investment income of £36m. In the context of the funds, £4 billion of assets, the cash flow movements are not material. Any short-term cash surpluses or shortfall can be managed through the funds passive investments that have good levels of liquidity.

Cash flows are unlikely to reduce in the near future, despite cuts to budgets within Local Authorities that could reduce membership (and hence employee/employer contributions). Whilst benefits paid are increasing, due to increasing numbers of pensioners and inflation-linked annual increases, the value of this increase is offset by the increasing rate of employers' contribution. In future years this could result in a reduction in the available cashflow and will require monitoring. The Fund also has significant investments in accumulation funds where the investment income is reinvested rather than distributed, and these could, if required, be changed to income producing funds with the generation of an extra £30m+ cash flow p.a.

The overall impact of a strong positive cash flow is that the Fund has flexibility in the selection of investments and fewer restrictions due to liquidity concerns. There are strong controls in place for ensuring that all income due is received and that benefits are not overpaid. A monthly automated check of pensioners is carried out through a reliable tracing agency to ensure that pensions cease upon death, and the Fund has a very low incidence of overpayments that occur either as a result of fraud, late notification or error.

Details of contributions in and payments out of the fund are shown below:

| 2018/19 | | 2019/20 |
|----------------------|---------------------------------------|----------------------|
| £m | Payments in: | £m |
| (149.5) | Employer Contributions | (167.9) |
| (39.9) | Member Contributions | (42.7) |
| <u>(10.3)</u> | Transfers in From Other Pension funds | <u>(12.3)</u> |
| (199.7) | Total Inflows | (222.9) |
| | Payments out: | |
| 124.8 | Pensions | 127.8 |
| 32.5 | Lump Sum Retirement Benefits | 32.9 |
| 4.6 | Lump Sum Death Benefits | 3.1 |
| <u>11.9</u> | Payments to and on Account of Leavers | <u>15.0</u> |
| 173.8 | | 178.8 |
| (25.9) | Net Cash (inflows) | (44.1) |

5. Pension Scheme Administration

The number of scheme members who are either receiving a benefit or who have a future entitlement to one increased by 2355 over the course of the year. This figure excludes the 4,000+ members who have no entitlement to a benefit from the fund but do retain the right to either a refund of contributions or a transfer to an alternative pension arrangement.

Active membership increased by 1367 from 34,412 to 35,779.

Pensioners increased by 1063 from 27,973 to 29,036.

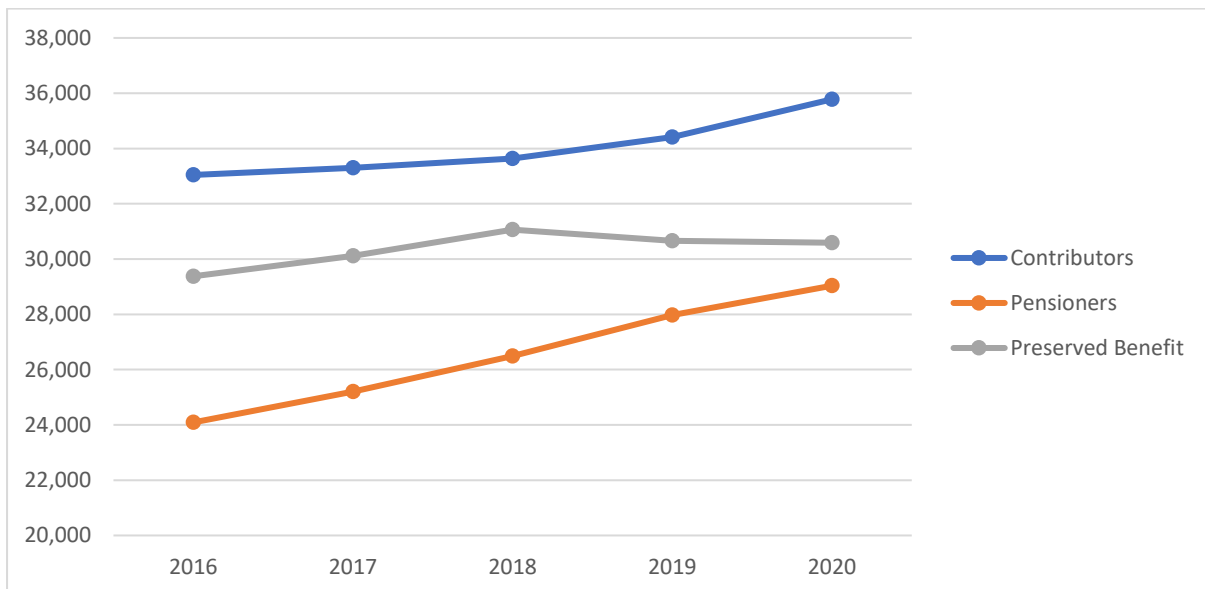
Preserved membership decreased by 75 from 30661 to 30586.6.

The Fund's employers have completed the auto enrolment process, with many of the larger employers completing this prior to 2017/18. The auto enrolment process forces employing bodies to bring almost all employees that are eligible to join the LGPS but are not currently scheme members into the scheme. This is reflected by the increase in active members over the past 5 years.

The number of pensioners has been increasing at a rate of 2% per annum over the past 5 years, a trend that is expected to continue.

Membership numbers over the last 5 years are shown in the graph below:-

| | % increase over 5 years |
|-------------------|-------------------------|
| Contributors | 8.3% |
| Pensioners | 20.5% |
| Preserved Benefit | 4.1% |



Leicestershire Pension Fund contributions:

| Employer Name | Employer | Employee |
|------------------------------------|----------------|---------------|
| | Contributions | Contributions |
| | £000 | £000 |
| Leicester City Council | 43,603 | 11,135 |
| Leicestershire CC | 38,076 | 9,673 |
| The Chief Constable & The OPCC | 9,237 | 2,745 |
| Leics De Montfort University | 9,569 | 2,908 |
| Loughborough University | 6,659 | 1,629 |
| Charnwood Borough Council | 3,721 | 791 |
| North West Leics DC | 2,890 | 776 |
| Rutland CC | 2,581 | 742 |
| Hinckley and Bosworth BC | 2,515 | 692 |
| Blaby District Council | 1,957 | 551 |
| ESPO | 1,893 | 496 |
| Leics Fire Service (Civilians) | 857 | 249 |
| Harborough District Council | 1,709 | 375 |
| Oadby and Wigston BC | 1,163 | 245 |
| Melton BC | 1,045 | 283 |
| FE and Sixth Form colleges | 5,872 | 1,628 |
| Town & Parish Councils | 609 | 155 |
| Academies, Free Schools and others | 33,946 | 7,627 |
| Total | 167,900 | 42,700 |

The Leicestershire Local Government Pension Fund provides services in line with the requirements of a fund of this nature. This includes the correspondence with members, calculation of benefits, maintenance of members records and data and Pension payments through the payroll service. A service is also provided for members to log onto the online member site and a service for employers to upload member data monthly.

The fund has 28.3 full time equivalent working in Pension Scheme Administration. Scheme membership is 95,000 equating to 3,371 members per FTE.

The fund has several performance indicators in respect of administration performance, which are split between speed of processes and customer satisfaction. These are reported on a quarterly basis to the Local Pension Board.

Pension Fund Annual Report

| | | |
|--|------------------------------------|----------------|
| Accuracy of Data | Common Data | 99.20% |
| | Scheme Specific (Conditional Data) | 90.40% |
| Average Cases Per Member of Staff | Average per FTE (Completed tasks) | 608 |
| Complaints | 6 stage 2 IDRPs in 2019/20 | Less than 0.5% |
| Types of cases dealt with (only KPI tasks) | Deaths | 928 |
| | Pension Estimate | 999 |
| | CETV Estimate | 312 |
| | Retirement | 3,222 |
| | Deferred Benefits | 2,723 |
| | Transfers in and Out | 87 |
| | Calculate and Pay a Refund | 812 |
| | Formal notification of Joining | 8,142 |

Leicestershire Pension Fund key administrative Performance Statistics

Full Year - 1 April 2019 to 31 March 2020

| Business Process Perspective | Target † | | | Customer Perspective - Feedback | Target † | | |
|--|----------|------|---|--|----------|------|---|
| Retirement Benefits notified to members within 10 working days of paperwork received | 92% | 94 % | ▲ | Establish members understanding of info provided - rated at least mainly ok or clear | 95% | 99 % | ▲ |
| Pension payments made within 10 working days of receiving election | 95% | 90 % | ▼ | Experience of dealing with Section - rated at least good or excellent | 95% | 90 % | ▼ |
| Death benefits/payments sent to dependant within 10 working days of notification | 90% | 91 % | ▲ | Establish members thoughts on the amount of info provided - rated as about right | 92% | 95 % | ▲ |
| | | | | Establish the way members are treated - rated as polite or extremely polite | 97% | 99 % | ▲ |
| Good or better than target | ▲ | | | Email response - understandable | 95% | 91 % | ▼ |
| Close to target | ▶ | | | Email response - content detail | 92% | 92 % | ▲ |
| Below target | ▼ | | | Email response - timeliness | 92% | 95 % | ▲ |

Other fund information:

Help desk arrangements and information are as follows:

| Contact Type | From | To | Contact |
|---------------------------|---|---------|-----------------|
| MSS Helpdesk Phones | 8:00am | 17:00pm | 0116 3057886 |
| Benefits Helpdesk Phone | 8:00am | 17:00am | 0116 3054000 |
| Pensions Benefits Queries | Pensionsbenefits@leics.gov.uk | | |
| Email MSS Queries | PensionsMSS@leics.gov.uk | | |
| General Pensions Queries | Pensions@leics.gov.uk | | |
| Address | Pensions Section Leicestershire County Council County Hall Glenfield Leicester LE3 8RB | | |

Internal Disputes

If you are not satisfied with any decision given by either the Pension Section or your employer/ former employer, relating to your Local Government Pension Scheme (LGPS) benefits, you may appeal in writing under the Internal Disputes Resolution Procedure (IDRP). You must write within 6 months of receiving the decision.

Any points of difference should firstly be addressed with the Pensions Office on an informal basis. You can write to:

The Leicestershire County Council Pension Section, County Hall, Glenfield, Leicester, LE3 8RB

Or, contact the Pensions Officer who has dealt with your case. Their name and contact details will be on your correspondence.

We will then try to resolve the matter for you. Should you still be unhappy and wish to take the matter further you can request an information sheet and form to complete. This will contain the name and address of the 'Specified Person' nominated by your employer or former employer who would formally investigate your complaint.

Following this, if you are still dissatisfied with their decision, a 'second stage' of complaint can be requested, which will be looked at by the Legal Services team at Leicestershire County Council in most cases.

Should you be dissatisfied with the outcome of this, further details of the next stages of complaint would be provided at the time, should this be necessary.

Further advice can be found at the following:

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| | | |
|----------------------------|-------|---|
| Pension Advisory Service | web | https://www.pensionsadvisoryservice.org.uk/ |
| | phone | 0800 011 3797 |
| LGPS Regulation & Guidance | | https://www.lgpsregs.org/ |

Good Governance in the LGPS

Following on from the production of the Good Governance Report to the national Scheme Advisory Board (SAB) on 8th July 2019, which was presented to the Board on 16th September 2019, the SAB agreed to constitute two working groups to take forward the proposals included in the report. Hymans Robertson were appointed to assist the working groups in this next phase of the good governance project.

The first working group (Standards and Outcomes Workstream) was asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how these outcomes should be evidenced.

The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

A report, 'Good governance in the LGPS Phase 2' has been prepared for the SAB by both working groups and includes detailed implementation proposals for their workstream including a list of the changes required to guidance to implement this framework. The Fund's officers are working through the proposals, some areas have been addressed and are listed below:

- A training policy approved by the Pensions Committee
- The fund having an administration and communication strategy in place
- A specific Pensions Business Plan and separate Pension Fund budget was approved by Pensions Committee
- The Fund administration is not limited to the same Council decisions in terms of certain functions e.g. recruitment freezes

In terms of wider improvements that link to scheme governance the following are being implemented:

- Greater development of on-line solutions for scheme members to enhance the user experience, e.g. preserved benefit modeller and move to an online retirement process.
- Further roll out of monthly data posting using IConnect, which links to data improvements.
- Implementation of pensioner payroll through the pensions administration system.
- Implementation of immediate payments, allowing Pensions to make payment of single values directly e.g. lump sums, death grants, refunds etc

6. INVESTMENT POLICY AND PERFORMANCE

The Fund's strategic asset allocation benchmark at the year end was as follows:

| | Weighting | Benchmark | Difference |
|---------------------------|-----------|-----------|------------|
| Equities | 46.50% | 46.75% | -0.25% |
| Real Income Fund | 26.90% | 24.75% | 2.15% |
| Alternatives | 24.20% | 27.50% | -3.30% |
| Cash and hedge Collateral | 2.40% | 1.0% | 1.40% |
| | 100.00% | 100.00% | 0.00% |

The setting of the strategic benchmark is the most important decision that the Committee makes. It is this decision that will have by far the most significant impact onto the investment return achieved and approximately 90% of the Fund's overall risk is encompassed within the choice of benchmark. Individual investment manager choices are important as they can produce added value by outperforming their benchmarks, but their influence is small in comparison to the choice of benchmark.

Although some investments have moved over to LGPS central as part of asset pooling, the Local Pension Committee still retain full responsibility for asset allocation and will continue to be accountable for the majority of the Fund's investment performance.

A comprehensive analysis of investment holdings by manager and their associated performance is provided in Appendix A. A summary is provided below:

| | 1 Year %p.a. | | 3 Years %p.a. | |
|-------------------|--------------|-------------|---------------|------------|
| | Fund | Benchmark | Fund | Benchmark |
| Equities | -11.5 | -8.8 | -0.9 | 0.5 |
| Private | 11.1 | -6.2 | 11.3 | 2.2 |
| Real Income | 2.7 | 2.6 | 5 | 4.6 |
| Alternative | 0.7 | 4.2 | 1.4 | 4.2 |
| TOTAL FUND | -4.3 | -2.3 | 1.8 | 2.5 |

The Fund has a large number of investment managers and it is inevitable that some of them will have periods of disappointing performance – sometimes this disappointing performance can last multiple years, and can be the result of a particular investment 'style' not being in favour with market sentiment. It is important to understand why managers are performing as they are – regardless of whether this is above or below their benchmark – and to assess whether this is of cause for concern. Knee-jerk reactions that are based on relatively short periods of poor performance are not sensible, and understanding the reasons for poor performance is vital. It is implausible to believe that all managers appointed by the Fund can simultaneously perform well, the Fund needs to have a

reasonable spread of management styles and asset classes and occasionally a manager is chosen specifically because they are different to other managers.

The Local Pension Committee and Investment Subcommittee will continue to monitor the performance of managers and make changes when it is deemed appropriate, although the pooling of investments within the Local Government Pension Scheme mentioned earlier in this report means that there needs to be a greater awareness of when action is appropriate and when it is not and indeed action will be taken at a pooled level rather than an individual pension fund level. Since 1st April 2014 all investment performance has been measured net of investment management fees and the figures quoted above are, therefore, after taking these into account.

The management of the individual asset classes is carried out as follows:

Equities

The Fund has a global passive equity manager (Legal & General) that manages against both market capitalisation benchmarks and also against alternative benchmarks. The Fund has two active equity investments with LGPS Central (the pooling company), a global equity multi manager investment and an active emerging market multi manager product.

Within equities the Fund also has private equity investments (i.e. investment in unquoted companies), the vast majority of which is managed by Adams Street Partners.

Real Income Fund

Property - Colliers Capital UK manage a directly owned property portfolio but have scope to invest in specialist pooled property funds which are in areas that they find attractive but would not be practical to buy directly, usually due to the size of individual investments (for example leisure complexes based around multiplex cinemas or Central London offices).

La Salle Investment Management manage a portfolio of pooled property funds, which includes some covering a wide range of property types and some which are specialist in nature. Via their ability to research the underlying holdings and the skills of the property managers, it is expected that they will add value to the Fund.

The Fund has also invested in two stand-alone property 'recovery' funds, managed by Kames Capital.

Inflation-linked

UK inflation is one of the Fund's biggest risks, due to the direct link to benefits and the less-direct link to salary growth of active members. Protecting against this risk is, therefore, sensible but it is also very expensive – it would involve taking money out of assets that are seeking investment growth (e.g. equities) and investing it in safer, and therefore lower-returning, index-linked bonds. This would push up employers' contribution rates to levels which are unaffordable, so cannot be implemented in a large scale manner.

The most natural asset for protecting the Fund against its inflation risk is UK Government index-linked bonds, but these are expensive as there are a number of price-insensitive buyers and a lack of supply. As a result the Fund has a three-pronged approach to obtaining some protection against inflation – investment in infrastructure and timberland (both of which have a good historic link to inflation, and also good return prospects), and also a global government index-linked portfolio.

Kames Capital manages a portfolio of global index-linked stocks. The Fund has three global infrastructure managers - IFM, KKR and JPMorgan - whilst the timberland investment is managed by Stafford Timberland

Alternative Assets

Targeted return - The Fund's targeted return exposure can generally be categorised as investments that are seeking to make a return of 4% p.a. more than could be achieved by an investment in cash (i.e. only slightly below the expected long-term return from equities), and with the expectation that the return will be achieved with relatively low volatility. There are many different ways of achieving this goal and the Fund has three different managers in this area - Aspect Capital Partners, Ruffer and Pictet Asset Management.

Credit - The major exposure within credit is in a private debt fund managed by Partners Group, although there are also modest exposures to a 'best ideas' bond fund managed by JPMorgan. The Fund's exposure to Emerging Market Debt is in a pooled fund managed by emerging market specialist manager Ashmore.

Other opportunities Fund - The 'Other' weighting is often referred to as the 'opportunity pool'. The broad principle of these investments is that they will offer the prospect of excellent returns, but they will not generally fit neatly into the Fund's strategic benchmark. The high returns will often be available as a result of a market disconnection or a misunderstanding of the risks and this situation will not last indefinitely, and hence the opportunities cannot be considered for inclusion within the strategic benchmark. At the year-end the opportunity pool consisted of three different funds managed by M & G that have virtually identical investment aims. The intention is for the manager to utilise their expertise in restructuring the balance sheets of companies that are stressed, to the advantage of bond holders.

Other portfolios

The Fund also has a currency portfolio that looks to profit from relative movements in currency values, which is managed by Millennium. No 'cash backing' is required, and this portfolio is not included within the strategic asset allocation benchmark. This mandate was terminated in January 2020 after the annual allocation review conducted by the Funds advisor.

Foreign Exchange hedging is undertaken by Kames Capital to reduce the impact of currency fluctuations, rather than being held for an investment return.

7. Member training and attendance

The Fund's Training Policy was adopted in November 2019 and applies to all members of the Local Pension Committee, Local Pension Board and senior officers involved in the management and administration of the Fund. In relation to training for those involved in the governance and the day to day management and administration of the Fund. The Training Policy has regard to relevant codes of practice and guidelines issued by the Pensions Regulator, CIPFA, the training needs of the Committee and Board and the Fund's current priorities.

All Members are required to take induction training prior to taking up their role and are provided with an Information Pack including all relevant reading material to keep up to date with pensions issues.

Members of the Committee and Board complete self-evaluation forms on an annual basis assessing their General Understanding, and knowledge on Funding, Investment and Pension Administration. A personal Training Plan is then developed for each Member based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund as part of reports to the Board and Committee and following meetings delivered by officers or the Fund's providers such as the Actuary, independent advisers and investment managers.

Given there have been a number of recent changes both within the LGPS, and externally in the broader pensions environment all Board and Committee Members are encouraged to complete The Pension Regulator's online training and other external training as held by the Scheme Advisory Board, Local Government Association, Hymans Robertson as well as LGPS Central's at its Annual Stakeholder Day. Members of the Committee and Board also attended the Annual LGPS Governance Conference held on the 23-24 January 2020.

8. Responsible investing

The Fund's responsible investing (RI) policy is contained within the investment strategy statement alongside the Fund's view of environmental social and governance (ESG). The Fund is continually developing its RI policies with the support of LGPS Central's in house team. Fund's launched by LGPS Central ensure ESG credentials of managers are tested during the procurement phase.

The Fund's 2020 RI plan is shown below with progress as at the year end shown. Post the year end the RI plan has largely continued as expected with the climate risk report (CRR) being delivered before the year. The CRR report will analyse our listed equity exposure against the relevant benchmarks for the investment and provide analysis against various metrics including carbon footprints and exposure to green revenues. The report will incorporate areas that the Fund can investigate to improve climate metrics.

Each Investment Manager presentation delivered includes ESG alongside the traditional market and performance. This will enhance the knowledge of the committee to make more informed decisions in the future.

As an externally managed pension fund, the Investment Managers contracted by the Fund are instructed to exercise, on behalf of the Pension Fund, all rights (including voting), having regard to the best long-term financial interests of the Fund. This includes factors relating to climate change and climate policy. The Fund will not appoint any manager unless they can show evidence of being able to fulfil the Fund's investment objectives, including its Responsible Investment objectives.

The Fund is a part-owner of LGPS Central, an asset manager that will increasingly manage the Fund's holdings. With the Fund's support, LGPS Central has developed a leading approach to responsible investment and has identified climate change as one of its stewardship priorities.

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| Timeline | Title | Description | Complete / new date |
|-------------|--|---|-------------------------|
| Q4 19/20 | Communicate RI plan | Publication of the Fund's RI plan. | ✓ |
| | Responsible Investment Guidance | SAB expected to issue final guidance in February. Fund draft response, including update of this plan to Local Pension Board before report to Committee. | Delayed update from SAB |
| | RI Training for Local Pension Board | | Ongoing |
| Q1 20/21 | Quarterly stewardship reporting | Inclusion in Committee papers of LGPS Central's Quarterly Stewardship Report | ✓ |
| | RI Training for Local Pension Committee | | ✓ |
| | Voting report inclusion in Committee papers | Reporting explaining the execution of shareholder voting on the Fund's listed equity investments. To include funds managed by LGPS Central and LGIM initially. | ✓ |
| Q2-Q3 20/21 | Quarterly manager reporting on ESG | The formal inclusion by external fund managers of ESG information in quarterly reporting in order to facilitate regular monitoring. | |
| | New manager selections: integrate ESG where relevant | Include an ESG assessment in processes for appointing fund managers. | |
| | Receive Climate Risk Report | Report comprising (i) Climate scenario analysis (ii) Carbon risk metrics (iii) Annual Climate Stewardship Plan. | Possibly delayed |
| Q3 20/21 | Climate Plan | Publish a climate plan for 2021 based on the key findings of the Climate Risk Report. To be done ahead of Hymans Robertson's 2021 strategic asset allocation refresh so the Fund can fully embed their RI plan in investment decision-making. | |
| | Climate Risk Training | Training of pension fund officers, Pension Committee and Pension Board on the risks and opportunities associated with climate change, and the Fund's Climate plan. | |
| | TCFD Report (Taskforce on Climate related Financial Disclosures) | Public-facing report of the Fund's approach to climate risk, set out in alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures | |
| | Mid-year review | Assess preparedness for UK Stewardship Code Review RI plan and capture any developments in the regulations, statutory guidance, or RI Guidance from the Scheme Advisory Board. | |
| | Annual Report | Revised report including new RI content, review by Board before approval at Committee. | |

9. LGPS Central Pool

As mentioned earlier in the report the Fund is an investor in LGPS Central Ltd, a company which pools together pension fund assets from various pension funds across the Midlands. Leicestershire County Council along with eight other funds is a joint owner of the company. The company has its own governance and risk management structures in place. The aim of the Company is to use the combined buying power of its partner funds to reduce costs, improve investment returns and widen the range of available asset classes for investment – all for the benefit of local government pensioners, employees and employers.

LGPS Central Ltd is based in Wolverhampton and their details can be found below:

Address:

LGPS Central Ltd,
Mander House,
Mander Centre,
Wolverhampton,
WV1 3NB

Website: <https://www.lgpscentral.co.uk>

e-mail: enquiries@lgpscentral.co.uk

During the 2019/20 financial year, the following emerging markets investments were made via the pool by the Leicestershire Fund as follows:

| | Value at 31st March 2020 |
|---------------------|-------------------------------------|
| LGPS Central | £m |
| BMO | 48.6 |
| UBS | 49.9 |
| Vontabel | 53.7 |
| Total | 152.2 |

A further £308.1m of assets are managed by the pool from investments made in previous years. As at 31st March 2020 all other assets held by the fund were held outside the Pool.

There are also advisory and executions mandates held with the pool for the following assets:

| | Assets under management |
|-----------------|------------------------------------|
| | £m |
| Targeted Return | 465.5 |
| Property | 400.2 |
| Fixed Income | 94.5 |

Post Pooling report

The information request set out below reflects the information required by Partner Funds to meet the CIPFA Annual Report Pooling Disclosures in 2019/20. Please note that the information request reflects the start-up nature of LGPSC, and the level and complexity of the disclosures required will increase in later years.

The analysis provided by LGPS Central (LGPSC) relates to the Leicestershire Pension Fund. The provision of the information by LGPSC to each Partner Fund should ensure consistent reporting across Partner Funds, and allow LGPSC to aggregate, and reconcile back the individual Partner Fund disclosures, to the Company's financial statements.

Set up costs

Leicestershire's share of the set-up cost associated with the pool were as follows:

| £000 | Cumulative 2014/15 to 2018/19 Total |
|------------------------------------|---|
| Set Up Costs | |
| Recruitment | 0 |
| Procurement | 27 |
| Professional Fees | 2 |
| IT | 187 |
| Staff Costs | 97 |
| Other Costs | 142 |
| Premises | 49 |
| Staffing-Related Costs | 5 |
| Travel and Expenses | 1 |
| Training and Events | 1 |
| FCA Fees | 1 |
| General Admin Costs | 2 |
| Set-Up Costs Before Funding | 514 |
| Share Capital | 1315 |
| Debt | 685 |
| Other Costs | |
| Set-Up Costs After Funding | 2514 |

| £000 | 2016/17 | 2017/18 | 2018/19 | Cumulative Total |
|------------------------------------|-----------|--------------|---------|---------------------|
| Set-Up Costs Before Funding | 95 | 419 | - | 514 |
| Set-Up Costs After Funding | 95 | 2,419 | - | 2,514 |
| Transition Costs | | | | |

Recharges By Partner Funds to LGPSC in respect of Set-Up Costs

| £000 | At 1 April-18 | Recharges in Year | Settled in Year | At 31 March-19 |
|-----------------------|---------------|-------------------|-----------------|----------------|
| Set-Up Cost Recharges | 502 | - | (502) | - |

Governance, Operator and Product Development Charged by LGPSC to Partner Funds

| £000 | At 1 April-19 | Charges in Year | Settled in Year | At 31 March-20 |
|-------|---------------|-----------------|-----------------|----------------|
| Total | 151 | 898 | (774) | 275 |

Other Transactions between Partner Funds and LGPSC

| £000 | At 1 April-19 | Charges in Year | Settled in Year | At 31 March-20 |
|------------------|---------------|-----------------|-----------------|----------------|
| Interest Payable | 43 | 36 | (43) | 36 |
| Total | 43 | 36 | (43) | 36 |

The following Investment management costs have been charged by the pool to the Leicestershire Fund.

LGPSC Investment Management Expenses Charged to Partner Funds

| | £000 | Direct | Total | Bps Charge |
|----|--------------------------------|--------------|--------------|--------------|
| 1 | Ad Valorem | 1,325 | 1,325 | 26.08 |
| 2 | Performance | - | - | - |
| 3 | Research | - | - | - |
| 4 | PRIIIPS Compliance | - | - | - |
| 5 | Other (provide details) | - | - | - |
| | Management Fees | 1,325 | 1,325 | 26.08 |
| 6 | Commissions | 192 | 192 | 3.78 |
| 7 | Acquisition/issue costs | 29 | 29 | 0.57 |
| 8 | Disposal costs | - | - | - |
| 9 | Registration/filing fees | - | - | - |
| 10 | Taxes and Stamp Duty | 172 | 172 | 3.39 |
| 11 | Other (provide details) | - | - | - |
| | Implicit Costs | 1,500 | 1,500 | 29.53 |
| | Transaction Costs | 1,893 | 1,893 | 37.26 |
| | | | | - |
| 12 | Custody/Depositary | 49 | 49 | 0.96 |
| 13 | Other (provide details) | | | - |
| | Fund Accounting | 13 | 13 | 0.26 |
| | Transfer Agent | 4 | 4 | 0.08 |
| | External Audit | 4 | 4 | 0.08 |
| | Performance Reporting | 6 | 6 | 0.12 |
| | Total Costs | 3,294 | 3,294 | 64.84 |

Note: The total of the analysis should reconcile to request (6) below

*BPS= Basis points charged based on Assets under Management

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| £000 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | Total 2019/20 Costs | AUM At 31 March 2020 £m | 2019/20 Bps Charge |
|-----------------------------|--------------|---|---|---|---|------------|-----------|---|---|------------|--------------|-----------|-----------|---------------------------|-------------------------------|--------------------------|
| Global Multi-Manager | 836 | | | | | 151 | | | | 118 | 1,436 | 36 | 11 | 2,588 | 307 | 71.29 |
| GEMS | 482 | | | | | 41 | 29 | | | 54 | 64 | 13 | 16 | 699 | 152 | 51.78 |
| ACS Sub-Funds | 1,318 | - | - | - | - | 192 | 29 | - | - | 172 | 1,500 | 49 | 27 | 3,287 | 459 | |
| Private Equity 2018 V'tage | 7 | | | | | | | | | | | | | 7 | 10 | 7.00 |
| Alternative Vehicles | 7 | - | - | - | - | - | - | - | - | - | - | - | - | 7 | 10 | |
| Total | 1,325 | - | - | - | - | 192 | 29 | - | - | 172 | 1,500 | 49 | 27 | 3,294 | 469 | 64.84 |

Items 1 – 13 relate to the categories highlighted in the management costs table.

Asset Under Management & Performance by Product / Service

| £000 | AUM At 1 April-19 £m | AUM At 31 March-20 £m | One Year Gross Performance % (*) | One Year Net Performance % (*) | Passive Benchmark Used | One Year Passive Index % (*) |
|-----------------------------|-------------------------|--------------------------|-------------------------------------|-----------------------------------|---------------------------|---------------------------------|
| Global Multi-Manager | 340 | 307 | - | N/A | FT: All World | - |
| GEMS | - | 152 | | N/A | | |
| ACS Sub-Funds | 340 | 459 | | | | |
| Private Equity 2018 Vintage | 10 | 10 | | | | |
| Alternative Vehicles | 10 | 10 | | | | |
| Total | 350 | 469 | | | | |

(*) Inception to 31 March 2019

8. Actuarial Statement

Leicestershire County Council Pension Fund (“the Fund”) Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £4,312 million, were sufficient to meet 89% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £537 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 formal valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

| Financial assumptions | 31 March 2019 |
|-----------------------------------|---------------|
| Discount rate | 3.8% |
| Salary increase assumption | 2.8% |
| Benefit increase assumption (CPI) | 2.3% |

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 21.5 years | 23.8 years |
| Future Pensioners* | 22.2 years | 25.2 years |

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Tom Hoare FFA

10 June 2020

For and on behalf of Hymans Robertson LLP

9. Financial Statements

The funds financial statements can be found on the link below. The financial statements are currently being audited.

<https://www.leicestershire.gov.uk/about-the-council/council-spending/accounts-and-payments>

10. GOVERNANCE COMPLIANCE STATEMENT**1.0 INTRODUCTION**

1.1 This is the governance compliance statement of the Leicestershire Pension Fund. The Fund is a statutory one that is set up under an Act of Parliament and the administering authority is Leicestershire County Council (the Council). This statement has been prepared as required by the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2007.

2.0 FUNCTIONS AND RESPONSIBILITIES

2.1 Leicestershire County Council has delegated the responsibility for decisions relating to the Leicestershire Pension Fund in accordance with Section 101 of the 1972 Superannuation Act. This delegation to a specialist committee is in line with guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA). The Committee's principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund members.

2.2 The LPC meets five times a year and its members act in a quasi-trustee capacity. One of these meetings is specifically used to focus entirely on investment strategy. No substantive issues of investment policy will be carried out without the prior agreement of the LPC or, in extreme circumstances and where it is impractical to bring a matter to the LPC, following consultation with the Chair and Vice-Chair.

2.3 The LPC may delegate certain actions to the Director of Corporate Resources. It is the expectation of the LPC that some of the more administrative matters relating to investment management, such as the appointment of a custodian, are carried out by the Director of Corporate Resources.

2.4 An Investment Subcommittee, with its members drawn from the LPC, is a decision-making Subcommittee and will generally deal with more technical aspects of investment (such as looking at potential new investment opportunities or dealing with the appointment of new investment managers), any decisions made by the Subcommittee are reported at the following LPC

2.5 The Local Pension Board was established in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 to assist the Administering Authority in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator. The LPC, in fulfilling its functions, will have regard to advice of the Board.

2.6 The Director of Corporate Resources oversees the implementation of Fund policy and the management of the day-to-day operational functions through the Fund's service areas.

3.0 REPRESENTATION

3.1 The LPC is made up of 13 members – five members representing Leicestershire County Council, two representing Leicester City Council, two jointly representing the District Councils, one jointly representing De Montfort/Loughborough Universities and three non-

voting staff representatives. The ten voting members are appointed using the due political process or, in the case of the two universities, by joint arrangement. There will be at least one staff representative position available annually and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

- 3.2 The LPB is made up of six voting members – three employer representatives (two elected Members of Leicestershire County Council and one elected Member from Leicester City Council) and three employee representatives. There will be at least one employee representative position available annually, as well as for a reserve employee representative, and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

4.0 STAKEHOLDER ENGAGEMENT

- 4.1 An Annual Meeting of the Pension Fund is held annually, to which all employee members and other interested parties are welcome. The purpose of the meeting is to present the Annual Report of the Fund and to report on current issues, as well as to elect employee representatives for any vacant positions on the LPC and the LPB.

- 4.2 A number of other initiatives to involve stakeholders also take place, including:

- Presentations by the Fund/Actuary to employing bodies;
- Pensions roadshows at various venues;
- The Annual Report and Account of the Pension Fund;
- Other communications to members.

5.0 REVIEW AND COMPLIANCE WITH BEST PRACTICE

- 5.1 This statement will be kept under review and will be revised and published following any material change in the governance arrangements of the Pension Fund.

- 5.2 The regulations require a statement as to the extent to which the governance arrangements comply with guidance issued by the Secretary of State. This guidance contains a number of best practice principles and these are shown below with the assessment of compliance.

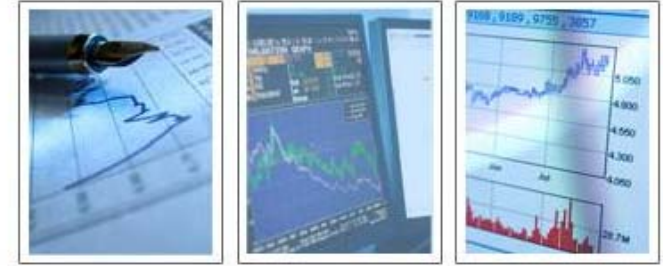
| Principle | Compliance/Comments |
|--|----------------------------|
| Structure | |
| The strategic management of fund assets clearly rests with the main committee established by the appointing council. | Fully compliant |
| That representatives of participating LGPS employers, admitted bodies and scheme members are members of the committee. | Fully compliant |
| That where a secondary committee has been established, the structure ensures effective communication across both levels. | Fully Compliant |

| | |
|--|---|
| That where a secondary committee has been established, at least one seat on the main committee is allocated for a member of the secondary committee | Investment Subcommittee will be full LPC members, so Fully Compliant |
| Representation | |
| That all key stakeholders are afforded the opportunity to be represented within the main committee structure (including employing authorities, scheme members, independent professional observers and expert advisors) | Fully Compliant |
| That where lay members sit on a main committee, they are treated equally and are given full opportunity to contribute to decision making, with or without voting rights | Fully Compliant |
| Selection and Role of Lay Members | |
| That committee members are fully aware of their status, role and function they are required to perform. | Fully Compliant |
| Voting | |
| The policy of the administering authority on voting rights is clear and transparent, including the justification for not extended voting rights to certain groups | Fully Compliant |
| Training/Facility Time/Expenses | |
| That the policy applies equally to all members of committees | Fully Compliant |
| Meetings (frequency/quorum) | |
| That the main committee meet at least quarterly | Fully Compliant |
| That secondary committees meet at least twice a year and the meetings are synchronised with the main committee | The Investment Subcommittee meets regularly, so Fully Compliant |
| If lay members are not included in formal governance arrangements, a forum is available outside of these arrangements by which their interests can be represented | Lay members are included on main committee, so Not Relevant |
| Access | |
| That, subject to any rules in the Council's constitution, all members have equal access to committee papers, documents and advice that falls to be considered by the main committee | Fully Compliant |

| | |
|--|--|
| Scope | |
| That administering authorities have taken steps to bring wider scheme issues within the scope of the governance arrangements | Fully Compliant |
| Publicity | |
| That the administering authority have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements | Fully Compliant. A copy of this statement has been sent to all employing authorities. |

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P O R T F O L I O
E V A L U A T I O N
L I M I T E D

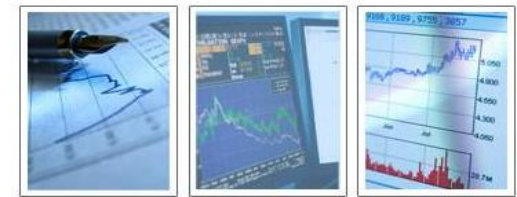


Specialists in Investment Risk and Return Evaluation

Quarterly Risk and Return Analysis

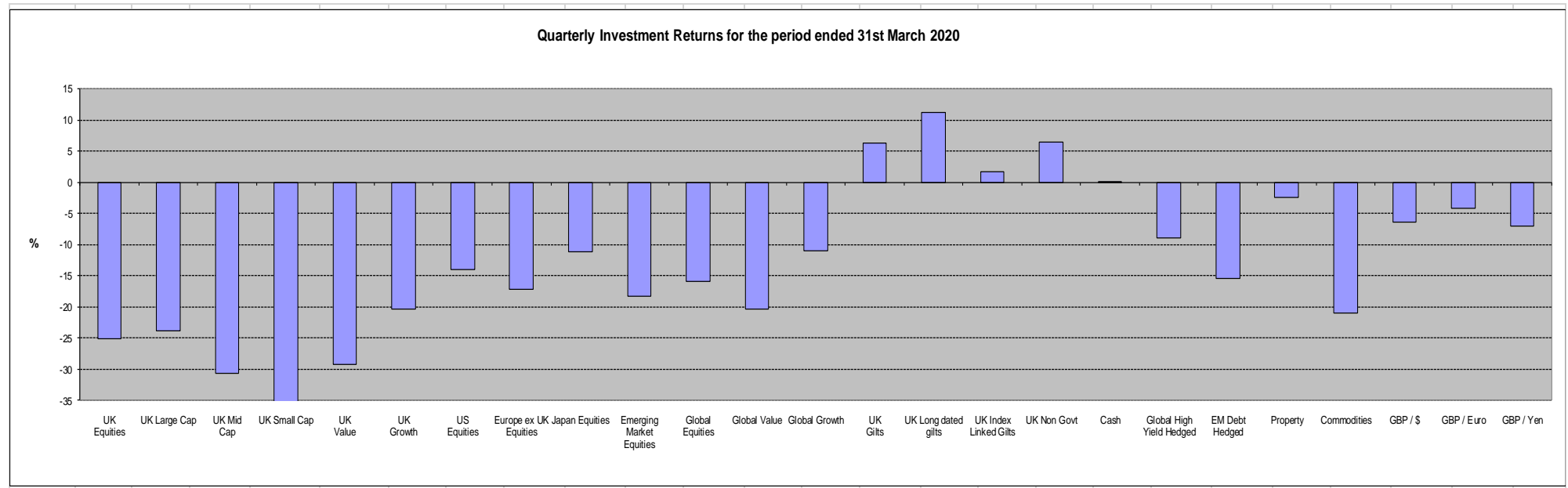
Leicestershire County Council Pension Fund

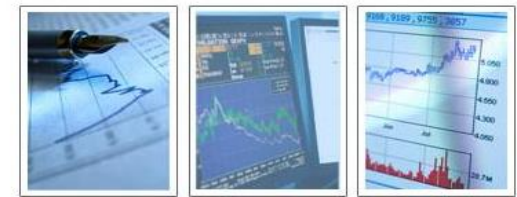
Period ending 31st March 2020



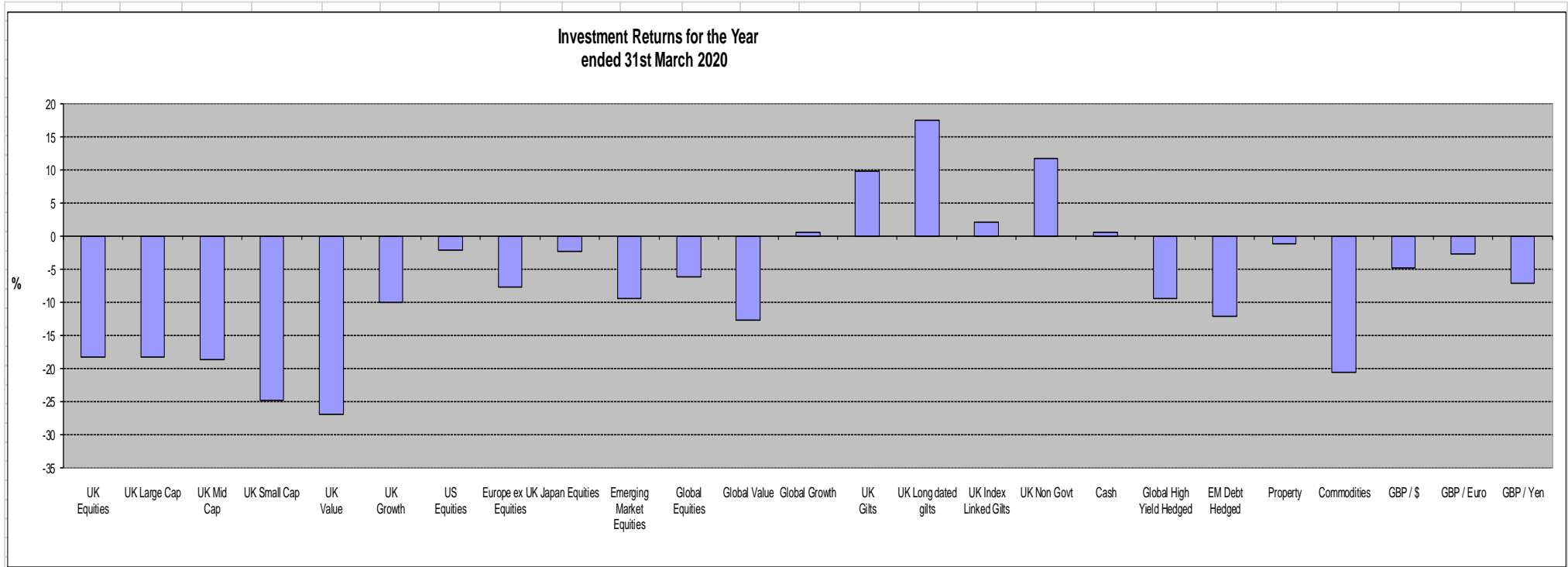
Portfolio Evaluation Ltd Market Commentary Q1 2020 (Sterling)

Over the last few years we have commented on rising equity markets and positive asset class returns despite a slowing of global economic growth. Unfortunately the end of February 2020, despite new equity market highs early on, saw a 'black swan' event due to the global spread of coronavirus from China to the rest of the world resulting in havoc in investment markets towards the end of February and much of March. In equity markets nobody escaped. Global equities had their fastest decline ever and the cash market for riskier bonds, like in 2008, became illiquid. The oil price reached new lows and property companies were confronted with both rising financing costs and falling revenues as customers defaulted on paying rent. Even 'safe' government bonds initially only offered limited protection due to the dash for US cash and gold. It was only after both governments and central banks launched monetary and budgetary programs to protect companies and employees did some calm return to the markets and bank yields settled down and equity markets recovered a significant part of the negative returns. However lockdowns are impacting local economies hard as factory output and consumer demand falls due to concerns over jobs and the 'marketplace' not being open. The leisure sector will be impacted throughout 2020 as it will probably be the last to be released from lockdown. Looking forwards market commentators are cautious as we are dependent on central banks and government policies and the implications and timings of monetary policy, budgetary policy, lockdown relaxation policies and their support of health systems.





In terms of performance Japan was the best performing equity market. The UK equity market appears particularly hard hit but this is partly due to sterling weakness increasing non UK equity returns. Typically in market crashes we expect value stocks to outperform growth stocks but that has not been the case this time. The energy sector was the worst performer, due to the persistent drop in the oil price. Financials, facing a jump in non-performing loans and dividend payment cancellations plus commodity and property stocks were also bad performers. On the other hand, the healthcare sector and consumer staples, two key industries in this crisis, outperformed. Technology also did well; this sector is cash-rich and may benefit from structural trends enhanced by the current crisis.



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Risk within asset classes and multi asset class portfolios will have increased as the risk levels between asset classes has increased as market risk has more than doubled and correlations between asset classes have increased. This is not unusual in these types of circumstances. However we would expect a decrease in volatility and correlations over the next six months as markets and the world stabilises.

For further information If you would like further information about the topics contained in this newsletter or would like to discuss your investment performance requirements please contact Nick Kent or Deborah Barlow Tel: +44 (0)1937 841434 (e-mail: nick.kent@portfolievaluation.net) or visit our website at www.portfolievaluation.net. Please note that all numbers, comments and ideas contained in this document are for information purposes only and as such are not investment advice in any form. Please remember that past performance is not a guide to future performance.

Client: Leicestershire County Council Pension Fund
 Manager: Multi-manager
 Mandate: Total Fund
 Asset Class: Combined Assets
 Benchmark: LCC - Total Fund Index
 Inception: 31-Mar-2016
Mkt Val: £4.1bn

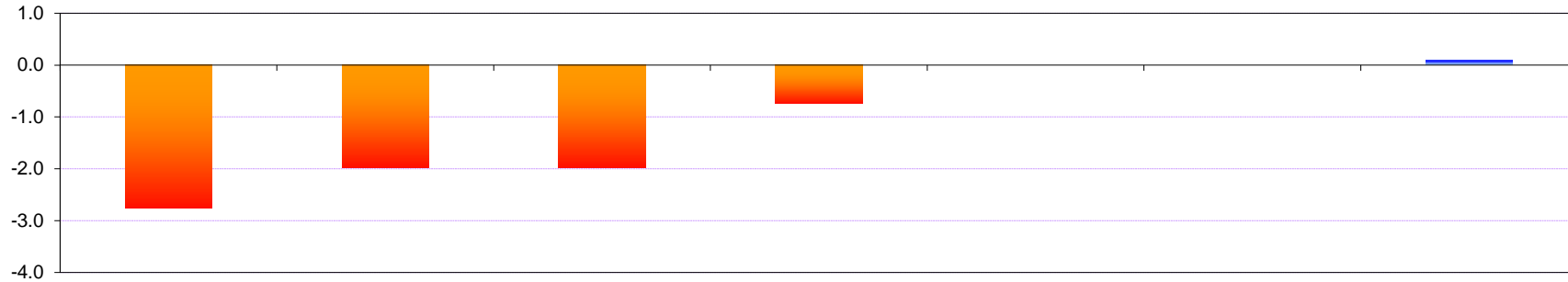
Total Fund Overview

Leicestershire County Council Pension Fund

Report Period: Quarter Ending March 2020



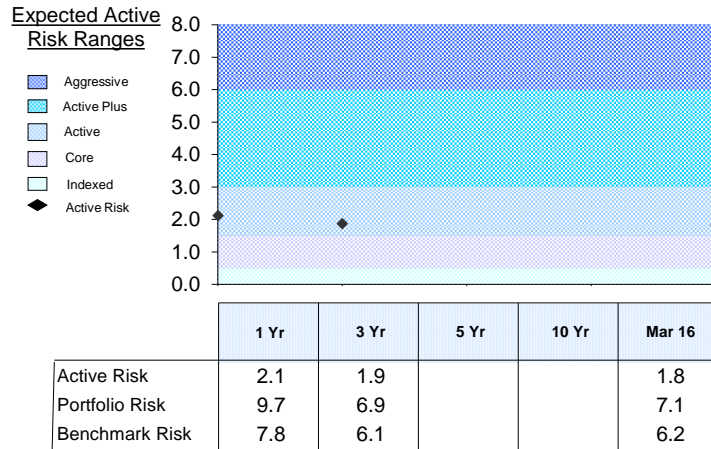
Excess Return Analysis (%)



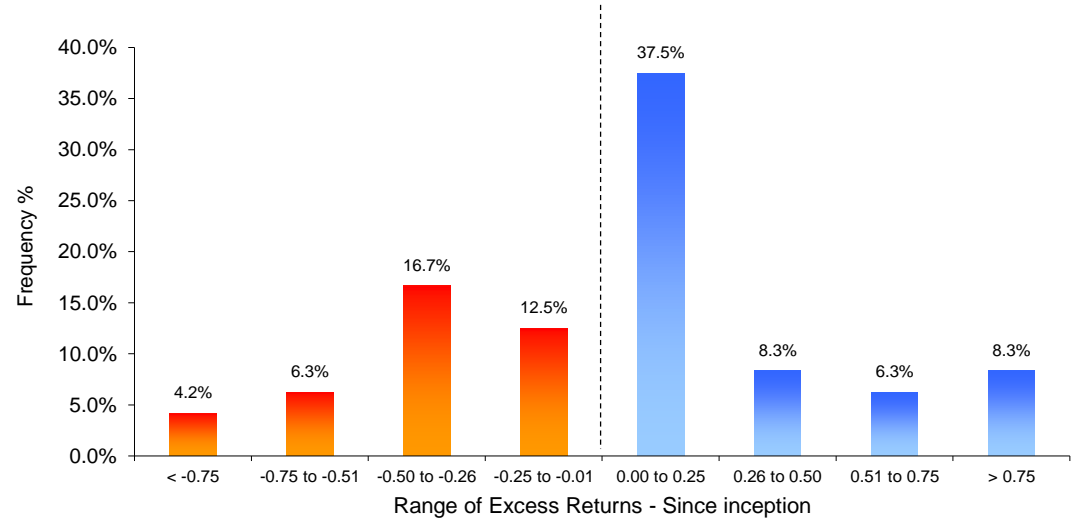
| | QTR | Fin YTD | 1 Yr | 3 Yr | 5 Yr | 10Yr | Since Mar 16 (p.a.) |
|------------------|-------|---------|------|------|------|------|---------------------|
| Excess Return | -2.8 | -2.0 | -2.0 | -0.7 | | | 0.1 |
| Portfolio Return | -11.2 | -4.3 | -4.3 | 1.8 | | | 6.5 |
| Benchmark Return | -8.4 | -2.3 | -2.3 | 2.5 | | | 6.4 |

All returns for periods in excess of 1 year are annualised. The portfolio return is net.

Ex-Post Active Risk Analysis (%)



Excess Return Consistency Analysis

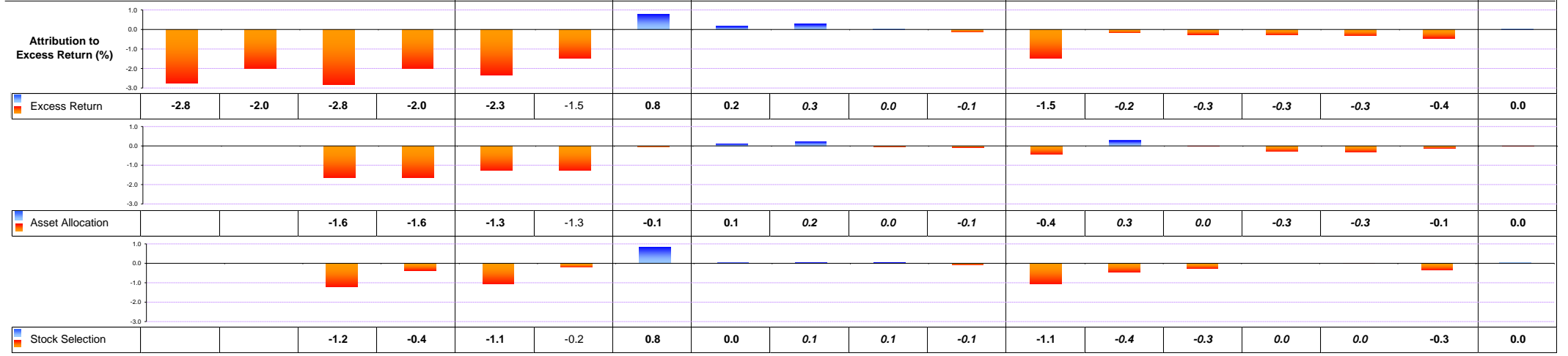
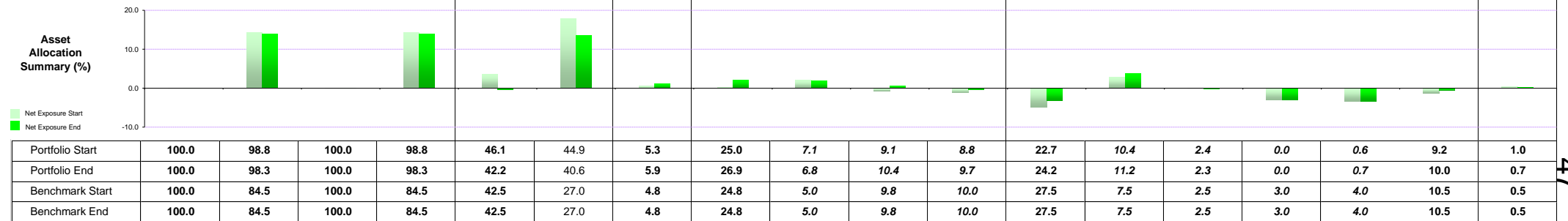
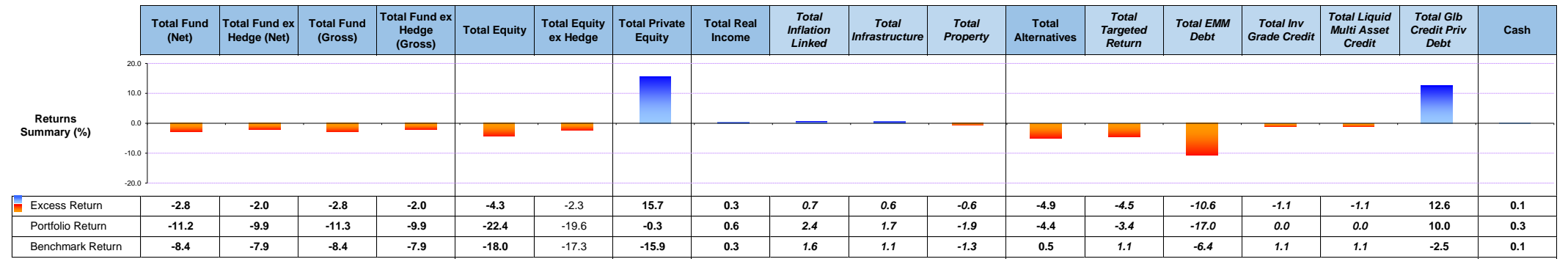


Ex-Post Active Risk measures the volatility of the actual excess returns achieved by the Portfolio/Fund.

Excess Return Consistency Analysis measures the frequency of the Portfolio/Fund's outperformance (Blue) and underperformance (Red) versus its benchmark, calculated using monthly (or quarterly if indicated) returns since inception.

Attribution to Total Fund Excess Return Analysis
Leicestershire County Council Pension Fund
for Quarter Ended 31st March 2020

Market Value: £4.1bn



The Returns Summary details the Portfolio, Benchmark and Excess Returns. The Excess Returns are plotted. The Asset Allocation Summary details the weights held by the portfolio and benchmark in each asset class/manager. The green plots are the over/underweight exposures of the Fund (v Fund benchmark) at the beginning and end of the period. The Attribution to Excess Return identifies how each asset class/manager has contributed to the overall excess return of the Total Fund. It is broken down into Asset Allocation (how successful the decision to over/underweight each asset class was) and then into Stock Selection (how well each manager's decisions have performed). The Asset Allocation plus the Stock Selection excess returns are all additive and equal the Total Excess Return of the Fund.

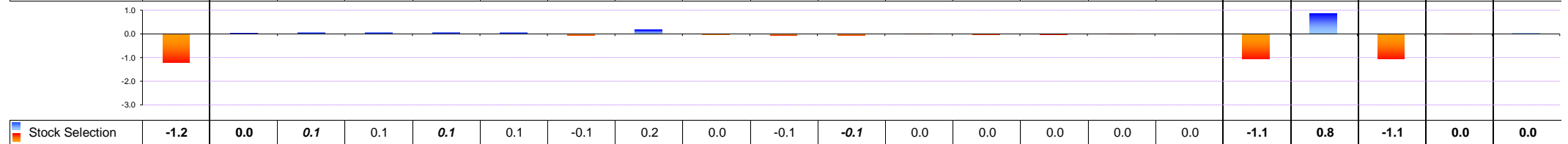
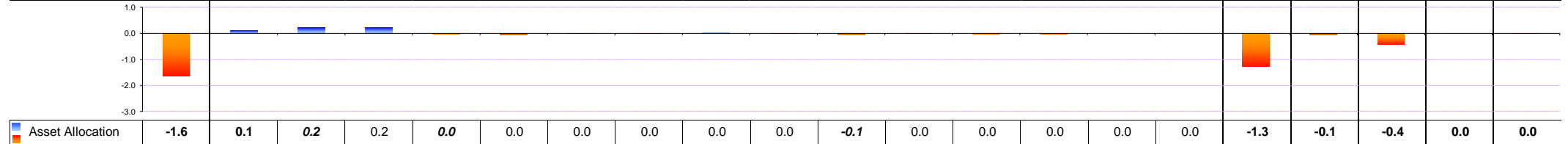
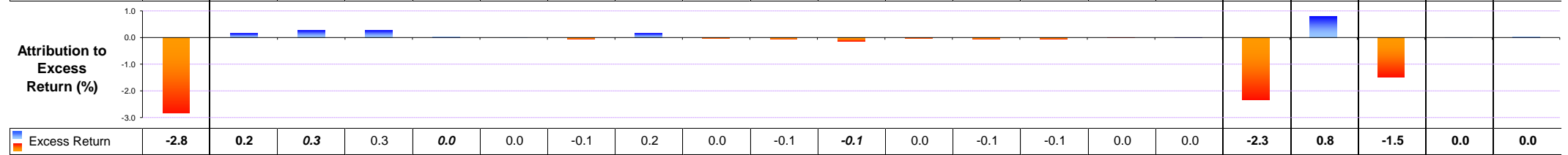
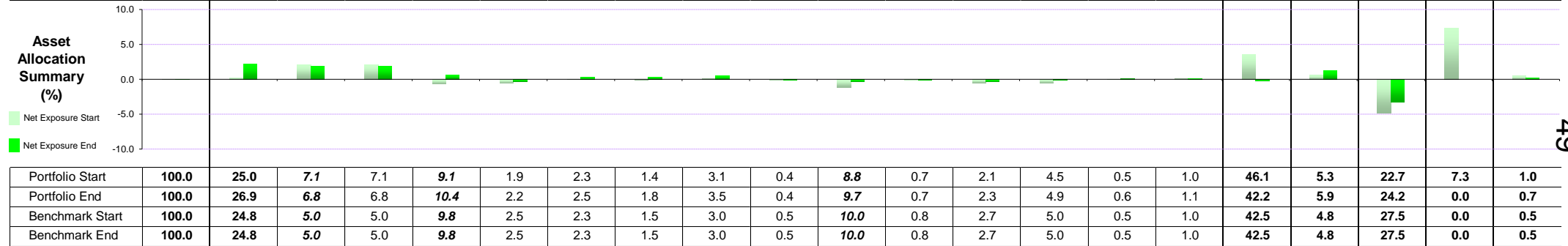
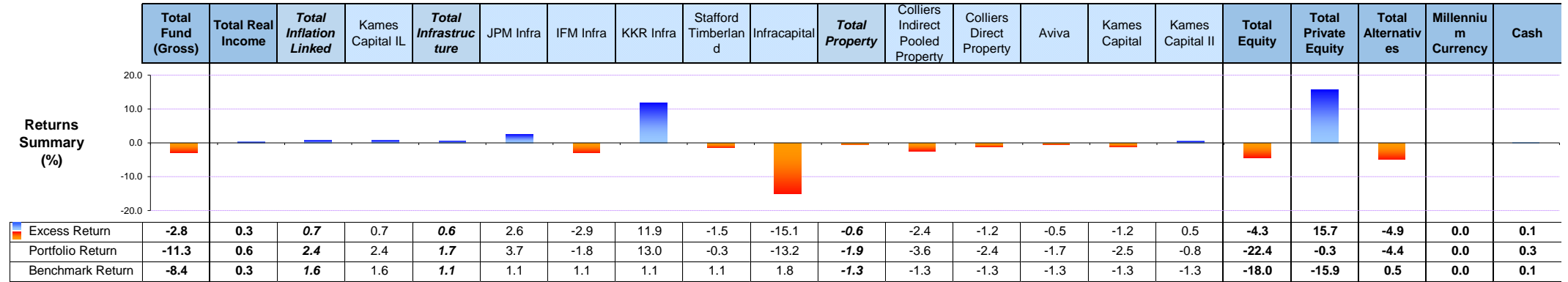
**Attribution to Total Equity Fund Excess Return Analysis
Leicestershire County Council Pension Fund
for Quarter Ended 31st March 2020**

Market Value: £4.1bn

| | Total Fund (Gross) | Total Equity | Total Equity ex Hedge | L&G - Total Passive Equity | L&G - UK Equity | L&G - North American Equity | L&G - Japanese Equity | L&G - European Equity | L&G Pacific ex Japan Equity | L&G - EMM Equity | LGPSC - Global | LGPSC - EMM | LGPSC - Multi Factor | Kames Currency Hedge | Total Private Equity | Total Real Income | Total Alternatives | Millennium Currency | Cash |
|---|--------------------|--------------|-----------------------|----------------------------|-----------------|-----------------------------|-----------------------|-----------------------|-----------------------------|------------------|----------------|-------------|----------------------|----------------------|----------------------|-------------------|--------------------|---------------------|------|
| Returns Summary (%) | | | | | | | | | | | | | | | | | | | |
| Excess Return | -2.8 | -4.3 | -2.3 | 0.3 | 0.2 | 0.5 | 0.0 | 0.1 | 0.0 | 0.2 | -2.9 | 0.9 | 14.4 | -120.8 | 15.7 | 0.3 | -4.9 | 0.0 | 0.1 |
| Portfolio Return | -11.3 | -22.4 | -19.6 | -19.9 | -24.9 | -18.5 | -11.0 | -20.7 | -21.3 | -18.2 | -18.8 | -18.1 | 0.0 | -120.7 | -0.3 | 0.6 | -4.4 | 0.0 | 0.3 |
| Benchmark Return | -8.4 | -18.0 | -17.3 | -20.2 | -25.1 | -19.0 | -11.0 | -20.8 | -21.3 | -18.3 | -15.9 | -19.0 | -14.4 | 0.1 | -15.9 | 0.3 | 0.5 | 0.0 | 0.1 |
| Asset Allocation Summary (%) | | | | | | | | | | | | | | | | | | | |
| Portfolio Start | 100.0 | 46.1 | 44.9 | 32.8 | 7.4 | 12.9 | 2.6 | 5.4 | 2.5 | 1.9 | 8.1 | 4.0 | 0.0 | 1.2 | 5.3 | 25.0 | 22.7 | 7.3 | 1.0 |
| Portfolio End | 100.0 | 42.2 | 40.6 | 29.5 | 6.8 | 11.1 | 2.3 | 5.3 | 2.3 | 1.7 | 7.4 | 3.7 | 0.0 | 1.7 | 5.9 | 26.9 | 24.2 | 0.0 | 0.7 |
| Benchmark Start | 100.0 | 42.5 | 27.0 | 15.5 | 3.5 | 6.0 | 1.3 | 2.5 | 1.3 | 1.0 | 7.5 | 4.0 | 15.0 | 0.5 | 4.8 | 24.8 | 27.5 | 0.0 | 0.5 |
| Benchmark End | 100.0 | 42.5 | 27.0 | 15.5 | 3.5 | 6.0 | 1.3 | 2.5 | 1.3 | 1.0 | 7.5 | 4.0 | 15.0 | 0.5 | 4.8 | 24.8 | 27.5 | 0.0 | 0.5 |
| Attribution to Excess Return (%) | | | | | | | | | | | | | | | | | | | |
| Excess Return | -2.8 | -2.3 | -1.5 | -1.9 | -0.6 | -0.7 | 0.0 | -0.3 | -0.2 | -0.1 | -0.3 | 0.0 | 0.7 | -0.8 | 0.8 | 0.2 | -1.5 | 0.0 | 0.0 |
| Asset Allocation | -1.6 | -1.3 | -1.3 | -2.0 | -0.6 | -0.7 | 0.0 | -0.4 | -0.2 | -0.1 | 0.0 | 0.0 | 0.7 | 0.0 | -0.1 | 0.1 | -0.4 | 0.0 | 0.0 |
| Stock Selection | -1.2 | -1.1 | -0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | 0.0 | 0.0 | -0.8 | 0.8 | 0.0 | -1.1 | 0.0 | 0.0 |

**Attribution to Total Real Income Fund Excess Return Analysis
Leicestershire County Council Pension Fund
for Quarter Ended 31st March 2020**

Market Value: £4.1bn



**Attribution to Total Alternative Fund Excess Return Analysis
Leicestershire County Council Pension Fund
for Quarter Ended 31st March 2020**

Market Value: £4.1bn

| | Total Fund (Gross) | Total Alternatives | Total Targeted Return | Aspect Capital Partners | Pictet | Ruffer | EnTrust Permal | Total EMM Debt | Ashmore EMM Debt | Total Inv Grade Credit | Total Liquid Multi Asset Credit | JPM Global Credit | Total GIB Credit Private Debt | Christoffer son Robb & Company | M&G DOF | Partners Group Private Debt | Total Equity | Total Private Equity | Total Real Income | Millennium Currency | Cash |
|---|--------------------|--------------------|-----------------------|-------------------------|--------|--------|----------------|----------------|------------------|------------------------|---------------------------------|-------------------|-------------------------------|--------------------------------|---------|-----------------------------|--------------|----------------------|-------------------|---------------------|------|
| Returns Summary (%) | | | | | | | | | | | | | | | | | | | | | |
| Excess Return | -2.8 | -4.9 | -4.5 | -0.3 | -11.1 | -1.5 | 5.4 | -10.6 | -9.9 | -1.1 | -1.1 | -1.1 | -3.7 | 4.1 | -3.1 | -5.3 | -4.3 | 15.7 | 0.3 | 0.0 | 0.1 |
| Portfolio Return | -11.3 | -4.4 | -3.4 | 0.8 | -10.0 | -0.4 | 6.5 | -17.0 | -16.3 | 0.0 | 0.0 | 0.0 | -2.5 | 5.9 | -1.9 | -4.2 | -22.4 | -0.3 | 0.6 | 0.0 | 0.3 |
| Benchmark Return | -8.4 | 0.5 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | -6.4 | -6.4 | 1.1 | 1.1 | 1.1 | 1.2 | 1.8 | 1.1 | 1.1 | -18.0 | -15.9 | 0.3 | 0.0 | 0.1 |
| Asset Allocation Summary (%) | | | | | | | | | | | | | | | | | | | | | |
| Portfolio Start | 100.0 | 22.7 | 10.4 | 3.1 | 3.6 | 3.6 | 0.0 | 2.4 | 2.4 | 0.0 | 0.6 | 0.6 | 9.2 | 1.1 | 2.1 | 6.1 | 46.1 | 5.3 | 25.0 | 7.3 | 1.0 |
| Portfolio End | 100.0 | 24.2 | 11.2 | 3.5 | 3.7 | 4.0 | 0.0 | 2.3 | 2.3 | 0.0 | 0.7 | 0.7 | 10.0 | 1.2 | 2.1 | 6.7 | 42.2 | 5.9 | 26.9 | 0.0 | 0.7 |
| Benchmark Start | 100.0 | 27.5 | 7.5 | 3.5 | 4.0 | 0.0 | 0.0 | 2.5 | 2.5 | 3.0 | 4.0 | 0.5 | 10.5 | 1.0 | 2.5 | 7.0 | 42.5 | 4.8 | 24.8 | 0.0 | 0.5 |
| Benchmark End | 100.0 | 27.5 | 7.5 | 3.5 | 4.0 | 0.0 | 0.0 | 2.5 | 2.5 | 3.0 | 4.0 | 0.5 | 10.5 | 1.0 | 2.5 | 7.0 | 42.5 | 4.8 | 24.8 | 0.0 | 0.5 |
| Attribution to Excess Return (%) | | | | | | | | | | | | | | | | | | | | | |
| Excess Return | -2.8 | -1.5 | -0.2 | 0.0 | -0.4 | 0.3 | 0.0 | -0.3 | -0.2 | -0.3 | -0.3 | 0.0 | -0.4 | 0.0 | -0.1 | -0.4 | -2.3 | 0.8 | 0.2 | 0.0 | 0.0 |
| Asset Allocation | | | | | | | | | | | | | | | | | | | | | |
| Asset Allocation | -1.6 | -0.4 | 0.3 | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | -0.3 | -0.3 | 0.0 | -0.1 | 0.0 | 0.0 | -0.1 | -1.3 | -0.1 | 0.1 | 0.0 | 0.0 |
| Stock Selection | | | | | | | | | | | | | | | | | | | | | |
| Stock Selection | -1.2 | -1.1 | -0.4 | 0.0 | -0.4 | 0.0 | 0.0 | -0.3 | -0.2 | 0.0 | 0.0 | 0.0 | -0.3 | 0.0 | -0.1 | -0.3 | -1.1 | 0.8 | 0.0 | 0.0 | 0.0 |

**Manager Summary-Total Fund
Leicestershire County Council Pension Fund
for Period Ended 31st March 2020**

Market Value: £4.1bn

| | Benchmark | Incep Date | Market Value (£m) | Weight % | QTR | | | Year To Date | | | 1 Year | | | 3 Year | | | Since Inception | | | |
|--|---|---------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|-----------------|-------------|--------------|--|
| | | | | | PF | BM | ER | PF | BM | ER | PF | BM | ER | PF | BM | ER | PF | BM | ER | |
| Total Equity Fund | Client Weighted Index | Mar-16 | 1,749.4 | 42.2 | -22.4 | -18.0 | -4.3 | -12.8 | -9.3 | -3.5 | -12.8 | -9.3 | -3.5 | -0.5 | 1.1 | -1.6 | 6.4 | 6.6 | -0.3 | |
| Total Equity Fund ex Hedge | Client Weighted Index | Mar-16 | 1,680.6 | 40.6 | -19.6 | -17.3 | -2.3 | -11.5 | -8.8 | -2.7 | -11.5 | -8.8 | -2.7 | -0.9 | 0.5 | -1.4 | 6.5 | 7.6 | -1.0 | |
| L&G Total Passive Equity Fund | Client Weighted Index | Mar-16 | 1,221.2 | 29.5 | -19.9 | -20.2 | 0.3 | -11.5 | -11.9 | 0.4 | -11.5 | -11.9 | 0.4 | -0.8 | -0.9 | 0.1 | 6.4 | 6.3 | 0.1 | |
| L&G UK Equity Fund | FTSE All Share Index | Dec-13 | 280.7 | 6.8 | -24.9 | -25.1 | 0.2 | -18.0 | -18.5 | 0.5 | -18.0 | -18.5 | 0.5 | -4.1 | -4.2 | 0.1 | 1.4 | 1.4 | 0.1 | |
| L&G North American Equity Fund | Client Specific Index | Dec-13 | 461.7 | 11.1 | -18.5 | -19.0 | 0.5 | -8.0 | -8.5 | 0.6 | -8.0 | -8.5 | 0.6 | 1.9 | 1.6 | 0.2 | 10.5 | 10.5 | 0.0 | |
| L&G Japanese Equity Fund | FTSE All World Japan Index | Dec-13 | 95.8 | 2.3 | -11.0 | -11.0 | 0.0 | -2.2 | -2.1 | -0.1 | -2.2 | -2.1 | -0.1 | 1.4 | 1.4 | 0.0 | 7.7 | 7.8 | -0.1 | |
| L&G European Equity Fund | Client Specific Index | Dec-13 | 217.9 | 5.3 | -20.7 | -20.8 | 0.1 | -12.4 | -12.6 | 0.1 | -12.4 | -12.6 | 0.1 | -2.6 | -2.5 | -0.1 | 3.8 | 3.5 | 0.3 | |
| L&G Pacific Ex Japan Equity Fund | FTSE Developed Asia Pacific Ex. Japan Index | Mar-13 | 96.1 | 2.3 | -21.3 | -21.3 | 0.0 | -17.7 | -17.6 | -0.1 | -17.7 | -17.6 | -0.1 | -4.3 | -4.2 | -0.1 | 3.8 | 4.0 | -0.2 | |
| L&G Emerging Markets Equity Fund | MSCI Emerging Markets Index | Dec-13 | 69.0 | 1.7 | -18.2 | -18.3 | 0.2 | -12.4 | -13.2 | 0.8 | -12.4 | -13.2 | 0.8 | -1.1 | -1.0 | -0.2 | 5.0 | 4.8 | 0.2 | |
| LGPS Global Active Equity Fund | FTSE All World Index | Feb-19 | 307.3 | 7.4 | -18.8 | -15.9 | -2.9 | -9.5 | -6.2 | -3.3 | -9.5 | -6.2 | -3.3 | | | | -10.0 | -4.5 | -5.5 | |
| LGPS Central Emerging Market Active fund | FTSE All World Emerging Markets Index | Jul-19 | 152.2 | 3.7 | -18.1 | -19.0 | 0.9 | | | | | | | | | | -18.2 | -18.5 | 0.2 | |
| LGPS Central Multi Factor Fund | FTSE AW Climate Balanced | | | | | | | | | | | | | | | | | | | |
| Kames Currency Hedge Fund | LIBOR 1 Month | Mar-16 | 68.8 | 1.7 | -120.7 | 0.1 | -120.8 | -150.3 | 0.7 | -151.0 | -150.3 | 0.7 | -151.0 | -196.0 | 0.6 | -196.5 | -176.3 | 0.5 | -176.8 | |
| Total Private Equity Fund | FTSE All World Index | Mar-16 | 246.1 | 5.9 | -0.3 | -15.9 | 15.7 | 11.1 | -6.2 | 17.4 | 11.1 | -6.2 | 17.4 | 11.3 | 2.2 | 9.1 | 14.6 | 9.2 | 5.4 | |
| Private Equity Fund (Adams, LGPSC, Catapult) | FTSE All World Index | Jan-20 | 225.7 | 5.4 | -0.3 | -15.9 | 15.6 | | | | | | | | | | -0.3 | -15.9 | 15.6 | |
| Aberdeen Standard Private Equity Fund | Absolute Return +7.5% | Sep-19 | 20.4 | 0.5 | 0.0 | 1.8 | -1.8 | | | | | | | | | | 6.9 | 3.7 | 3.3 | |
| Total Real Income Fund | Client Weighted Index | Mar-16 | 1,114.3 | 26.9 | 0.6 | 0.3 | 0.3 | 2.7 | 2.6 | 0.1 | 2.7 | 2.6 | 0.1 | 5.0 | 4.6 | 0.4 | 6.9 | 6.1 | 2.3 | |
| Total Inflation-Linked Fund | Client Weighted Index | Dec-19 | 282.8 | 6.8 | 2.4 | 1.6 | 0.7 | | | | | | | | | | 2.4 | 1.6 | 0.7 | |
| Kames Capital Index-Linked Fund | FTSE All Stocks Index Linked Index | Dec-13 | 282.8 | 6.8 | 2.4 | 1.6 | 0.7 | 2.8 | 2.2 | 0.6 | 2.8 | 2.2 | 0.6 | 3.0 | 2.7 | 0.3 | 10.9 | 10.4 | 0.5 | |
| Total Infrastructure Fund | LIBOR 1 Month + 4% | Dec-19 | 431.2 | 0.0 | 1.7 | 1.1 | 0.6 | | | | | | | | | | 1.7 | 1.1 | 0.6 | |
| JPMorgan Infrastructure Fund | LIBOR 1 Month + 4% | Jun-16 | 90.9 | 2.2 | 3.7 | 1.1 | 2.6 | 7.0 | 4.7 | 2.3 | 7.0 | 4.7 | 2.3 | 2.9 | 4.6 | -1.7 | 5.1 | 4.5 | 0.5 | |
| IFM Global Infrastructure Fund | LIBOR 1 Month + 4% | Dec-13 | 103.6 | 2.5 | -1.8 | 1.1 | -2.9 | 8.0 | 4.7 | 3.3 | 8.0 | 4.7 | 3.3 | 12.0 | 4.6 | 7.4 | 14.5 | 6.5 | 8.0 | |
| KKR Global Infrastructure Fund | LIBOR 1 Month + 4% | Mar-16 | 76.0 | 1.8 | 13.0 | 1.1 | 11.9 | 31.8 | 4.7 | 27.1 | 31.8 | 4.7 | 27.1 | 15.4 | 4.6 | 10.8 | 22.2 | 4.5 | 17.7 | |
| Stafford Timberland Fund | LIBOR 1 Month + 4% | Mar-16 | 144.9 | 3.5 | -0.3 | 1.1 | -1.5 | 0.0 | 4.7 | -4.7 | 0.0 | 4.7 | -4.7 | 0.5 | 4.6 | -4.1 | 3.8 | 4.5 | -0.8 | |
| Infracapital Infrastructure Fund | Absolute Return +7.5% | Nov-17 | 15.8 | 0.4 | -13.2 | 1.8 | -15.1 | -10.0 | 7.5 | -17.5 | -10.0 | 7.5 | -17.5 | | | | 3.7 | 7.5 | -3.8 | |
| Total Property Fund | IPD UK Monthly Property Index (GBP) | Mar-16 | 400.2 | 9.7 | -1.9 | -1.3 | -0.6 | -0.9 | 0.1 | -1.1 | -0.9 | 0.1 | -1.1 | 5.7 | 5.6 | 0.1 | 6.2 | 5.1 | 1.1 | |
| Colliers Pooled Property | IPD UK Monthly Property Index (GBP) | Mar-16 | 29.3 | 0.7 | -3.6 | -1.3 | -2.4 | -2.9 | 0.1 | -3.0 | -2.9 | 0.1 | -3.0 | 5.5 | 5.6 | -0.1 | 3.7 | 5.1 | -1.4 | |
| Colliers Direct Property Fund | IPD UK Monthly Property Index (GBP) | Mar-16 | 96.8 | 2.3 | -2.4 | -1.3 | -1.2 | -2.9 | 0.1 | -3.1 | -2.9 | 0.1 | -3.1 | 3.7 | 5.6 | -1.9 | 5.0 | 5.1 | -0.1 | |
| Aviva Property Fund | IPD UK Monthly Property Index (GBP) | Dec-13 | 203.5 | 4.9 | -1.7 | -1.3 | -0.5 | -0.4 | 0.1 | -0.5 | -0.4 | 0.1 | -0.5 | 6.7 | 5.6 | 1.1 | 9.9 | 3.3 | 6.6 | |
| Kames Capital Property Fund | IPD UK Monthly Property Index (GBP) | Mar-16 | 24.4 | 0.6 | -2.5 | -1.3 | -1.2 | -1.5 | 0.1 | -1.7 | -1.5 | 0.1 | -1.7 | 5.3 | 5.6 | -0.3 | 6.2 | 6.6 | -0.4 | |
| Kames Capital II Property Fund | IPD UK Monthly Property Index (GBP) | Nov-16 | 46.2 | 1.1 | -0.8 | -1.3 | 0.5 | 1.4 | 0.1 | 1.2 | 1.4 | 0.1 | 1.2 | 5.4 | 5.6 | -0.1 | 5.8 | 6.1 | -0.2 | |
| Total Alternatives Fund | Client Weighted Index | Mar-16 | 1,003.8 | 24.2 | -4.4 | 0.5 | -4.9 | 0.7 | 4.2 | -3.5 | 0.7 | 4.2 | -3.5 | 1.4 | 4.2 | -2.8 | 3.9 | 4.7 | -0.9 | |
| Total Targeted Return Fund | LIBOR 1 Month + 4% | Apr-16 | 465.6 | 11.2 | -3.4 | 1.1 | -4.5 | 3.2 | 4.7 | -1.5 | 3.2 | 4.7 | -1.5 | 1.1 | 4.6 | -3.5 | 2.6 | 4.5 | -2.0 | |
| Aspect Capital Partners Fund | LIBOR 1 Month + 4% | Dec-13 | 145.9 | 3.5 | 0.8 | 1.1 | -0.3 | 12.1 | 4.7 | 7.4 | 12.1 | 4.7 | 7.4 | 2.8 | 4.6 | -1.8 | 5.8 | 4.5 | 1.3 | |
| Pictet Fund | LIBOR 1 Month + 4% | Sep-15 | 151.8 | 3.7 | -10.0 | 1.1 | -11.1 | -5.8 | 4.7 | -10.5 | -5.8 | 4.7 | -10.5 | -1.6 | 4.6 | -6.1 | 1.9 | 4.6 | -2.7 | |
| Ruffer Fund | LIBOR 1 Month + 4% | Dec-13 | 167.8 | 4.0 | -0.4 | 1.1 | -1.5 | 6.0 | 4.7 | 1.3 | 6.0 | 4.7 | 1.3 | 2.2 | 4.6 | -2.4 | 5.0 | 4.5 | 0.5 | |
| EnTrustPermal Fund | LIBOR 1 Month + 4% | Apr-07 | 0.2 | 0.0 | 6.5 | 1.1 | 5.4 | 13.6 | 4.7 | 8.9 | 13.6 | 4.7 | 8.9 | -10.9 | 4.6 | -15.5 | 0.9 | 3.1 | -2.3 | |
| Total Emerging Market Debt Fund | LCC - Ashmore EMM Debt | Dec-19 | 94.5 | 2.3 | -17.0 | -6.4 | -10.6 | | | | | | | | | | -17.0 | -6.4 | -10.6 | |
| Ashmore Emerging Markets Debt Fund | LCC - Ashmore EMM Debt | Jan-14 | 94.5 | 2.3 | -16.3 | -6.4 | -9.9 | -13.9 | -1.7 | -12.2 | -13.9 | -1.7 | -12.2 | -3.9 | 0.7 | -4.6 | 5.4 | 3.9 | 1.5 | |
| Total Investment Grade Credit | LIBOR 1 Month + 4% | | | | | | | | | | | | | | | | | | | |
| Total Liquid Multi Asset Credit | LIBOR 1 Month + 4% | Dec-19 | 28.4 | 0.7 | 0.0 | 1.1 | -1.1 | | | | | | | | | | 0.0 | 1.1 | -1.1 | |
| JPMorgan Global Credit Fund | LIBOR 1 Month + 4% | Apr-15 | 28.4 | 0.7 | 0.0 | 1.1 | -1.1 | 3.6 | 4.7 | -1.0 | 3.6 | 4.7 | -1.0 | 2.7 | 4.6 | -1.9 | 2.8 | 4.5 | -1.7 | |
| Total Global Credit Private Debt | Client Weighted Index | Dec-19 | 415.3 | 10.0 | -2.5 | 1.2 | -3.7 | | | | | | | | | | -2.5 | 1.2 | -3.7 | |
| Christofferson Robb & Company Fund | Absolute Return +7.5% | Dec-17 | 49.8 | 1.2 | 5.9 | 1.8 | 4.1 | 14.0 | 7.5 | 6.6 | 14.0 | 7.5 | 6.6 | | | | 14.9 | 7.5 | 7.4 | |
| M&G DOF Fund | LIBOR 1 Month + 4% | Mar-16 | 88.0 | 2.1 | -1.9 | 1.1 | -3.1 | 1.9 | 4.7 | -2.8 | 1.9 | 4.7 | -2.8 | 3.0 | 4.6 | -1.6 | 7.2 | 4.5 | 2.6 | |
| Partners Group Private Debt Fund | LIBOR 1 Month + 4% | Mar-16 | 277.5 | 6.7 | -4.2 | 1.1 | -5.3 | -0.9 | 4.7 | -5.6 | -0.9 | 4.7 | -5.6 | 2.0 | 4.6 | -2.6 | 3.1 | 4.5 | -1.5 | |
| Cash Fund | LIBOR 1 Month | Mar-16 | 30.0 | 0.7 | 0.3 | 0.1 | 0.1 | 3.4 | 0.7 | 2.7 | 3.4 | 0.7 | 2.7 | 1.4 | 0.6 | 0.8 | 1.2 | 0.5 | 0.6 | |
| Leicestershire County Council Pension Fund ex Hedge (Gross) | | Mar-16 | 4,074.9 | 98.3 | -9.9 | -7.9 | -2.0 | -3.6 | -1.9 | -1.7 | -3.6 | -1.9 | -1.7 | 1.9 | 2.9 | -1.0 | 7.0 | 6.8 | 0.3 | |
| Leicestershire County Council Pension Fund (Gross) | Client Weighted Index | Mar-16 | 4,143.7 | 100.0 | -11.3 | -8.4 | -2.8 | -4.1 | -2.3 | -1.8 | -4.1 | -2.3 | -1.8 | 2.1 | 2.5 | -0.4 | 6.9 | 6.4 | 0.5 | |
| Leicestershire County Council Pension Fund ex Hedge (Net) | Client Weighted Index | Mar-16 | 4,074.9 | 98.3 | -9.9 | -7.9 | -2.0 | -3.9 | -1.9 | -2.0 | -3.9 | -1.9 | -2.0 | 1.5 | 2.9 | -1.4 | 6.7 | 6.8 | -0.1 | |
| Leicestershire County Council Pension Fund (Net) | Client Weighted Index | Mar-16 | 4,143.7 | 100.0 | -11.2 | -8.4 | -2.8 | -4.3 | -2.3 | -2.0 | -4.3 | -2.3 | -2.0 | 1.8 | 2.5 | -0.7 | 6.5 | 6.4 | 0.1 | |

PF = Portfolio Return BM = Benchmark Return ER = Excess Return

CLIENT SPECIFIC:

- 7.00% FTSE All Share
- 6.50% FTSE AW North America 70% GBP Hedged
- 6.50% FTSE RAFI AW 3000 North America 70% GBP Hedged
- 2.50% FTSE Developed Europe Ex UK 70% GBP Hedged
- 2.50% FTSE RAFI 3000 Developed Europe Ex UK 70% GBP Hedged
- 2.50% FTSE AW Japan 70% GBP Hedged
- 2.50% FTSE Developed Asia Pacific Ex Japan 50% GBP Hedged

- 2.50% Ashmore Specific Index
- 10.00% IPD UK Monthly Property Index
- 7.50% FTSE All Stocks Index Linked
- 6.00% MSCI EMM 50% GBP Hedged
- 8.00% FTSE All World 70% GBP Hedged
- 4.00% FTSE All World
- 32.00% Libor 1 Month +4%

Notes:

Q1 2020: Total Fund has been restructured with current assets moving into different pools, the introduction of new pools and some pools have ceased. Given this, the longer term attribution is now longer available as the interpretation of this would be quite misleading given the restructuring.

Net & Gross - Currently we have not received all the necessary manager data to complete this, therefore please use with caution. If you require additional information please contact us.

Adams Street: Data is on a 4 month lag
 Catapult: Data is on a quarterly lag
 JP Morgan: Awaiting data.
 Christofferson & Entrust have been lagged by 1 month while awaiting data

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Total Fund Reconciliation
Leicestershire County Council Pension Fund
for Quarter Ended 31st March 2020

Market Value: £4.1bn

| | 31st December 2019 | | | Total Gain/Loss (£000s) | 31st March 2020 | |
|--|-----------------------|-----------------|----------------|-------------------------------|-----------------------|-----------------|
| | Market Val (£000s) | Exposure (%) | Net Exp (%) | | Market Val (£000s) | Exposure (%) |
| Total Equity | 2,140,664 | 46.1 | 3.6 | -476,966 | 1,749,423 | 42.2 |
| Total Equity Ex Hedge | 2,086,697 | 44.9 | 2.9 | -411,794 | 1,680,628 | 40.6 |
| <i>Total Passive Equity -L&G</i> | <i>1,522,268</i> | <i>32.8</i> | <i>17.3</i> | <i>-306,823</i> | <i>1,221,170</i> | <i>29.5</i> |
| UK Equities | 345,561 | 7.4 | 3.9 | -84,290 | 280,697 | 6.8 |
| North American Equities | 598,097 | 12.9 | 6.9 | -108,738 | 461,669 | 11.1 |
| Japanese Equities | 120,802 | 2.6 | 1.4 | -13,559 | 95,798 | 2.3 |
| European Equities | 252,462 | 5.4 | 2.9 | -51,651 | 217,924 | 5.3 |
| Pacific ex Japan Equities | 118,214 | 2.5 | 1.3 | -27,756 | 96,129 | 2.3 |
| Emerging Markets Equities | 87,132 | 1.9 | 0.9 | -20,829 | 68,953 | 1.7 |
| LGPS Global | 378,627 | 8.2 | 0.6 | -71,358 | 307,268 | 7.4 |
| LGPS Central Emerging Markets Eq Active | 185,803 | 4.0 | 0.0 | -33,613 | 152,190 | 3.7 |
| LGPS Central Multi Factor Fund | 0 | 0.0 | -15.0 | 0 | 0 | 0.0 |
| Kames Other (Currency Hedge) | 53,967 | 1.2 | 0.7 | -65,172 | 68,795 | 1.7 |
| Total Private Equity | 246,783 | 5.3 | 0.6 | -686 | 246,113 | 5.9 |
| Total Private Equity ex Aberdeen Standard | 226,350 | 4.9 | 0.6 | -686 | 225,680 | 5.4 |
| Aberdeen Standard | 20,433 | 0.4 | -0.1 | 0 | 20,433 | 0.5 |
| Total Real Income | 1,160,306 | 25.0 | 0.2 | 1,396 | 1,114,278 | 26.9 |
| Total Inflation-Linked | 329,534 | 7.1 | 2.1 | 3,290 | 282,824 | 6.8 |
| Kames Capital IL | 329,534 | 7.1 | 2.1 | 3,290 | 282,824 | 6.8 |
| Total Infrastructure | 421,516 | 9.1 | -0.7 | 7,117 | 431,209 | 10.4 |
| JPMorgan Infrastructure | 89,048 | 1.9 | -0.6 | 3,295 | 90,894 | 2.2 |
| IFM Global Infrastructure | 105,438 | 2.3 | 0.0 | -1,876 | 103,603 | 2.5 |
| KKR Infrastructure | 65,928 | 1.4 | -0.1 | 8,585 | 75,993 | 1.8 |
| Stafford Timberland | 142,845 | 3.1 | 0.1 | -472 | 144,876 | 3.5 |
| Infracapital | 18,258 | 0.4 | -0.1 | -2,415 | 15,843 | 0.4 |
| Total Property | 409,256 | 8.8 | -1.2 | -9,011 | 400,245 | 9.7 |
| Colliers Indirect Pooled Property | 30,412 | 0.7 | -0.2 | -1,102 | 29,310 | 0.7 |
| Colliers Direct Property | 99,275 | 2.1 | -0.5 | -2,430 | 96,845 | 2.3 |
| La Salle Aviva | 207,045 | 4.5 | -0.5 | -3,575 | 203,470 | 4.9 |
| Kames Capital I | 25,318 | 0.5 | 0.0 | -878 | 24,440 | 0.6 |
| Kames Capital II | 47,206 | 1.0 | 0.0 | -1,025 | 46,180 | 1.1 |
| Total Alternatives | 1,052,794 | 22.7 | -4.0 | -46,146 | 1,003,824 | 24.2 |
| Total Targeted Return | 481,475 | 10.4 | 2.9 | -16,263 | 465,587 | 11.2 |
| Aspect Capital Partners | 144,279 | 3.1 | -0.4 | 1,213 | 145,867 | 3.5 |
| Pictet | 168,627 | 3.6 | -0.4 | -16,852 | 151,775 | 3.7 |
| Ruffer | 168,406 | 3.6 | 3.6 | -635 | 167,770 | 4.0 |
| Entrust Permal | 164 | 0.0 | 0.0 | 11 | 174 | 0.0 |
| Total Emerging Market Debt | 113,751 | 2.4 | -0.1 | -19,334 | 94,544 | 2.3 |
| Ashmore EMM Debt | 113,751 | 2.4 | -0.1 | -19,334 | 94,544 | 2.3 |
| Total Investment Grade Credit | 0 | 0.0 | -3.0 | 0 | 0 | 0.0 |
| Liquid Multi Asset Credit | 28,353 | 0.6 | -3.4 | 0 | 28,353 | 0.7 |
| JPMorgan Global Credit | 28,353 | 0.6 | 0.1 | 0 | 28,353 | 0.7 |
| Total Global Credit Private Debt | 429,215 | 9.2 | -1.2 | -10,550 | 415,340 | 10.0 |
| Christofferson | 49,755 | 1.1 | 0.1 | 2,758 | 49,752 | 1.2 |
| M&G | 97,606 | 2.1 | -0.4 | -1,896 | 88,048 | 2.1 |
| Partners Group Private Debt | 281,853 | 6.1 | -0.9 | -11,411 | 277,540 | 6.7 |
| <i>Millenium Currency (gain/loss not mk value)</i> | <i>340,665</i> | <i>7.3</i> | <i>7.3</i> | <i>0</i> | <i>0</i> | <i>0.0</i> |
| Cash | 44,919 | 1.0 | 0.5 | 0 | 30,030 | 0.7 |
| Leicestershire County Council Pension Fund ex Hedge | 4,591,499 | 98.8 | 0.2 | -457,231 | 4,074,873 | 98.3 |
| Leicestershire County Council Pension Fund | 4,645,465 | 100.0 | 0.8 | -522,402 | 4,143,668 | 100.0 |

LOCAL PENSION BOARD ANNUAL REPORT

14 DECEMBER AGM

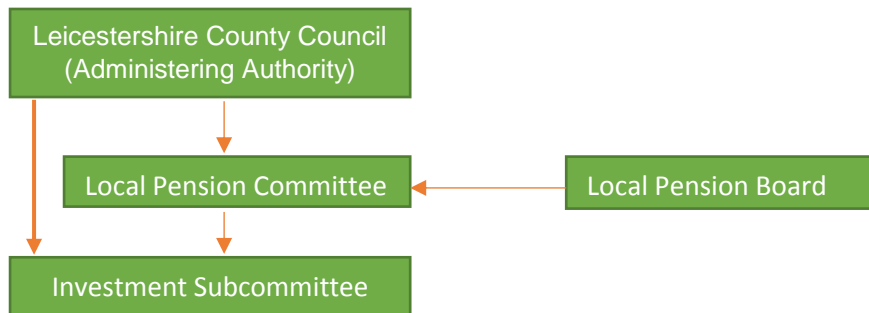
What is the Local Pension Board

The Local Government Pension Scheme (LGPS) Regulations (“the Regulations”) established Leicestershire County Council as the administering authority for the Leicestershire Pension Fund, with responsibility for managing and maintaining the Fund.

The Regulations further required that Leicestershire County Council in its capacity as administering authority established a Local Pension Board for the purposes of assisting it;

- to secure compliance with the Regulations, other legislation relating to the governance and administration of the LGPS, and the requirements imposed by the Pension Regulator in relation to the LGPS; and
- to ensure the effective and efficient governance and administration of the LGPS

While the Local Pension Board was established by the County Council it does not sit within the typical arrangements that apply to local authority committees, including those that apply to the Local Pension Committee. Instead the Board operates outside of the usual local authority committee structure and serves an advisory and compliance role for the Fund as set out within its Terms of Reference. The Board cannot be delegated to carry out the functions and responsibilities that legally pertain to the administering authority. The structure of the Fund is set out below.



The Local Pension Board is comprised of;

- Three scheme member representatives,
- Three employer representatives
- One substitute scheme member representative.

Details of how the Members of the Local Pensions Board are appointed can be found in the [terms of reference](#).

As at 30 November 2020 the Board is constituted of the following members:-

Employer Representatives

Mrs. Rosita Page CC - Chairman
Leicestershire County Councillor

Mr. Richard Shepherd CC
Leicestershire County Councillor

Cllr. Elaine Pantling
Leicester City Councillor

Scheme Member Representatives

Ms. Caroline Fairchild – Vice Chairman

Ms. Ruth Gilbert

Ms. Divya Haller

There remains a vacancy for reserve scheme member representative following Ms. Debbie Stobbs resignation earlier in the year.

While there is no statutory obligation for the Local Pension Board to publish a report, it is recognised as best practice for the Board to report on its activities for the year and its future plans.

The Public Service Pensions Act 2013 requires an administering authority to publish information about its Local Pension Board, this is included on the County Council's [Website](#), and as part of the Governance Compliance Statement within the Leicestershire Pension Fund's Annual Report.

Foreword by the Chair of the Local Pension Board

Welcome to the inaugural Annual Report of the Local Pension Board of the Leicestershire Pension Fund. This report covers the period from 1 December 2019 to 30 November 2020.

I would be remiss to introduce this report without mention of the impact that COVID-19 has had, and is having, on all of us. First, I wish to assure any scheme Members that the Local Government Pension Scheme is a defined benefit pension arrangement, though the Fund invests contributions, investment performance does not affect pensions, ultimately pensions are long term investments and markets will always fluctuate.

While the crisis has brought out some of the best in humanity, sadly it has also highlighted scams that look for opportunities to prey on those in a vulnerable situation, or just looking for financial incentives. I would encourage scheme members to consider carefully when considering transferring their pension to another scheme. so as not to put them at financial risk. We remain assured that transfers out and refund requests remain stable and has not seen the anticipated rise as a result of COVID-19.

Ultimately the focus of the Board has been to ensure that the Fund's governance complies with Public Service Pensions Act, LGPS Advisory Board or CIPFA and TPR, something I am confident that we have achieved in the last year.

Finally, I would also like to further place on record the Board's appreciation for the support and transparent advice of officers and Independent Advisor Clare Scott as part of the Fund's Governance Review, who play a valuable role in supporting us and our oversight and scrutiny of the Fund.

This Annual Report is not a complete commentary of everything we have achieved this past year; rather it is a summary of some key highlights of our work during 2019/20. We hope it reflects the variety of issues we have considered during another busy year and that you enjoy reading it. You can of course find out more about our [meetings here](#).

Mrs. R. Page CC

Chairman of the Local Pension Board

Member Attendance

Attendance of the Board Meetings have been positive with employer and employee representatives freely giving their time and commitment.

| | 2 December 2019 | 3 February 2020 | 20 April 2020 | 10 August 2020 | 26 October 2020 |
|-------------------|-----------------|-----------------|--|----------------|-----------------|
| Mrs. R. Page | ✓ | ✓ | <i>Cancelled due to COVID-19. Papers were circulated to Members for comment.</i> | ✓ | ✓ |
| Mr. R. Shepherd | x | ✓ | | ✓ | ✓ |
| Cllr. E. Pantling | x | x | | ✓ | ✓ |
| Ms. C. Fairchild | ✓ | ✓ | | ✓ | ✓ |
| Ms. D. Haller | ✓ | ✓ | | ✓ | x |
| Ms. R. Gilbert | ✓ | ✓ | | ✓ | ✓ |

The Board held four meetings during the year. Which have covered the following:

- **Pension Fund Administration Reports** – The Board was updated at each meeting on the performance of the Pension’s Section against its performance indicators. Including updates on breaches, complaints and appeals.
- **Risk Management and Internal Controls** –The Board was updated at each meeting on the risk management and internal controls of the Fund.
- **Pension Fund Valuation** – The Board received an update on the consultation with employers on the Funding Strategy Statement.
- **Investment Strategy Statement Update** – An update on the revised ISS, which the Board supported.
- **Draft Responsible Investment Strategy** – A report on the Fund’s approach to improving the management of responsible investment risks, which was welcomed by the Board.
- **The Pension Regulator ‘Deep Dive’ Findings** – The Board noted areas of improvement that the Pension Regulator identified in other funds that the Leicestershire Fund would undertake where appropriate.
- **LGPS Transfer of Pension Rights** – An update concerning minor changes to Leicestershire’s acceptance of transfer values from certain external pension schemes.
- **Updates on Conferences Attended** - The Chairman and Ms. D. Haller both updated the Board on information gleaned from the LGPS Central Conference.
- **Member Self Service** – The Board received an update on improvements to the Self-Service system following training received
- **Transfers Out-** A report on issues relating to pension transfer out requests and the risk of scam activity.
- **Exit Credit Consultation** – Proposed Changes to the Fund’s Exit Credit Policy and consultation.

- **LGPS Scheme Advisory Board's Good Governance Review** – Update reports to meetings on progress towards the Good Governance Phase 2 Report.

A selection of the highlights of the year are set out below:-

Highlights

Transfers Out

We heard from the Pensions Manager regarding scheme member requests to transfer out to non-public service schemes. It was clear there was a conflict between scheme members who wished to transfer quickly, versus the Scheme Manager wishing to undertake sufficient due diligence. We were pleased to note the level of due diligence that the Fund undertook to provide security for members before transfers were completed. It was concerning that even some Financial Conduct Authority approved schemes were not always in the best long-term interests for scheme members. Concluding our discussion, we recommended that the Pension Manager review the wording incorporated into documents circulated to scheme members as part of the Stage 1 letter to ensure it set out time scales, managed service expectations and advised of the Fund's position in relation to due diligence. While the Pensions Section was not aware of any scam activity within the Leicestershire Fund, we noted the importance of remaining vigilant, a theme we revisited at future meetings.

Ultimately, we would encourage any scheme member considering transferring out to consider the costs, risks and loss of benefits involved.

95k Exit Cap

We considered, in the Board's role as regulatory body for the Leicestershire Pension Fund Government's response to the 95k Exit Cap consultation. While the cap was primarily an employer issue it also impacted on the administration of the Fund in relation to the pension strain (costs that occurred when there is a clear shortfall in the assumed level of funding needed to provide an unreduced pension benefit, for example if a member drew their benefit a lot earlier than expected). We will continue to monitor the situation as it remains a key issue with the potential impact it may have on the Fund. It is clearly concerning that the 95k exit cap could affect a lot of public sector workers, especially those who may have long service such as nurses and social workers if not linked to inflation. We were pleased to note that the Pensions Manager had written to all employers making them aware of the change, and informing them they must contact any impacted staff. We were also aware employers were looking at the implications and that Unison were also lobbying against the cap in its current form. We continue to encourage any scheme member of the fund who is concerned to contact their employer.

Responsible Investment

We were also pleased to receive a report on Responsible Investment (RI) at our meeting on which set out the Fund's approach to improving its management of responsible investment risks and we were pleased to welcome LGPS Central's Director of Responsible Investment and Engagement to our Meeting. We welcomed the opportunity to comment on the Responsible Investment approach and were pleased that it focused on engagement, rather than exclusion which would have waived the ability of the Fund to influence RI behaviour through stewardship.

We felt the presentation further showed the benefits for pooling, as Central had a greater ability to hold companies to account than the Leicestershire Pension Fund as a single entity. Pooling of resource enabled stronger engagement, which was further enhanced through Central's use of Hermes EOS, an active asset manager with a focus on positive engagement and intervention in order to improve RI performance and sustainability.

Action Taken by the Board

The Local Pension Board has the power to write to employers where it holds concern. At our meeting on 3 February 2020 we were informed by the Pensions Manager of new admission bodies Cleantec and Mellors Catering and outsourcing employers, Beacon Academy, failure to sign legal documents in relation to Transfer of Undertakings Protection of Employment, which resulted in a delay for scheme members joining the scheme. Despite the best efforts of the Fund the cases had been ongoing since 1 September 2019. We requested that the Pensions Manager write again to Beacon Academy, Cleantec and Mellors Catering expressing the Board's concern regarding the lack of admission and bond agreements.

Since that letter Beacon Academy and Cleantec have now progressed the agreement, however we remained concerned that Mellors continue to be unwilling to co-operate with Fund officers, to which a further warning letter was issued in September 2020.

We continue to receive updates on this matter as part of the quarterly administration reports from the Pension Manager and will monitor the situation.

Looking ahead to 2020/21.

The Board will maintain oversight of the Fund and continue to receive regular reports on admin, governance and risk. We are also awaiting further guidance and information relating to the impact of the McCloud ruling on the Fund and whether it will require recalculation of all post 2014 final salary scheme benefits and the impact this could have on resource within the Pensions Section.

The area of employer risk and governance is also a growing area of focus for the Pensions Section, and the required resource will be allocated accordingly. We will further await guidance from the Scheme Advisory Board's Good Governance project

with regards to further action to be taken and will continue to monitor the Fund's progress made towards the review and recommendations by Clare Scott the Fund's Independent Advisor as part of the review of the Fund's Governance.

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Training Policy

The Fund's **Training Policy** was adopted in November 2019 and applies to all members of the Local Pension Committee, Local Pension Board and senior officers involved in the management and administration of the Fund. The Training Policy has regard to relevant codes of practice and guidelines issued by the Pensions Regulator, CIPFA, the training needs of the Committee and Board and the Fund's current priorities.

The 2013 Public Service Pension Act requires that members of Local Pension Boards have an appropriate level of knowledge and understanding in order to carry out their role. Any individual appointed to a local pension board must be conversant with;

- The regulations of the Local Government Pension Scheme, including historical regulations and transitional provisions, to the extent that they still affect members; and
- any document recording policy about the administration of the scheme Local Pension Board members must also have knowledge and understanding of;
- the law relating to pensions, and
- such other matters as may be prescribed in other legislation

The degree of knowledge and understanding required by Board members is appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Local Pension Board. The Leicestershire Pension Fund is committed to supporting Local Pension Board members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance.

Members of the Board complete self-evaluation forms on an annual basis assessing their knowledge in terms of General Understanding, Funding and Pension Administration. A personal Training Plan is then developed for each Member based on the results of these assessments and is supplemented, where appropriate, to cover matters arising in the course of managing the Fund as part of reports to the Board and following meetings delivered by officers or the Fund's providers such as the Actuary and independent adviser.

While this Annual Report is written from 1 December – 30 November it is worth noting that following adoption of the Training Policy in November the Board undertook a comprehensive training programme to refresh all Board Members knowledge, to provide each Member with a thorough information base to build upon.

The attendance log for training undertaken following Board Meetings is as follows:

| | Member Self Service | McCloud |
|--------------------------|----------------------------|------------------------|
| | 2 December 2019 | 26 October 2020 |
| Mrs. R. Page | ✓ | ✓ |
| Mr. R. Shepherd | X | ✓ |
| Cllr. E. Pantling | x | ✓ |
| Ms. C. Fairchild | ✓ | ✓ |
| Ms. R. Gilbert | ✓ | ✓ |
| Ms. D. Haller | ✓ | x |

Given there have been a number of recent changes both within the LGPS, and externally in the broader pension's environment all Board Members are encouraged to complete The Pension Regulator's online training and other external training as held by the Scheme Advisory Board, Local Government Association, Hymans Robertson as well as LGPS Central.

Members of the Board also attended the Annual LGPS Governance Conference held on the 23-24 January 2020.

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