

Meeting **Leicestershire Local Government Pension Fund – Annual Meeting**

Date/Time **Monday, 12 December 2022 at 12.00 pm**

Location **Council Chamber, County Hall, LE3 8RA**

Officer to contact **Mrs Angie Smith (0116 305 0589).**

E-Mail **angie.smith@leics.gov.uk**

This meeting is open to all members of the Leicestershire County Council Pension Fund including active contributors, deferred members and pensioners.

Those members of the Fund who are unable to attend in person are able to view the meeting live via the County Council's YouTube channel using the following link. <https://www.youtube.com/channel/UCWFpwBLs6MnUzG0WjejrQtQ>. A recording of the meeting will be viewable after the meeting via the same link.

AGENDA

<u>Item</u>	<u>Report By</u>	<u>Marked</u>
1. Minutes of the meeting held on 13 December 2021.		(Pages 3 - 6)
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 2021/22. Director of Corporate Resources (Pages 7 - 102)
- (This item will include a presentation by the Director of Corporate Resources. Those in attendance will have the opportunity to ask questions concerning the Annual Report and Accounts. Those unable to attend are asked to forward any questions they have to democracy@leics.gov.uk by 12 noon on Friday 9 December)*
7. Pension Fund Valuation 2022. The Actuary
- (Representatives from the Fund's Actuary, Hymans Robertson, will attend the meeting to present this item)*
8. Local Pension Board Annual Report. Local Pension Board (Pages 103 - 114)
9. Report of the Local Pension Committee Employee Representatives. Employee Representatives (Pages 115 - 116)
10. Appointment of Scheme Member Representative to the Local Pension Committee.
- One nomination was received for the Local Pension Committee, no ballot is therefore required. Mr. Clive Pitt will therefore be appointed to the Local Pension Committee for a period of three years.*
11. Appointment of Scheme Member Representatives to the Local Pension Board.
- One nomination was received for the Local Pension Board, no ballot is therefore required. Ms. Ruth Gilbert will therefore be appointed to the Local Pension Board for a period of three years.*
- There is therefore a vacancy for the reserve Scheme Member representative. Please use the contact details above if you would be interested in the role.*
12. Date of next meeting.
13. Any other items which the Chairman has decided to take as urgent.

Minutes of the Annual Meeting of the Local Pension Committee with the Contributors to, and Beneficiaries of the Pension Fund, held at County Hall, Glenfield on Monday, 13 December 2021.

PRESENT:

Tom Barkley CC (Chairman)

The meeting was open to all contributors to, and beneficiaries of the Pension Fund, Local Pension Committee and Board Members in the Council Chamber and Microsoft Teams live.

102. Minutes.

The minutes of the meeting held on 14 December 2020 were taken as read, confirmed and signed.

103. Chairman's Announcement.

Cllr. Ratilal Govind

The Chairman reported with great sadness the death of Local Pension Committee member, Cllr. Ratilal Govind. Cllr Govind had been elected to Leicester City Council in 2015, representing Evington Ward.

Members joined the Chairman in silent tribute to Cllr. Ratilal Govind.

104. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 34.

105. Questions asked by members.

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

106. Urgent Items.

There were no urgent items for consideration.

107. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

108. Pension Fund Annual Report and Accounts 2020/21.

The Director of Corporate Resources gave a presentation on the Annual Report

and Accounts of the Pension Fund 2020/21. A presentation was also given by LGPS Central. A copy of the report and presentations is filed with these minutes.

The Chairman welcomed Patrick O'Hara, Director of Responsible Investment and John Burns Executive Director, Deputy Chief Executive Officer from LGPS Central.

Arising from the discussion the following points arose:-

- i. In response to a question relating to the effect of part time or flexible retirement on death in service qualifications for beneficiaries of scheme members, the Pension Manager informed scheme members that each individuals benefits would be different depending and if they wanted to discuss their situation to contact the Pensions Team at Pensions@leics.gov.uk
- ii. Work was ongoing nationally to create a single interface to enable individuals to see their lifetime pension savings in one place, which would provide better access to information so that individuals could make better decisions about their retirement plans. The Pensions Manager was aware that there were still decisions to be made nationally regarding the dashboard, including whether it would include a view of Additional Voluntary Contributions.
- iii. The Fund had a strategy of engagement to improve environmental, social and governance factors within companies through stewardship. The Fund considered this the most compatible with its fiduciary duty, and more supportive of its responsible investment interests.
- iv. In response to a question regarding if investments were fair and transparent, and also diverse in relation to links with different cultures, Members were informed that the Fund did take a view in relation to local laws, local safety and human rights to an extent. Where companies operated within territories that facilitated economic activity that was considered controversial, LGPS Central looked to engage with the companies and question its stance on human rights and the stewardship processes they had in place.
- v. In response to a question on when Members could expect tangible reductions to LGPS Central and the Fund's investment in carbon, Officers from LGPS Central informed Members that their approach was to consider companies individually as they had different risks depending on the asset. The Fund and LGPS Central expected Fund Managers to have built in risks and to take a long term view, which included the potential risk from a carbon tax, as it was believed that was the best option for the best influence of the Fund. It was recognised not all companies would transition, and that they would not remain within the Fund. It was important to note any transition would need to be managed responsibly and that it would not be a

quick transition.

vi. LGPS Central used the Transition Pathway Initiative to challenge companies reports and accounts to ensure they reflected stated climate ambitions. It was evident there needed to be collaborative engagement, as work produced by the University of Dublin reflected that data was not as accurate as it should be, partly due to weakness of data available.

vii. While it was likely some companies would need to rely on carbon offsets in future, it would need to be carefully validated. Companies could not just rely on offsets however, and must look at reducing their real world emissions.

RESOLVED:

That the contents of the Annual Report for 2020/21 and presentation be noted.

109. Local Pension Board Annual Report.

A report was presented on behalf of the Local Pension Board. A copy of the report is filed with these minutes.

RESOLVED:

That the report be noted.

110. Appointment of Scheme Member Representative to the Local Pension Committee.

The Chairman reported that one nomination for the position of employee representative on the Local Pension Committee had been received. The nomination was for Mr. G. Lawrence. No ballot was therefore required.

It was noted that current employee representatives elected to the Committee were

Mr. N. Booth (to remain a scheme member representative for a period of two years

Mr. A. Wilson (to remain a scheme member representative for a period of one year)

RESOLVED:

That Mr. G. Lawrence be appointed Scheme Member Representative for a period of three years expiring at the Annual Meeting in 2024.

111. Appointment of Scheme Member Representatives to the Local Pension Board.

The Chairman reported that one nomination had been received for the position of employee representative on the Local Pension Board from Mr M. Saroya.

No ballot was therefore required. It was noted that current scheme representatives elected to the Board were:

Ms C. Fairchild (to remain a scheme member representative for a period of two years)

Ms R. Gilbert (to remain a scheme member representative for a period of one year)

RESOLVED:

That Mr. M .Saroya be appointed employee representative for a period of three years expiring at the Annual Meeting in 2024.

That the reserve scheme member representative remained vacant.

12.00 – 1.00pm CHAIRMAN



LEICESTERSHIRE PENSION FUND AGM – 12 DECEMBER 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PENSION FUND ANNUAL REPORT AND ACCOUNTS 2021/22

Purpose of the Report

1. The purpose of this report is to present the appended Annual Report and Accounts of the Pension Fund for the financial year 2021/22.

Background

2. There is a statutory requirement for the Annual Report and Accounts to be available on or before 1st December 2022. The Accounts are in the process of being audited and the Local Pension Board and Local Pension Committee will be updated at the earliest possible opportunity on the opinion given by the Auditor once this process has been completed.
3. The Local Pension Board considered the report at its meeting on 17 August as did the Local Pension Committee on the 18 November. The Board and Committee fully supported the Pensions Fund Annual Report and Accounts.

Audit progress Report

4. Grant Thornton (GT) are the External Auditors for Leicestershire County Council and the Pension Fund. The external audit of the 2021/22 pension fund accounts is almost complete and will be reported to the County Council's Corporate Governance Committee in January 2023. In advance of that meeting the external auditor has provided a progress report on the Pension Fund audit, attached as Appendix B.
5. The report sets out the progress to date for the Pension Fund audit for the year ended 31 March 2022. The audit of the Pension Fund is substantially complete, and the external auditor anticipates issuing an unqualified audit opinion.
6. The final auditor's report is planned to be considered by the Corporate Governance Committee on 27 January 2023 and the accounts are to be signed on the 31 January 2023 at the Constitution Committee.

Presentation

7. A presentation detailing the key elements of the Annual report and accounts will be presented at the AGM by the Director of Corporate Resources. The presentation will also include an update concerning the development of the Pension Fund's Net Zero Strategy.

Recommendation

8. It is recommended that the Fund's Annual Report and Accounts 2021/22 be noted.

Appendices

Appendix A - Pension Fund Annual Report

Appendix B – Grant Thornton Audit Progress Report

Equality and Human Rights Implications

None Specific

Officers to Contact

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Pensions Manager
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LOCAL GOVERNMENT PENSION SCHEME LEICESTERSHIRE

Administered by

LEICESTERSHIRE COUNTY COUNCIL

Pension Fund Annual Report

Year ended 31st March 2022

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The Fund has a number of policy statements including:

- Funding Strategy Statement
- Investment Strategy Statement and Investment Advisor Objectives
- Administration and Communication Strategy

These are available on the link below. They have not been reproduced within the Annual report, as when taken in combination are sizeable and some have previously been approved by the Pensions Committee.

<https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>

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 geographic boundaries of Leicestershire and Rutland 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 1,710 during 2021/22 and at the year-end stood at 99,240. Figures for Active, Preserved and Pensioner Members all saw an increase during the year.

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 Committee 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. 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 and 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 the [Governance Compliance Section here](#).

At a national level the LGPS is governed by the Department for Levelling Up, Housing and Communities (DLUHC) 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 SAB is to help and support DLUHC and administering authorities fulfil their statutory duties and obligations. The 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 as at March 2022.

<u>Local Pension Committee</u>	
<u>Leicestershire County Council</u>	<u>Leicester City Council</u>
Mr. T. Barkley CC (Chairman)	Cllr. A. Clarke
Mr. D. Grimley CC (Vice-Chairman)	Cllr. S. Waddington
Mr. K. Merrie CC MBE	
Dr. R. K. A. Feltham CC	<u>District Council Representatives</u>
Mr. D. Gamble CC	Cllr. C. Frost
	Cllr. M. Graham MBE
<u>Employee Representatives</u>	<u>University Representative</u>
Mr. A. Wilson	Mr. Z. Limbada
Mr. N. Booth	
Mr. G. Lawrence	
<u>Up to date Membership of the Local Pension Committee can be viewed here.</u>	
<u>Local Pension Board</u>	
<u>Employer Representatives</u>	<u>Employee Representatives</u>
Mr. R. Shepherd	Ms. C. Fairchild (Vice-Chairman)
Mrs. R. Page CC (Chairman)	Ms. R. Gilbert
Cllr. D. Bajaj (appointed as at 31 March 2022)	Mr. M. Saroya
Up to date Membership of the Local Pension Board can be viewed here.	
<u>Officers responsible for the Fund</u>	
<u>Finance</u>	<u>Pensions Administration</u>
Chris Tambini – LGPS Senior Officer (Director of Corporate Resources – Leicestershire County Council)	Ian Howe - Pensions Manager - Leicestershire County Council
<u>Investment Managers</u>	
Investments managed by LGPS Central Pool:	
All World Equity Climate Multi Factor Fund	LGPS Central PE Partnership 2018 & 2021 LP
Emerging market equities multi-managers fund (<i>BMO, UBS, Vontabel</i>),	Global active emerging market bond multi manager fund (<i>Amundi, M&G</i>)
Global active corporate bond multi-manager fund (<i>Neuberger Berman, Fidelity</i>)	Global equities multi-manager fund (<i>Harris, Schroders & Union</i>)
Infrastructure core / core plus multi manager fund	LGPS Credit Partnership I
Global active MAC multi-manager fund (<i>Western Asset Management, BMO</i>)	LGPS Credit Partnership II
Others:	
Adams Street Partners	Aegon Asset management (formerly Kames Capital)
Aspect Capital	Kravis Kohlberg Roberts
La Salle Investment Management	Legal & General Investment Management
Catapult Venture Managers	Partners Group
Colliers Capital UK	Permal (formerly Fauchier Partners)
Cristofferson, Robb & Company	Pictet Asset Management
Infrastructure Funds Management	M&G Investments
JP Morgan Asset Management	Ruffer LLP
Standard Life Aberdeen	Stafford Capital Partners
<u>Pooled investments</u>	
LGPS Central	
<u>Fund Custodian</u>	<u>Legal Advisor</u>
JPMorgan, Bournemouth	County Solicitor, Leicestershire County Council
<u>Auditor</u>	<u>Actuary and Investment Consultant</u>
Grant Thornton LLP	Hymans Robertson LLP, Glasgow
<u>Banker</u>	<u>AVC Provider</u>
National Westminster Bank, Leicester	Prudential, London

Scheme Administrator

Leicestershire County Council

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. Officers monitor Fund risk and bring a risk report to each Local Pension Committee and Local Pension Board meeting, to provide the latest position on key risks.

The risks are individually scored and each has additional controls applied to mitigate the risk. Any risk score of 15 or over is classed as a very high risk, and escalated within Leicestershire County Council. There are no scores on the Pension Fund risk register 15 or over.

The ongoing 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. As at March 2021 a quick review suggested that the overall Funding position had improved but the final position cannot be confirmed until the Fund's valuation as at 31 March 2022 has completed. 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 contributions, with employee contributions assumed to be fixed. 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 usually 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 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.

FINANCIAL PERFORMANCE

Non-investment cash flows

Non-investment cash inflows for the fund come via payments from Employers of their and employees' contributions. 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 0% to 35.7% with the average employer rate being 25.6%.

Administrative, including investment management, costs were at £42.5m for the year compared to £45.3m in the previous year (2020/21). This decrease was largely driven by a reduction in performance related investment manager costs based on the assets under management. 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 £54.8m in 2021/22, compared to £62.1m in 2020/21. In addition, the Fund received investment income of £43.6m. In the context of the funds, £5billion 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. 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 UK based 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 overleaf:

Pension Fund Annual Report

2020/21		2021/22
£m	Payments in:	£m
(183.0)	Employer Contributions	(192.5)
(45.1)	Member Contributions	(47.0)
<u>(5.3)</u>	Transfers in From other pension funds	<u>(9.9)</u>
(233.4)	Total Inflows	(249.4)
	Payments out:	
132.1	Pensions	137.3
27.5	Lump Sum Retirement Benefits	34.2
5.0	Lump Sum Death Benefits	5.7
<u>6.7</u>	Payments to and on Account of Leavers	<u>17.4</u>
171.3	Total Outflows	194.6
(62.1)	Net Cash (inflows)	(54.8)

2021/22 Performance Vs Budget

The outturn for 2021/22 was:

Heading	Budget	Actual	Variance
	£000s	£000s	£000s
Investment Management Expense:			
o Management	25,400	23,146	-2,254
o Transaction	9,810	5,961	-3,849
o Performance	5,490	9,856	4,366
Sub Total	40,700	38,963	-1,737
LGPS Central costs	1004	995	-9
Staffing and other admin expenses	1,400	1,473	73
IT costs	500	448	-52
Actuarial costs	150	163	13
Support Services	400	492	92
Total	44,154	42,534	-1,620

Forecast v Outturn report on Pension Fund cash flows

The Fund is cash flow positive (its income exceeds the liabilities to be paid) meaning that sale of investments is not required outside of asset transitions. As such the cash flow monitoring is focused on making investments to keep the variance to the strategic asset allocation as low as possible. Hence the approach taken to date has been to forecast cash-flow when deciding the funding approach for new investments. An overview of the funds cashflow and forecasting approach is shown below.

Cash Flow	£ millions	Forecast approach
Opening Cash Balance 01 April 2021	331	
Net investment activity	(195)	Significant underlying activity, purchases of £845m and sales of £650m. Large net investment reflects the fact the Fund was underweight in private and illiquid markets at the start of the reporting period. Committed capital in these markets has started to be drawn down during 2021/22. Guidance by managers tends to be short term so it can be difficult to predict overall flows but as spread through year can 'mop-up' when investing.
Currency hedge profit or loss	(29)	Dependent upon relative currency performance and Aegon's decisions. Very hard to forecast and necessitates the holding of a cash buffer.
Management expenses and fees	(7)	This is the element of fund management and administration fees which result in a cash flow out. Most investment fees paid are embedded in the underlying fund so do not generate a cash flow. Able to make good level of prediction, although elements are performance dependant.
Investment income	44	Primarily from Infrastructure and property assets, usually predictable. Increase this year due to timberland fund reaching maturity and starting to distribute.
Non-investment income	55	Employer and employee contributions exceed the benefit payments made. Usually, only moves gradually compared to the previous year, unless a step change following the triennial valuation or significant increase in transfers in or out of the fund.
Change in working capital	(12)	Working capital is the capital the Fund uses for its day-to-day operations and is calculated as current assets minus current liabilities. This is usually predictable as it generally relates to contributions due from employers, investment income, fees, and expenses. The change in working capital compared to last year was primarily driven by several employers switching to paying their contributions in arrears (including LCC).
Total increase/(decrease) in cash balance	(144)	Aim to keep cash level minimal as per strategic allocation. Cash balances were high at the start of the reporting period due to the Funds underweight position in illiquid markets. The large decrease in cash in 2021/22 reflects efforts to reinvest in these markets and the availability of new products from LGPS Central.
Closing Cash Balance 31 March 2022	181	

Details of over payments, recoveries and amounts written off, Including the results of participation in National Fraud Initiative exercises

The biennial National Fraud Initiative (NFI) exercise for 2020/21 identified four pensions overpayments totalling £18k. During 2021/22 investigation took place on the four cases, resulting in three cases totalling £13k, being written off. There was no indication of fraud in any of the cases. Work remains ongoing on the fourth case. NFI matches current pensions to DWP deceased persons data to identify anomalies. The cases noted were exceptions to the rule such as overseas pensioners where preventative controls are somewhat weaker, i.e. where a death was not registered in the UK. Moving forward, the Pensions Section will data match to DWP deceased persons data twice-yearly, in addition to the standard NFI cycle, in order that anomalies can be identified and investigated earlier in the process, and recovery initiated without delay. No overpayments were identified outside of the NFI exercise.

PENSION SCHEME ADMINISTRATION

The number of scheme members who are either active contributors, receiving a benefit or who have a future entitlement to a benefit increased by 1,710 over the course of the year. This figure excludes the 5,155 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.

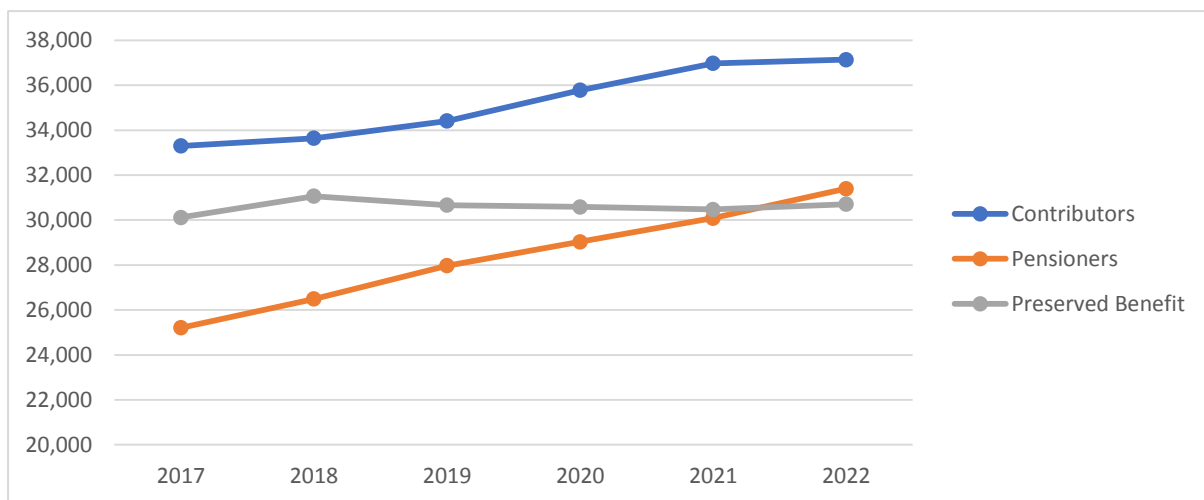
Active membership increased by 167 from 36,972 to 37,139.

Pensioners increased by 1,308 from 30,089 to 31,397.

Preserved membership increased 235 from 30,469 to 30,704.

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.

Membership numbers over the last six years are shown in the graph below.



Leicestershire Pension Fund contributions:

Employer Name	Employer	Employee
	Contributions	Contributions
	£000	£000
Leicester City Council	51,318	11,985
Leicestershire CC	45,431	10,858
The Chief Constable & The OPCC	11,834	3,284
Leics De Montfort University	11,469	3,177
Loughborough University	7,057	1,585
Charnwood Borough Council	4,094	827
Rutland CC	3,254	848
North West Leics DC	2,832	940
Hinckley and Bosworth BC	2,796	718
Blaby District Council	2,353	608
ESPO	2,252	537
Harborough District Council	2,046	403
Oadby and Wigston BC	1,407	284
Melton BC	1,309	356
Leics Fire Service (Civilians)	1,070	295
FE and Sixth Form colleges	6,609	1,712
Town & Parish Councils	644	194
Academies, Free Schools and others	34,758	8,364
Total	192,533	46,975

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.

Value for Money Statement

The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance states Pension Funds need to produce a Value for Money Statement. The Value for Money Statement is in respect of

- i. Administration costs
- ii. Service to scheme members
- iii. Workloads
- iv. Data quality
- v. Fund risk management

i. Administration Costs

Officers must demonstrate value for money. The cost per member is calculated using the total cost for staffing, IT, actuarial and support services divided by the scheme membership at 31 March 2022. To compare the 2021/22 costs, information from three years prior is included.

The Fund has 36 full time equivalent working in Pension Scheme Administration. Scheme membership is 99,240 equating to 2,757 members per FTE.

The pension administration costs include staffing, IT, actuarial and support services. It does not include the costs relating to investment activity.

Year	Members	Full Time Equivalent – Pensions Administration	Administration Costs £000	Cost per member (admin cost / members)
2018/19	93,046	31	2,300 ¹	£24.72
2019/20	95,401	33	2,300	£24.11
2020/21	97,530	33	2,155	£22.10
2021/22	99,240	36 ²	2,576	£25.96
2022/23 – Forecast	103,000	35 ³	2,790	£27.09*

*The proposed increase in cost in 2022/23 is as a result of the increased resource required for the McCloud project and the introduction of the national Pensions Dashboard programme.

There was increased spend in all the four key areas in 2021/22 compared to 2020/21, as detailed in the following table.

Year	Staffing	IT	Actuarial	Support Services	Other
2020/21	1,202,000	423,000	77,000	393,000	58,000
2021/22	1,382,000	448,000	163,000	492,000	91,000
Increase	180,000	25,000	86,000	99,000	33,000

¹ Total was £2,400,000 but reduced by £100,000 income

² Includes two Kick Starters from the Government's initiative to introduce graduates into work.

³ Includes an apprentice

Staffing - The increase in staff costs were for the additional three colleagues primarily assisting on McCloud. There was also an inflationary increase to staff salaries and pay progression for colleagues moving through the pay bands.

IT - costs increased to cover system changes for McCloud and the purchase of Insights which is a new reporting tool provided by the system provider.

Actuarial - Every three years the Fund must complete an actuarial valuation. The valuation exercise includes a significant amount of time from the Fund's Actuary Hymans Robertson. Therefore, in a valuation year the actuarial costs increase. The expected actuarial cost for the valuation was budgeted in 2022/23. However, the stabilised employer valuation work was brought forward into 2021/22 thereby increasing the cost spend in 2021/22. A lower expected increase in 2022/23 is anticipated.

Support Services - There were increases in the support services to cover increasing workloads in certain areas, inflationary increases and the implementation of the new print/post/scanning solution.

Other - These relate to other general costs e.g., LGA training, CIPP qualifications, Club Vita membership, tracing service, SAB annual levy etc.

Fund Administration Charge

Funds charge a percentage of the employer primary contribution rate to fund pension administration. Given the differences in the demographics of Funds this is not considered a reliable measure of costs between Funds. For example, a Fund with a greater percentage of active members and low fund maturity will receive more income, compared with a more mature Fund that has a greater percentage of pensioners and preserved members. Officers feel the cost per member provides a more transparent way to measure administration cost between Funds.

ii. Service to Scheme Members

Fund Officers measure key performance indicators (KPIs) for both business process and customer satisfaction. These are reported on a quarterly basis to the Local Pension Board. The full year KPI's are set out below and demonstrate a good service continues to be provided to the Fund's Scheme Members.

Pension Fund Annual Report

Full Year - 1 April 2021 to 31 March 2022						
Business Process Perspective	Target			Customer Perspective - Feedback	Target	
Retirement Benefits notified to members within 10 working days of paperwork received	92%	89%	▶	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%	95%	▲	Experience of dealing with Section - rated at least good or excellent	95%	92% ▶
Death benefits/payments sent to dependant within 10 working days of notification	90%	87%	▶	Establish members thoughts on the amount of info provided - rated as about right	92%	93% ▲
				Establish the way members are treated - rated as polite or extremely polite	97%	99% ▲
Good or better than target	▲			Email response - understandable	95%	93% ▶
Close to target	▶			Email response - content detail	92%	94% ▲
Below target	▼			Email response - timeliness	92%	91% ▶

During 2021/22 the Fund had three Stage 2 complaints via the formal Internal Resolution Disputes process. Two were resolved and one remains ongoing. Details on how to make a complaint are available later in the report.

iii. Workloads

The 2021/22 figures are included in the table below .

Area of work	Cases Completed
Preserved Benefits	2,034
Retirement Options	2,675
Retirements Paid	2,113
Deaths	1,196
Refunds Paid	1,148
Estimates	1,206
Transfers in and out (excluding interfunds out) ⁴	287
Aggregations	1,593
New starters	7,397

Details of new pensioner analysed by retirement type.

Type of retirement	Cases Completed
Early	1,524
Ill Health	46
Normal	153
Late	243
Redundancy/Efficiency/Flexible	147
Total	2,113

⁴ Interfunds out have a one-year window for a member decision and are therefore excluded.

Scheme Membership in the last three years is set out below:

Year	Active Members	Preserved Members	Pensioner Members	Total
2019/20	35,779	30,586	29,036	95,401
2020/21	36,972	30,469	30,089	97,530
2021/22	37,139	30,704	31,397	99,240

vi. Data Quality

Officers monitor and improve annually data quality. This is reported to The Pensions Regulator each year. Data is split between common and scheme specific data.

- Common data is primarily used to hold members information e.g., NI number, Date of Birth etc.
- Scheme specific data is primarily used in the calculation of member benefits.

The Fund data scores in the last three years

Year	Common Data Score	Scheme Specific Data Score
2019/20	99.20%	90.40%
2020/21	99.20%	90.90%
2021/22	97.20%	97.59%

With the introduction of Insights further data analysis is now available and it has emerged the previously submitted score needed a slight adjustment and the 2021/22 scores reflect this. However overall, the latest scores are more favourable.

A list of the Fund's strategies and policies can be found on the following link.

<https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>

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	17:00pm	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 six 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.

[A copy of the form is available here.](#)

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:

Money Helper Web: <https://www.moneyhelper.org.uk/en>

Phone: 0800 011 3797

LGPS Regulation & Web: <https://www.lgpsregs.org/>

Guidance

INVESTMENT POLICY AND PERFORMANCE

The Fund's strategic asset allocation benchmark at the year end was as follows. The benchmark is updated once a year usually in the first calendar quarter. Changes to the portfolio holdings are enacted over the year to adjust towards the benchmark. At the year end the major differences to the benchmark weights was overweight 'growth' assets by c5.6% and underweight 'income' assets by c8%. Growth assets contain the Funds equity holdings which have performed well compared to other asset classes pushing up the weighting versus the target. Investment committee decisions to invest into 'income' assets were taken during the course of 2021 when LGPS Central launched infrastructure, multi asset credit and private debt products which the Fund made commitments to. More recently the Local Pension Committee approved an allocation to the LGPS Direct Property Fund which when commitments are called will align further towards the target benchmark position for income assets.

	Weighting	Benchmark	Difference
Growth	60.8%	55.25%	5.55%
Income	28.4%	36.75%	-8.35%
Protection	7.9%	8.00%	-0.1%
Cash	2.9%	0.00%	2.9%
	100.00%	100.00%	0.00%

The setting of the strategic benchmark is the one of the most important decisions that the Committee makes. It is this decision that will have the most significant impact on the investment return achieved and approximately 90% of the Fund's overall risk is encompassed within the mix of assets classes within the overall portfolio. 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. Variances to benchmark positions can take time to close especially when investments or divestments need to be made to illiquid products such as infrastructure and property that usually have a time lag between committing capital and the money being requested (called) by the investment manager.

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 %		3 Years % p.a		5 Years % p.a	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Growth assets	14.6	10.5	12.3	10.5	9.0	8.4
Income assets	10.7	8.8	5.1	5.2	5.5	5.3
Protection assets	1.2	1.6	2.6	2.9	2.8	2.9
TOTAL FUND	11.4	8.9	9.2	8.2	7.5	6.9

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 a cause for concern. Spontaneous reactions that are based on relatively short periods of poor performance are not usually 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, in fact the Fund is positioned such that some assets should perform well in traditional market downturns. The Fund needs to have a reasonable spread of management styles and asset classes and occasionally a manager is chosen specifically because they provide diversification of returns from other managers within the overall portfolio.

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:

Growth Assets

The Fund has a global passive equity manager (Legal and 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. The Fund also has invested into a passive product with LGPS Central, a climate multi factor fund.

Within growth assets the Fund also has private equity investments (i.e. investment in unquoted companies), the vast majority of which is managed by Adams Street Partners as well as the three managers classed within targeted return class. The Fund also has invested in two LGPS Central Private Equity vintages.

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 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 employed in this area - Aspect Capital Partners, Ruffer and Pictet Asset Management.

Income Assets

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 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 Aegon Asset Management.

Infrastructure – The Fund employs six managers covering a broad range of global infrastructure with exposure to core infrastructure such as toll roads, ports and timber farms to more value add / opportunistic exposure including asset leasing, data centres and renewables.

Other asset classes included within the income class include various types of credit investments. Emerging market credit and private credit to corporate enterprises feature in this class. Partners Group are the single biggest manager with whom the Fund invests within private credit. The emerging market credit exposure is via a multi manager fund from LGPS Central.

Protection assets

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 expensive. It involves 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. Increasing this allocation 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, 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 a global government index-linked portfolio. Aegon Asset Management manages a portfolio of global index-linked stocks. Some inflation protection is afforded by exposure to global infrastructure managers where underlying assets are subject to contracted or regulated income.

Other mandates included within protection assets include a short dated investment grade bond fund with Aegon Asset Management and a LGPS Central investment grade corporate bond fund. Both aim to provide stable but lower rates of returns than similar funds included within the income portfolio.

Other portfolios

Active foreign exchange hedging is undertaken by Aegon Asset Management to reduce the impact of currency fluctuations from the Fund's holdings which are held in currencies other than sterling. At the year end the benchmark level of hedge as advised by Hymans and approved by the Pension Committee is 30% of foreign currency exposure. Aegon manage the level of hedge of currencies the Fund is exposed to between unhedged and fully hedged based on their view of the prevailing market conditions.

RESPONSIBLE INVESTING (RI)

RI introduction

The term ‘responsible investment’ refers to the integration of financially material Environmental, Social and Governance (“ESG”) factors into investment processes. It has relevance both before and after the investment decision and is a core part of our fiduciary duty. It is distinct from ‘ethical investment’, which is an approach in which the moral persuasions of an organisation take primacy over its investment considerations.

Effective management of financially material ESG risk should support long term investment returns. 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 produces an annual RI plan with progress monitored at each Local Pension Committee meeting. The Fund has also been undertaking climate risk analysis with the third climate risk report (CRR) scheduled to be delivered to the Local Pension Committee before the calendar year end. The CRR report will again analyse the Funds 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.

The Fund has also commenced work on delivering its first Net Zero Climate Strategy (NZCS). It is planned to be delivered to the Local Pension Committee later in 2022 with approval by the Local Pension planned in early 2023. The Fund has engaged with Local Pension Committee members throughout the process and will engage with employers, members of the pension scheme and large investment managers on the targets it is proposing within the NZCS.

At each opportunity to present to the Funds Pension Committee, Investment Managers delivered ESG updates 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 in the course of due diligence performed.

LGPS Central and RI

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.

The Fund invests in a number of investment products launched by LGPS Central as detailed within the investment policy and performance section of this report. Central have a published a ‘responsible investment and engagement framework’ available on the company’s website:

<https://www.lgpscentral.co.uk/wp-content/uploads/2021/06/LGPSC-RI-E-Framework-2021.pdf>

This framework contains two key objectives:

- To support the company's investment objectives
- To be an exemplar for Responsible Investment within the financial services industry and raise standards across the market

To supplement Central's RI policy they publish quarterly stewardship reports which are available on their website and are taken to each Local Pension Committee to highlight engagement progress and developments within responsible investing.

The Pension Committee endorses Central's RI beliefs which are summarised below:

- Long termism: A long term approach to investment will deliver better returns and the long term nature of LGPS liabilities allows for a long term investment horizon.
- Responsible investment is supportive of risk adjusted returns over the long term, across all asset classes. Responsible investment should be integrated into the investment processes of the Company and its investment managers.
- Diversification, risk management and stewardship: Diversification across investments with low correlation improves the risk return profile. A strategy of engagement, rather than exclusion, is more compatible with fiduciary duty and more supportive of responsible investment, because the opportunity to influence companies through stewardship is waived in a divestment approach. Even well diversified portfolios face systematic risk. Systematic risk can be mitigated over the long term through widespread stewardship and industry participation.

Membership of the Local Authority Pension Fund Forum (LAPFF)

The Fund is a Member of the Local Authority Pension Fund Forum (LAPFF), an association of local authority pension funds, with over 80 LGPS funds as members with collective fund value of over £300bn. The forum:

- Seeks to protect and enhance the value of members shareholdings by optimising local authority pension funds' influence as shareholders on ESG (environmental, social and governance) issues and thereby to promote Corporate Social Responsibility and high standards of Corporate Governance
- Facilitates commissioning of research and policy analysis of issues more effectively than individual members
- Provides a forum for consultation on shareholder initiatives
- Provides a forum for information exchange and discussion about any investment issues
- Provides a forum to consider issues of common interest to all pension fund administrators and trustees

Legal and General Investment Management (LGIM)

LGIM are one of the Funds largest managers who at the year end managed 17% of the Funds assets via a number of low cost passive index funds. Voting activity and engagement is carried out by LGIM in line with their published RI policies which are available on their website. The results of their engagement and voting activity is collated by Central and is reported to the Committee on a quarterly basis.

Collective pressure from investors via organisations such as the LAPFF has helped to encourage listed companies to enhance their corporate governance and to improve their environmental and social impacts.

RI and Voting

LGPS Central provide the Fund with a quarterly update of voting activity. This is focused on listed equities. This voting activity covers the funds managed by Central and the fund's managed by Legal and General investment management (LGIM). At 30th March 2022 this covered c45% of all Fund assets. Around 20% of fund assets reside within debt and property and have no voting rights.

Both Central and LGIM with whom the Fund has the majority of listed equities vote at company meetings in line with their RI policies. Central provide a summary of voting quarterly. The Fund expects the proportion of assets to be managed by Central to increase over time as assets are transitioned into pooled vehicles. Central's Responsible Investment and Engagement framework will be applied to all investments.

The update on voting activity contains information such as the number of resolutions voted on, whether votes were opposing the management, detail on what types of votes were cast, for example board structure and remuneration. Officers summarise the voting results and present to the Pension Committee each quarter.

Introduction to the Taskforce on Climate-related Financial Disclosures

The Fund is committed to being a responsible long-term investor, this is reflected within the Fund's Investment Strategy Statement (ISS). The Fund, as a responsible owner, has a strategy of engagement with companies to improve their stewardship, rather than simply excluding them from the investment portfolio. This is evidenced by the Fund's engagement through its partners with numerous companies on climate and other ESG matters.

The Taskforce on Climate-related Financial Disclosures (TCFD) was commissioned in 2015 by Mark Carney (then Governor of the Bank of England) in his remit as Chair of the Financial Stability Board. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. Official supporters of the TCFD total 930 organisations representing a market capitalisation of over \$11 trillion. Disclosure that aligns with the TCFD recommendations currently represents best practice. The Fund produced its first TCFD report and presented it to the Local Pension committee in June 2021. A copy can be found on the Fund's [website](#).

The TCFD recommendations are based on the financial materiality of climate change. The four elements of recommended disclosures (see illustration below) are designed to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances. These disclosures and metrics will evolve and develop over time and will aim to include more portfolio assets than listed equities.

TCFD Disclosure Pillars:



The Fund supports the TCFD recommendations as the optimal framework to describe and communicate the steps the Fund is taking to manage climate-related risks and incorporate climate risk management into investment processes. As a pension fund we are long-term investors and are diversified across asset classes, regions and sectors, making us "universal owners". It is in our interest that the market is able to effectively price climate-related risks and that policy makers are

able to address market failure. We believe TCFD-aligned disclosure from asset owners, asset managers, and corporates, is in the best interest of our beneficiaries.

TCFD Report Summary

In 2020 the Fund commissioned its pooling company, LGPS Central Limited, to undertake an in-depth review of the Fund’s exposure to financially material climate-related risks and opportunities. The Climate Risk Report included both climate scenario analysis and carbon risk metrics. The report was presented to the Pensions Committee in November 2020, with all recommendations in the report receiving approval by the Committee. In the interests of being transparent with the Fund’s beneficiaries and broader stakeholder base, the Fund published its first TCFD aligned report in May 2021. A summary of the June 2022 TCFD report that the Local Pension Committee considered is provided below.

Governance

The Pension Committee (“the Committee”) is responsible for preparing the Investment Strategy Statement (ISS). The ISS includes a formal investment belief on responsible investment, recognising its ability to enhance long term performance. The Pension Fund Committee meets quarterly and includes voting reports from its LGIM and LGPS Central sub-funds as well as the LGPS Central Quarterly Stewardship Update.

The Fund has received two Climate Risk Reports from LGPS Central, which will support the formation of the Fund’s Climate Strategy.

The Local Pensions Board has an oversight role in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with LGPS Regulations and any other legislation relating to the governance and administration of the Scheme.

Strategy

As a diversified asset owner, the range of climate-related risks and opportunities are multifarious and constantly evolving. A subset of risk factors is presented in Table 1.

Table 1: Examples Short, Medium & Long-Term Risks

	Short & Medium Term	Long Term
Risks	<ul style="list-style-type: none"> Carbon prices Technological change Policy tightening Consumer preferences 	<ul style="list-style-type: none"> Resource scarcity Extreme weather events Sea level rise

Asset class	Listed equities Growth assets Energy-intensive industry Oil-dependent sovereign issuers Carbon-intensive corporate issuers	Infrastructure Property Agriculture Commodities Insurance
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Short-term risks include stock price movements resulting from increased regulation to address climate change. Medium-term risks include policy and technology leading to changes in consumer behaviour and therefore purchasing decisions – the uptake in electric vehicles is an example of this. Long-term risks include physical damages to real assets and resource availability. Examples would include increased sea level rise for coastal infrastructure assets or supply chain impacts for companies as a result of severe weather events.

Risk Management

The Fund seeks to identify and assess climate-related risks at the total Fund level and at the individual asset level. Engagement activity is conducted with investee companies through selected stewardship partners including LGPS Central Limited, EOS at Federated Hermes and LAPFF. Based on its Climate Risk Report, the Fund will develop a Climate Stewardship Plan which, alongside the widescale engagement activity undertaken by our stewardship partners, will include targeted engagement at investee companies of particular significance to the Fund's portfolio. The Climate Stewardship Plan includes nine companies across four sectors: Energy, Info Tech, Materials and Utilities.

Metrics & Targets

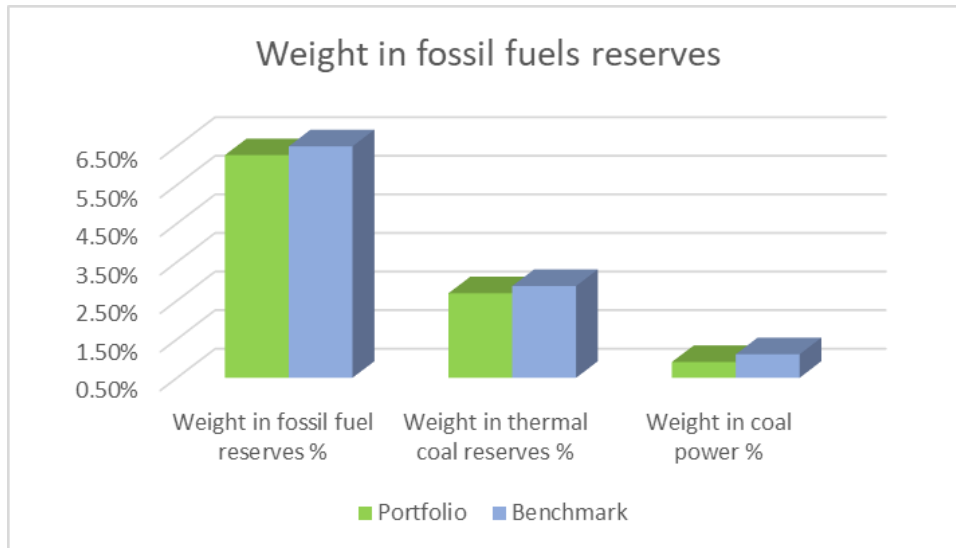
The Fund's carbon risk metrics cover its listed equities portfolios, which represents c50% of the Fund's total assets. The scope of the analysis comprises the total equities portfolios as at 31st March 2021 and covers 10 equity strategies and 4,527 individual companies. The carbon footprints are provided below and illustrated in the graphic.

- Total Equities: 120.2 (tCO₂e/ \$m revenue)
- Total Active Equities: 131.2 (tCO₂e/ \$m revenue)
- Total Passive Equities: 115.8 (tCO₂e/ \$m revenue)

The overall carbon intensity of the Fund has improved from the first carbon risk report was commissioned which was calculated with a portfolio as at date of 31st December 2019. The reduction at total equity level was 25%. This will have been as a result of underlying companies carbon metrics changing over time and asset management including a transition of investments into a Climate balanced multi factor fund with the Fund's pooling company LGPS Central.

The CRR also measures the exposure of the Fund to fossil fuel reserves, thermal coal reserves, coal power and clean technology. The results as at the 31st March 2021 are illustrated below.

The CRR measures the Funds weight to fossil fuel reserves and weight in clean technology versus the benchmarks for each of the mandates. The chart below aggregates results for all mandates and illustrates the positive performance versus benchmarks.



The Fund overall has a 38.82% with exposure to clean technology revenues, this is slightly below the benchmark position of 39.50%. The actual position has improved since the initial CRR dated 31st December 2019 by 4.66%.

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. Further information on the Governance Structure on LGPS Central can be found within the [Governance Compliance Section here](#).

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

Address:

LGPS Central Ltd

Floor 1

i9

Wolverhampton Interchange

Wolverhampton

WV1 1LD

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

e-mail: enquiries@lgpscentral.co.uk

Assets under management

During the 2021/22 financial year, the following new amounts were invested or committed into the pool by the Leicestershire Fund:

Fund Name	Invested/Committed
MAC Multi Manager Fund	£200m
LGpsc Credit Partnership I	£60m
LGpsc Credit Partnership II	£100m
LGPS Central Core/Core Plus Infrastructure Partnership LP	£70m
LGPS Central PE Primary Partnership 2021 LP	£30m

In total as at 31 March 2022 £2,100.9m worth of assets were managed directly by the LGPS Central Pool. Further to this the Fund has £975.8m worth of passive equities which are invested in a low cost collectively pooled vehicle. As at 31 March 2022 53.3% of the Fund's assets are pooled.

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 2021/22. 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 LGPSC should relate to the specific Partner Fund (i.e. nine separate information packs). 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.

1. Set up costs

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

£000	Final Set up costs
Set Up Costs	
Recruitment	27
Procurement	2
Professional Fees	187
IT	97
Staff Costs	142
Other Costs (provide details)	
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	1,315
Debt	685
Other Costs	-
Set-Up Costs After Funding	2,514
Transition fees	
Taxation (seeding relief)	
Other transition costs	
Transition Costs	

Please note that CIPFA has not provided a set definition of Indirect Costs but notes that "these would include, for example, overhead costs incurred by the administering authority or the pool in respect of senior management time, accommodation or support services recharged on a % of time/floor area basis as opposed to being directly linked to pension fund activities". It appears likely to PAF Finance that the set-up costs captured to date relate to Direct Costs (i.e. either incurred directly by LGPSC or recharged by Partner Funds to LGPSC).

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£000	2014/15	2015/16	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						

Transition fees – please see item 8 later for a more detailed breakdown of the information required.

2. Recharges By Partner Funds to LGPS Central in respect of Set-Up Costs

£000	At 1 April-18	Recharges in Year	Settled in 18/19	At 31 March-22
Set-Up Cost Recharges	502	-	(502)	-

3. Governance, Operator and Product Development Charged by LGPS Central to Partner Funds

£000	At 1 April-21	Charges in Year	Settled in Year	At 31 March-22
Governance Costs	-	219	-	-
Operator Costs	-	580	-	-
IMMC (*)	-	502	-	-
Product Development Costs	-	114	-	-
Total	320	1,415	(1,354)	381

(*) Please note that this is expected to relate to IMMC charges in respect of any discretionary and/or advisory services provided by LGPSC to a Partner Fund. Any IMMCs (both internal and external charges) which are charged directly to a product (e.g. ACS sub-funds and SLP Private Equity) should be disclosed through Information Request (5) and (6) below.

4. Other Transactions between Partner Funds and LGPS Central

£000	At 1 April-21	Charges in Year	Settled in Year	At 31 March-22
Interest Payable	32	32	(32)	32
Total	32	32	(32)	32

5. LGPS Central Investment Management Expenses Charged to Partner Funds

	£000	Direct	Indirect	Total	Bps Charge
1	Ad Valorem	2,901		2,901	13.67
2	Performance	-		-	-

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3	Research	-		-	-
4	PRIIPS Compliance	-		-	-
5	Other (provide details)	-		-	-
	Management Fees	2,901	-	2,901	13.67
6	Commissions	669		669	3.15
7	Acquisition/issue costs	-		-	-
8	Disposal costs	-		-	-
9	Registration/filing fees	-		-	-
10	Taxes and Stamp Duty	862		862	4.06
11	Other (provide details)	-		-	-
	Implicit Costs	1,551		1,551	7.31
	Transaction Costs	3,082	-	3,082	14.52
					-
12	Custody/Depositary	227		227	1.07
13	Other (provide details)				-
	Fund Accounting	34		34	0.16
	Transfer Agent	5		5	0.02
	External Audit	13		13	0.06
	Performance Reporting	11		11	0.05
	Transaction Charges	(36)		(36)	(0.17)
	MACS Fees	1		1	0.00
	Total Costs	6,238		6,238	29.40

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

*BPS= Basis points charged based on Assets under Management

6. Investment Management Expenses By Product / Service

£000	1	2	3	4	5	6	7	8	9	10	11	12	13	Total 2021/22 Costs	AUM At 31 March 2022 £m	2021/22 Bps Charge
Global Multi-Manager	1,055					141				223	1,001	50	15	2,485	514	49.90
Climate Factor Fund	250					303				367	(364)	93	20	669	891	7.81
Emerging Market Equities	803					225				272	264	44	34	1,642	191	77.82
Corporate Bonds	113					-				-	492	12	4	621	126	51.75
Emerging Market Debt	236					-				-	292	10	(59)	479	119	39.92
Multi-Asset Credit	407					-				-	(134)	18	14	305	193	16.05
ACS Sub-Funds	2,864	-	-	-	-	669	-	-	-	862	1,551	227	28	6,201	2,034	
Private Equity 2018 V'tage	3													3	10	3.00
Private Equity 2021 V'tage	10													10	30	12.50
Private Debt	13													13	160	1.78
Infrastructure	11													11	70	3.14
Alternative Vehicles	37	-	-	-	-	-	-	-	-	-	-	-	-	37	270	
Total	2,901	-	-	-	-	669	-	-	-	862	1,551	227	28	6,238	2,304	29.40

categories highlighted in the management costs table.

Items 1 – 13
relate to the

7. Asset Under Management & Performance by Product / Service

£000	AUM At		One Year Gross Performance %	One Year Net Performance %	Passive Benchmark Used	One Year Passive Index %
	1 April-21 £m	31 March-22 £m				
Global Multi-Manager	454	514	12.13%	11.91%	FTSE All World Index	11.73%
Climate Factor Fund	775	891	14.09%	14.06%	FTSE All-World Climate Balanced Comprehensive Factor Index	13.73%
Emerging Market Equities	215	191	-11.54%	-11.98%	FTSE Emerging Markets Index	-4.71%
Corporate Bonds	106	126	-5.53%	-5.62%	ICE BofAML Sterling Non-Gilt Index 50%; ICE BofAML Global Corporate Index 50%	-5.29%
Emerging Market Debt	108	119	-5.95%	-6.14%	JPMorgan EMBI Global Diversified Index, hedged to GBP	-8.09%
Multi-Asset Credit	-	193	-3.30%	-3.50%	3-month GBP SONIA	0.36%
ACS Sub-Funds	1,658	2,034				
Private Equity 2018 Vintage	10	10				
Private Equity 2021 V'tage	0	30				
Private Debt	0	160				
Infrastructure	0	70				
Alternative Vehicles	10	270				
Total	1,668	2,304				

8. Transition Costs

No transitions in 2021/22

Leicestershire County Council Pension Fund (“the Fund”)

ACTUARIAL STATEMENT FOR 2021/22

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). 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 demonstrates 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.

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 severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Tom Hoare FFA

30 November 2022

For and on behalf of Hymans Robertson LLP

FINANCIAL STATEMENTS

Pension Fund

(Registration number: 00328856RQ)

Introduction

The Leicestershire County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Leicestershire County Council.

General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme administered by Leicestershire County Council to provide pensions and other benefits for pensionable employees of Leicestershire County Council, Leicester City Council, the district councils in Leicestershire and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The fund is overseen by the Leicestershire County Council Pension Fund Committee, which is a committee of Leicestershire County Council.

The Pension Committee consists of ten voting members and three non-voting staff representatives. The voting members are split into five County Council members, two from Leicester City Council and two representing the District Councils and a single member representing Universities. The Committee receives investment advice from the funds Actuary, Hymans Robertson LLP, and meets quarterly to consider relevant issues.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not for profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

	31-Mar-21	31-Mar-22
Number of employers	283	286
Number of employees in the scheme (Actives)		
County Council	8,474	8,554
Other employers	28,498	28,585
Total	36,972	37,139
Number of pensioners		
County Council	11,641	11,962
Other employers	18,448	19,435
Total	30,089	31,397
Deferred pensioners		
County Council	10,003	9,791
Other employers	20,466	20,913
Total	30,469	30,704
Total number of members in the pension scheme	97,530	99,240

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% and 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers contributions are set based on triennial actuarial funding valuations. In 2021/22 the average employer rate was 25.6% of pay (25.4% 2020/21).

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based in final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website, <https://www.leicestershire.gov.uk>

Fund Account for the Year Ended 31 March 2022

2020/21 £m		Notes	2021/22 £m
	Contributions		
(183.0)	Employer Contributions	6	(192.5)
(45.1)	Member Contributions	6	(47.0)
(5.3)	Transfers in from Other Pension Funds	7	(9.9)
(233.4)	Total Contributions		(249.4)
	Benefits		
132.1	Pensions	8	137.3
27.5	Commutation of Pensions and Lump Sum Retirement Benefits	8	34.2
5.0	Lump Sum Death Benefits		5.7
6.7	Payments to and on Account of Leavers	9	17.4
171.3	Total Benefits		194.6
(62.1)	Net (Additions)/Withdrawals from Dealings with Members		(54.8)
45.3	Management Expenses	10	42.5
(16.8)	Net (Additions)/Withdrawals Including Fund Management Expenses		(12.3)
	Returns on investments		
(30.7)	Investment income	11	(43.6)
(979.5)	(Profit) and Losses on Disposal of Investments and Changes in Value of Investments	12	(551.9)
(1,010.2)	Net Returns on Investments (Sub Total)		(595.5)
(1,027.0)	Net (Increase) / Decrease in the Net Assets Available for Benefits fund During the Year		(607.8)
(4,155.2)	Net assets of the scheme Opening		(5,182.2)
(5,182.2)	Net assets of the scheme Closing		(5,790.0)

Net Assets Statement as at 31 March 2022

2020/21 £m		Notes	2021/22 £m
5,183.5	Investment assets	12	5,771.2
(10.9)	Investment liabilities	12	(0.7)
5,172.6			5,770.5
15.3	Current Assets	15	25.4
(5.7)	Current Liabilities	15	(5.9)
5,182.2	Net Assets of the Fund at 31 March		5,790.0

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position on the Scheme, which does take account of such obligations, is set out in the Actuary's Report.

The notes on pages 83 to 108 form part of the Financial Statements.

Notes to the Accounts

1. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position as at 31 March 2022. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2021/22.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take account of the actuarial present value of promised retirement benefits. The Fund has disclosed this information, by appending a copy of the report to the Pension Fund accounts.

The Accounts have been prepared on a going concern basis.

2. Accounting policies

The following principal accounting policies, have been adopted in the preparation of the financial statements:

Fund Account – Revenue Recognition

Contribution Income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

Transfers to and from other Schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in

Transfers In, shown in Note 7. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investments

Interest Income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend Income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight line basis over the terms of the lease.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/ losses during the year.

Fund Account – Expense Items

Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management Expenses

The fund discloses management expenses for administration, oversight and governance, and investment management. The disclosures comply with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016).

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10A and grossed up to increase the change in value of investments.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Net Assets Statement

Investments

Equities traded through the Stock Exchange Electronic Trading Service (SETS) are valued at bid price. Other quoted securities and financial futures are valued at the last traded price. Private equity investments and unquoted securities are valued by the fund managers at the year end bid price, or if unavailable in accordance with generally accepted guidelines. Accrued interest is excluded from the market value of fixed interest securities and index-linked securities but is included in investment income receivable.

Pooled Investment Vehicle units are valued at either the closing bid prices or the closing single price reported by the relevant investment managers, which reflect the accepted market value of the underlying assets.

Private equity, global infrastructure and hedge fund valuations are based on valuations provided by the managers at the year end date. If valuations at the year end are not produced by the manager, the latest available valuation is adjusted for cash flows in the intervening period.

Property investments are stated at open market value based on an expert valuation provided by a RICS registered valuer and in accordance with RICS guidelines.

Options are valued at their mark to market value. Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. The investment reconciliation table in Note 12 discloses the forward foreign exchange settled trades as net receipts and payments.

Foreign Currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated at a rate that is relevant at the time of the receipt of the income or the exchange rate at the year end, whichever comes first.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial Assets

Financial Assets classes as amortised cost are carried in the net assets statement at amortised cost, i.e. the outstanding principal as at the year end date.

Financial Liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains and losses arising from changes in the fair value of the liability between contract date, the year end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments. Other financial liabilities classed as amortised cost are carried at amortised cost, i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest.

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the

fund has opted to disclose the actuarial present value of promised retirement benefits by appending a copy of the report to the Pension Fund Accounts.

Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC's are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed for information in Note 26.

Contingent Assets and Contingent Liabilities

A contingent asset arises where an event has taken place giving rise to a plausible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

3. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in the introduction to the accounts. Actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance between longer term and short term yield/ return.

Investment in LGPS Central Asset Pool

This investment has been valued at cost on the basis that fair value as at 31 March 2022 cannot be reliably estimated. Management have made this judgement because; a) the Pool only became licensed to trade in February 2018 and b) no dividends to shareholders has yet been declared.

Directly Held Property

The fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants. The fund has determined that these contracts all constitute operating lease arrangements under IAS7 and the Code, and therefore the properties are retained on the net assets statement at fair value. Rental income is recognised in the fund account on a straight line basis over the life of the lease.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historic experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment in the following year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: <ul style="list-style-type: none"> • A 0.1% decrease in the discount rate used would result in an increase in the pension liability of £168m • A 0.1% increase in the pension increase rate would increase the pension liability by £151m • A one year increase in assumed life expectancy would increase the liability by approximately £322m.
Private Equity Investments	Private equity investments are valued at fair value. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £434m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 28%, an increase or decrease of £121m.
Freehold, Leasehold Property and Pooled Property Funds	Valuations techniques are used to determine the carrying amount of pooled property funds and directly held freehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property based investments by up to 15%, i.e. an increase or decrease of £72m on the carrying value of £483m.
Private Debt Investments	Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private Debt funds are valued at £246m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 10%, an increase or decrease of £25m.
Infrastructure Investments	Infrastructure funds are valued in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable data but where it is not possible management uses the best data available.	Infrastructure funds are valued at £327m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 14%, an increase or decrease of £46m.
Timberland Investment	Investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by an underlying fund manager. In circumstances where audited financial statements are not available, the valuations are then derived from unaudited quarterly reports.	Timberland funds are valued at £132m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 16%, an increase or decrease of £21m.

5. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 30 June 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before

this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (where known).

There are no material events after the reporting date that would require an adjustment or additional disclosure to the accounts.

6. Contributions

2020/21 £m		2021/22 £m	
	Employers		
169.2	Normal	179.9	Additional payments for early retirements are paid by employers, once calculated and requested by the Fund, to
10.7	Deficit Repair	9.2	
0.0	Voluntary additional	0.0	
1.4	Advanced payments for early retirements	1.4	
1.8	Additional payments for ill-health retirements	2.0	
	Members		
44.6	Normal	46.5	
0.4	Purchase of additional benefits	0.5	
228.1	Total	239.5	

reimburse the Pension Fund for the cost to the Fund of employees who are allowed to retire before their normal retirement age. Additional payments for ill-health retirements are generally paid by the insurance company, where the employer has taken out ill-health insurance and the claim has been accepted as valid.

On occasions employers without ill-health insurance are charged for at least part of the ill-health costs. Purchase of additional benefits by members allows either extra service to be credited on top of any service earned via employment or an additional annual pension amount in cash to be paid following retirement. Termination valuation payments relate to the actuarially assessed deficit within an employer's sub-fund when their last active employee leaves.

The contributions can be analysed by the type of Member Body as follows:

2020/21 £m		2021/22 £m
55.1	Leicestershire County Council	48.7
162.3	Scheduled bodies	180.4
10.7	Admitted bodies	10.4
228.1	Total	239.5

7. Transfers In

2020/21 £m		2021/22 £m
5.3	Individual transfers in from other schemes	9.2
0.0	Bulk transfers in from other schemes	0.7
5.3	Total	9.9

8. Benefits

The benefits paid can be analysed by type of Member Body as follows:-

2020/21 £m		2021/22 £m
56.9	Leicestershire County Council	59.8
99.1	Scheduled bodies	108.4
8.6	Admitted bodies	9.0
164.6	Total	177.2

9. Payments to and on Account of Leavers

2020/21 £m		2021/22 £m
0.6	Refunds to members leaving the scheme	0.8
6.1	Individual transfers to other schemes	13.3
0.0	Bulk transfers to other schemes	3.3
6.7	Total	17.4

10. Management Expenses

2020/21 £m		2021/22 £m
43.6	Investment Management Expenses (Note 10A)	39.7
1.4	Pension Scheme Administration Costs	1.9
0.3	Oversight and Governance Expenses	0.9
45.3	Total	42.5

10a. Investment Management Expenses

2020/21 £m		2021/22 £m
23.3	Management Expenses	23.9
13.2	Transaction Costs	5.9
7.1	Performance Related Fees	9.9
43.6	Total	39.7

11. Investment Income

2020/21 £m		2021/22 £m
0.9	Dividends from equities	1.6
0.0	Income from Government Bonds	0.2
1.4	Income from index-linked securities	1.2
22.5	Income from pooled investment vehicles	31.8
5.8	Net rents from properties	5.7
1.0	Interest on cash or cash equivalents	0.1
(0.9)	Net Currency Profit / (Loss)	3.0
30.7	Total	43.6

12. Investments

	Value at 1 April 2021	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Change In Market Value	Value at 31 March 2022
	£m	£m	£m	£m	£m
Equities	63.1	27.8	(50.9)	6.0	46.0
Government Bonds	3.3	19.0	(13.6)	(0.2)	8.5
Index-linked securities	288.4	178.9	(197.6)	11.1	280.8
Pooled investment vehicles	4,375.2	616.6	(420.2)	541.8	5,113.4
Properties	108.6	0.5	0.0	11.2	120.3
Derivatives contracts	3.9	30.4	(3.3)	(18.0)	13.0
Cash and currency & other investment balances	330.1	0.0	(141.6)	0.0	188.5
Total	5,172.6	873.2	(827.2)	551.9	5,770.5

	Value at 1 April 2020	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Change In Market Value	Value at 31 March 2021
	£m	£m	£m	£m	£m
Equities	33.8	40.4	(29.2)	18.1	63.1
Government Bonds	0.7	16.3	(13.6)	(0.1)	3.3
Index-linked securities	339.9	160.5	(218.3)	6.3	288.4
Pooled investment vehicles	3,527.4	1,145.8	(1,166.9)	868.9	4,375.2
Properties	99.6	9.7	0.0	(0.7)	108.6
Derivatives contracts	57.0	4.0	(144.1)	87.0	3.9
Cash and currency and other investment balances	88.5	241.6	0.0	0.0	330.1
Total	4,146.9	1,618.3	(1,572.1)	(979.5)	5,172.6

The change in the value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

The Fund has the following investments which exceed 5% of the total net value of assets:

2020/21 £m		2021/22 £m
775.0	LGPS Central – All World Equity Climate Multi Factor Fund	890.6
454.5	LGPS Central - Global Equity Active Multi Manager Fund	513.6
328.4	Legal and General North America Index Fund	366.0
1,557.9	Total	1,770.2

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2020/21 £m		2021/22 £m
	Equities	
29.3	UK quoted	24.0
1.3	UK unquoted	1.3
32.5	Overseas quoted	20.7
63.1		46.0
	Government Bonds	
0.0	UK Government Unquoted	0.0
2.6	UK Government Quoted	0.0
0.0	Overseas Quoted	7.8
2.6		7.8
	Corporate Bonds	
0.7	UK unquoted	0.7
0.7		0.7
	Index Linked Securities	
255.8	UK quoted	269.2
32.6	Overseas quoted	11.6
288.4		280.8
	Pooled investment vehicles (unquoted)	
267.9	Property funds	362.6
363.9	Private equity	433.5
670.5	Bond and debt funds	926.6
0.1	Hedge funds	0.0
2349.8	Equity-based funds	2,581.3
12.8	Commodity-based funds	16.2
134.1	Timberland fund	132.3
146.7	Managed futures fund	184.2
183.2	Targeted return fund	150.2
246.2	Infrastructure fund	326.5
4,375.2		5,113.4
	Properties	
108.6	UK (Note 14)	120.3
331.1	Cash and currency	187.1
	Derivatives contracts	
2.1	Forward foreign exchange assets	5.3
10.1	Other option assets	8.4
(8.3)	Forward foreign exchange liabilities	(0.7)
3.9	Sterling Denominated	13.0
(1.0)	Other Investment Balances	1.4
5,172.6	Total Investments	5,770.5

At 31 March 2022 pooled investment vehicles include investments in fund-of-funds which have an underlying value of £433m in private equity, £23m in bond and debt funds, £22m in infrastructure and £132m in timberland.

13. Derivatives

The Fund holds derivatives for a number of different reasons. Forward foreign exchange contracts are held to benefit from expected changes in the value of currencies relative to each other. Futures can be held to gain full economic exposure to markets without the requirement to make a full cash investment and can be held to ensure that the Fund's exposures are run efficiently. Options are generally used to express an investment view but can give a much higher economic exposure than is required to be paid for the options – they also ensure that the potential loss is limited to the amount paid for the option.

Forward Foreign Exchange Contracts

All forward foreign exchange contracts are classed as 'Over the Counter' and at the year end the net exposure to forward foreign exchange contracts can be summarised as follows:

Settlement	Currency Bought	Local Value Millions	Currency Sold	Local Value Millions	Asset Value £m	Liability Value £m
Within 1 Month	GBP	0.3	AUD	0.5	0.0	(0.0)
	GBP	13.0	EUR	15.6	0.0	(0.2)
	GBP	6.9	USD	9.3	0.0	(0.1)
1 - 3 Months	GBP	374.3	USD	489.0	2.8	0.0
	GBP	88.6	TWD	3,275.0	1.2	0.0
	GBP	30.9	JPY	4,756.0	1.0	0.0
	GBP	36.2	CNY	303.0	0.1	0.0
	GBP	4.7	SEK	57.7	0.1	0.0
	GBP	3.8	HKD	39.0	0.1	0.0
	GBP	41.6	EUR	49.3	0.0	(0.1)
	GBP	17.0	INR	1,725.0	0.0	(0.1)
	GBP	6.5	KRW	10,500.0	0.0	(0.1)
	GBP	13.6	CHF	16.4	0.0	(0.1)
	GBP	3.4	DKK	30.2	0.0	(0.0)
	GBP	3.8	THB	167.5	0.0	(0.0)
	GBP	5.9	EUR	6.9	0.0	(0.0)
GBP	9.6	USD	12.6	0.0	(0.0)	
Open forward currency contracts at 31 March 2022					5.3	(0.7)
Net forward currency contracts at 31 March 2022					4.6	

Prior Period Comparison:

Open forward currency contracts at 31 March 2021	2.1	(8.2)
Net forward currency contracts at 31 March 2021		(6.1)

Options

All options held by the Fund were exchange traded. The value of these options and the assets to which they were exposed can be summarised as follows:

2020/21 £m		2021/22 £m
10.1	Equity rate-based	8.4
10.1	Total	8.4

14.

Property Investments

31 March 2021 £m		31 March 2022 £m	
83.5	Freehold	96.2	
17.5	Long Leasehold (over 50 years unexpired)	17.5	
7.6	Medium/Short Leasehold (under 50 years unexpired)	6.6	
108.6	Total	120.3	

All properties, with the exception of the Fund's farm investment, were valued on an open market basis by Nigel Holroyd and Adrian Payne of Colliers Capital UK at 31st March 2022. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All of the Valuers are Members of the Royal Institute of Chartered Surveyors.

14A Property Holdings

31 March 2021 £m		31 March 2022 £m	
99.6	Opening Balance	108.6	
	Additions:		
9.6	Purchases	0.0	
0.1	Subsequent Expenditure	0.5	
0.0	Disposals	0.0	
(0.7)	Net increase in market Value	11.2	
108.6	Total	120.3	

15. Current Assets and Liabilities

2020/21 £m		2021/22 £m	
10.9	Contributions due from employers	20.1	
4.4	Other Debtors	5.3	
15.3	Current assets	25.4	
(1.8)	Due to Leicestershire County Council	(1.7)	
(1.8)	Fund Management Fees Outstanding	(2.1)	
(2.0)	Other Creditors	(2.1)	
(5.7)	Current liabilities	(5.9)	
9.6	Net current assets and liabilities	19.5	

Contributions due at the year end were received by the due date.

16. Analysis of Investments by Manager

The Fund employs external investment managers to manage all of its investments apart from an amount of cash and a farm property, which are managed by Leicestershire County Council. This structure ensures that the total Fund performance is not overly influenced by the performance of any one manager.

The market value of investments in the hands of each manager is shown in the table below:-

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At 31 March 2021			At 31 March 2022	
£m	%		£m	%
Investments Managed by LGPS Central Pool				
775.0	15.1	All World Equity Climate Multi Factor Fund	890.6	15.4
Global equities multi-manager fund:				
129.5	2.4	<i>Harris</i>	145.8	2.4
173.1	3.3	<i>Schroders</i>	195.6	3.3
151.8	3.0	<i>Union</i>	172.3	3.0
Global Active MAC Multi Manager Fund				
0.0	0.0	<i>Western Asset Management</i>	110.6	2.0
0.0	0.0	<i>BMO</i>	111.4	2.0
Emerging market equities multi-manager fund:				
68.7	1.3	<i>BMO</i>	66.0	1.1
74.9	1.5	<i>UBS</i>	62.2	1.1
71.1	1.4	<i>Vontobel</i>	63.1	1.1
Global Active Emerging Market Bond MMF				
53.9	1.1	<i>Amundi</i>	59.6	1.1
53.9	1.1	<i>M&G</i>	59.9	1.1
Global Active Investment Grade Corporate Bond MMF				
53.1	1.0	<i>Neuberger Berman</i>	62.2	1.1
53.0	1.0	<i>Fidelity</i>	63.5	1.1
0.0	0.0	LGPS Central Core/Core Plus Infrastructure Partnership LP	21.7	0.3
3.9	0.1	LGPS central PE primary partnership 2018 LP	6.6	0.1
0.0	0.0	LGPSC Credit Partnership II	6.2	0.1
0.0	0.0	LGPSC Credit Partnership I	3.6	0.1
1,661.9	32.3	Sub Total	2,100.9	36.4
Investments Managed outside of Pool				
883.4	17.1	Legal & General	975.8	16.9
449.4	8.7	Aegon (Formerly Kames Capital)	455.8	7.9
334.3	6.4	Adams Street Partners	394.7	6.8
192.8	3.7	LaSalle	276.6	4.8
265.9	5.1	Partners Group	236.0	4.1
146.7	2.9	Aspect Capital	184.2	3.2
206.0	3.9	Ruffer LLP	153.6	2.6
183.2	3.5	Pictet Asset Management	150.2	2.6
129.0	2.5	Colliers Capital UK	135.9	2.5
134.1	2.6	Stafford Timberland	132.3	2.3
106.6	2.1	IFM Investors (UK) Ltd	131.4	2.3
173.6	3.3	Internally Managed	121.7	2.1
114.1	2.2	JP Morgan Asset Management	108.7	1.9
71.6	1.4	M&G	81.6	1.4
38.0	0.7	Kravis Kohlberg Roberts & Co	39.7	0.7
38.0	0.7	Cristofferson, Robb & Co	34.2	0.6
24.9	0.5	Aberdeen Standard Life	31.4	0.5
18.2	0.4	Infracapital	25.0	0.4
0.8	0.0	Catapult Venture Managers	0.8	0.0
3,510.6	67.7	Sub Total	3,669.6	63.6
5,172.6	100.0	Grand Total	5,770.5	100.0

7. Custody of Assets

All the Fund's directly held assets are held by external custodians and are therefore not at risk from the financial failure of any of the Fund's investment managers. Most of the pooled investment funds are registered with administrators that are independent of the investment manager.

18. Operation and Management of fund

Details of how the Fund is administered and managed are included in the Pension Fund Annual Report.

19. Employing bodies and fund members

A full list of all bodies that have active members within the Fund is included in the in the Pensions fund annual report available from the fund website.

20. Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of the information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprised quoted equities, quoted fixed interest securities, quoted index-linked securities and pooled investment vehicles where the underlying assets fall into one of these categories.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, hedge funds and infrastructure, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Leicestershire County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The values of the investment in hedge funds and infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following tables provide an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which fair value is observable.

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Values at 31 st March 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value	2,693.0	1,160.0	1,918.2	5,771.2
Financial liabilities at fair value	(0.7)	0.0	0.0	(0.7)
Net financial assets	2,692.3	1,160.0	1,918.2	5,770.5

Values at 31 st March 2021	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value	2,403.0	1,030.1	1,750.4	5,183.5
Financial liabilities at fair value	(10.9)	0.0	0.0	(10.9)
Net financial assets	2,392.1	1,030.1	1,750.4	5,172.6

21. Classification of Financial Instruments

	2020/21				2021/22		
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
				Financial Assets			
	63.1	0.0	0.0	Equities	46.0	0.0	0.0
	3.2	0.0	0.0	Government Bonds	8.5	0.0	0.0
	288.5	0.0	0.0	Index-linked securities	280.8	0.0	0.0
	4,339.7	0.0	0.0	Pooled investment vehicles	5,121.7	0.0	0.0
	2.1	0.0	0.0	Derivatives contracts	5.3	0.0	0.0
	0.0	331.2	0.0	Cash and currency	0.0	187.1	0.0
	0.0	0.0	0.0	Other investment balances	0.0	0.0	0.0
	0.0	1.0	0.0	Sundry debtors and prepayments	0.0	0.8	0.0
	4,696.6	332.2	0.0		5,462.3	187.9	0.0
				Financial Liabilities			
	(8.3)	0.0	0.0	Derivatives contracts	(0.7)	0.0	0.0
	0.0	0.0	(2.6)	Other investment balances	0.0	0.0	0.0
	0.0	0.0	(4.1)	Sundry Creditors	0.0	0.0	(4.4)
	(8.3)	0.0	(6.7)		(0.7)	0.0	(4.4)

The value of debtors and creditors reported in the Notes to the Statement of Accounts are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

(iv) The following gains and losses are recognised in the Fund Account:

(v)

2020/21 £m		2021/22 £m
	Financial Assets	
943.8	Fair value through profit and loss	578.2
	Financial Liabilities	
0.2	Fair value through profit and loss	(8.3)
944.0	Total	569.9

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

22. External Audit Fee

2020/21 £		2021/22 £
34,530	Payable in respect of external audit	33,193
34,530	Total	33,193

23. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's required cash flows. These investment risks are managed as part of the overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with Leicestershire County Council's Local Pension Committee (formerly called the Pension Fund Management Board).

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, Leicestershire County Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks via an annual strategy review which ensures that market risk remains within acceptable levels. On occasion equity futures contracts and exchange traded option contracts on individual securities may be used to manage market risk on investments, and in exceptional circumstances over-the-counter derivative contracts may be used to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such investments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. For all investments held by the Fund, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure that it is within the limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, Leicestershire County Council has determined that the following movements in market prices risk are reasonably possible for the 2021/22 reporting period:

Asset type	Potential market movements (+/-)
Overseas government bonds	8%
Global credit	10%
Global government index-linked bonds	8%
UK equities	16%
Overseas equities	19%
UK property	15%
Private equity	28%
Infrastructure	14%
Commodities	14%
Hedge funds and targeted return funds	12%
Timberland	16%
Cash	1%

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of assets. The sensitivities are consistent with the assumptions contained in the annual strategy review and the analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown in the second table):

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Asset Type	Value at 31 st March 2022	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	25.3	16	29.3	21.3
Overseas equities	20.7	19	24.6	16.8
UK Corporate Bonds	0.7	10	0.8	0.6
Global index-linked bonds	288.6	8	311.7	265.5
Pooled property funds	362.6	15	417.0	308.2
Pooled private equity funds	433.5	28	554.9	312.1
Pooled bond and debt funds	926.6	10	1,019.3	833.9
Pooled hedge funds	0.0	12	0.0	0.0
Pooled equity funds	2,581.3	19	3,071.7	2,090.9
Pooled commodity funds	16.2	14	18.5	13.9
Pooled targeted return funds	150.2	12	168.2	132.2
Pooled timberland fund	132.3	16	153.5	111.1
Pooled managed futures fund	184.2	12	206.3	162.1
Pooled infrastructure fund	326.5	14	372.2	280.8
UK property	120.3	15	138.3	102.3
Cash and currency	187.1	1	189.0	185.2
Options, futures, other investment balances, current assets and current liabilities	14.4	1	14.5	14.3
Total assets available to pay benefits	5,770.5		6,689.8	4,851.2

Asset Type	Value at 31 st March 2021	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	30.6	16	35.5	25.7
Overseas equities	32.5	19	38.7	26.3
UK Corporate Bonds	0.7	10	0.8	0.6
Global index-linked bonds	291.1	8	314.4	267.8
Pooled property funds	267.9	15	308.1	227.7
Pooled private equity funds	363.9	28	465.8	262.0
Pooled bond and debt funds	670.4	10	737.4	603.4
Pooled hedge funds	0.1	12	0.1	0.1
Pooled equity funds	2349.6	19	2,796.0	1,903.2
Pooled commodity funds	12.8	14	14.6	11.0
Pooled targeted return funds	183.2	12	205.2	161.2
Pooled timberland fund	134.1	16	155.6	112.6
Pooled managed futures fund	146.7	12	164.3	129.1
Pooled infrastructure fund	246.2	14	280.7	211.7
UK property	108.6	15	124.9	92.3
Cash and currency	331.3	1	334.6	328.0
Options, futures, other investment balances, current assets and current liabilities	2.9	1	2.9	2.9
Total assets available to pay benefits	5,172.6		5,979.6	4,365.6

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not highly exposed to interest rate risk, but monitoring is carried out to ensure that the exposure is close to the agreed asset allocation benchmark.

The Fund's direct exposure to interest rate movements as at 31st March 2022 and 31st March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31 st March 2021 £m	Asset type	As at 31 st March 2022 £m
331.3	Cash and Currency	187.1
291.1	Fixed interest securities	288.6
622.4	Total	475.7

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets to pay benefits. A 1% movement in interest rates (100 BPS) is consistent with the level of sensitivity expected within the Fund's asset allocation strategy and the Fund's investment advisors expect that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31 st March 2022 £m	Change in year in the net assets available to pay benefits	
		+100 BPS £m	-100 BPS £m
		Cash and Currency	187.1
Fixed interest securities	288.6	2.9	(2.9)
Total	475.7	4.8	(4.8)

Asset type	Carrying amount as at 31 st March 2021 £m	Change in year in the net assets available to pay benefits	
		+100 BPS £m	-100 BPS £m
		Cash and Currency	331.3
Fixed interest securities	291.1	2.9	(2.9)
Total	622.4	6.2	(6.2)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk in financial instruments that are

Pension Fund Annual Report

denominated in any other currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is actively managed and the neutral position is to hedge 25% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2021 and as at the previous period end:

Asset value as at 31 st March 2021 £m	Currency exposure – asset type	Asset value as at 31 st March 2022 £m
32.5	Overseas equities	20.7
32.6	Overseas government index-linked bonds	11.6
363.1	Private equity pooled funds	432.7
0.1	Pooled hedge Funds	0.0
144.1	Pooled Bond and Debt Fund	391.7
2,156.6	Overseas and Global equity-based pooled funds	2,366.1
12.8	Commodity-based pooled funds	16.2
246.2	Infrastructure pooled funds	326.5
134.1	Timberland pooled fund	132.3
107.8	Emerging Market Debt pooled fund	119.5
0.0	Overseas government Bonds	7.8
3,229.9	Total overseas assets	3,825.1

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisors, it is considered that the likely volatility associated with foreign exchange rate movements is 13% (as measured by one standard deviation).

A 13% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of the long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Current exposure – asset type	Asset value as at 31 st March 2022	Change to net assets available to pay benefits	
	£m	13% £m	-13% £m
Overseas equities	20.7	23.4	18.0
Overseas government index-linked bonds	11.6	13.1	10.1
Private equity pooled funds	432.7	489.0	376.4
Pooled hedge funds	0.0	0.0	0.0
Pooled Bond and Debt Fund	391.7	442.6	340.8
Overseas equity-based pooled funds	2,366.1	2,673.7	2,058.5
Commodity-based pooled funds	16.2	18.3	14.1
Infrastructure pooled funds	326.5	368.9	284.1
Timberland pooled fund	132.3	149.5	115.1
Emerging Market Debt pooled fund	119.5	135.0	104.0
Overseas government Bonds	7.8	8.8	6.8
Total change in assets available	3,825.1	4,322.3	3,327.9

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. Many of the Fund's investment managers use the money market fund run by the Fund's custodian to deposit any cash within their portfolios, although one manager (Kames Capital) lends cash directly to individual counterparties in the London money markets. Any cash held directly by the Fund is deposited in an Aberdeen Standard Life Money Market Fund.

The Fund believes it has managed its exposure to credit risk and has never had any experience of default of uncollectible deposits. The Fund's cash holding at 31st March 2022 was £187m (31st March 2021: £331m).

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. All of the Fund's

cash holdings are available for immediate access, although on some occasions this will involve withdrawing cash balances from the portfolios of investment managers.

The Fund is allowed to borrow to meet short-term cash flow requirements, although this is an option that is only likely to be used in exceptional circumstances.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31st March 2022 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £1,377m, which represented 24% of total Fund assets. (31st March 2021: £1085m, which represented 21% of total Fund assets).

The Fund remains cash flow positive for non-investment related items so there is no requirement to produce detailed cash flow forecasts. All investment related cash flows are known about sufficiently far in advance that they can be covered by taking action in a manner that is both cost-effective and in line with the Fund's investment strategy. All financial liabilities at 31st March 2022 are due within one year.

Refinancing Risk

The key risk is that the Fund will be forced to sell a significant proportion of its financial instruments at a time of unfavourable interest rates, but this appears a highly unlikely scenario. The Fund's investment strategy and the structure of its portfolios have sufficient flexibility to ensure that any required sales are considered to be the ones that are in the best financial interests of the Fund at that time. There are no financial instruments that have a refinancing risk as part of the Fund's treasury management and investment strategies.

Securities Lending

The Fund ceased to take part in securities lending activities towards the end of the 2017/18 financial year and there was no stock on loan at 31 March 2022

Reputational Risk

The Fund's prudent approach to the collective risks listed above and through best practice in corporate governance ensures that reputational risk is kept to a minimum.

24. Related Party Transactions

Leicestershire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Leicestershire and is one of the major employers within the scheme. Information regarding key management personnel is provided within the main accounts of Leicestershire County Council. Members and officers of the Council involved in managing the Fund are allowed to be members of the LGPS. All transactions between Leicestershire County Council and the Fund and all benefit payments from the Fund are in accordance with the regulations governing the LGPS. There are no transactions therefore that are made on a different basis from those with non-related parties.

LGPS Central Ltd has been established to manage, on a pooled basis, investment assets of nine Local Government Pension Schemes across the Midlands. It is jointly owned in equal amounts by the eight Administering Authorities participating in the Pool. £1.3m is invested in the share capital and £0.7m in a corporate bond with LGPS Central Ltd.

During 2021/22 a total of £0.9m was payable to LPGA Central Ltd for governance, operator and product development fees. Of these £0.9m was a creditor balance at the year end. As at 31 March 2022, £2.1bn of LCC LGPS investments were managed by LGPS Central Ltd (£1.7bn as at 31 March 2021).

25. Contingent Liabilities and Contractual Commitments

When a member has left the Pension Fund before accruing sufficient service to qualify for a benefit from the scheme, they may choose either a refund of contributions or a transfer value to another pension fund. There are a significant number of these leavers who have not taken either of these options and as their ultimate choice is unknown, it is not possible to reliably estimate a liability. The impact of these 'frozen refunds' has, however, been considered in the calculation of the actuarial liabilities of the fund.

If all of these individuals choose to take a refund of contributions the cost to the Fund will be around £2m, although the statutory requirement of the Fund to pay interest to some members would increase this figure. Should all of the members opt to transfer to another scheme the cost will be considerably higher.

At 31st March 2022, the Fund had the following contractual commitments:-

	31-Mar-21 £m	31-Mar-22 £m
Aberdeen Standard Life Capital SOF III Fund	10.0	10.3
Adams Street Partners	125.9	126.0
Catapult Venture Managers	0.5	0.0
Infracapital Greenfield Partners I Fund	12.4	8.8
KKR Global Infrastructure	22.0	12.0
LGPS Central PE Primary Partnership 2018 LP	7.0	4.2
M & G Debt Opportunities Fund IV	2.8	6.3
Stafford International Timberland Funds VII & VIII	1.1	1.2
LGPS Credit Partnership II	0.0	96.4
LGPS Credit Partnership I	0.0	53.5
LGPS Central Core/Core Plus Infrastructure Partnership LP	0.0	48.1
LGPS Central PE Primary Partnership 2021 LP	0.0	30.0
CRC Capital Release Fund V	0.0	44.0
Partners Group Multi Asset Credit VI S.C.A., SICAV-RAIF	0.0	20.8
Total	181.7	461.6

25A Key Management Personnel

Key management personnel are members of the pension fund committee and the Director of Corporate Resources. It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 32 and 33 of the County Councils accounts.

26. Additional Voluntary Contributions (AVC's)

The Fund has an arrangement with Prudential whereby additional contributions can be paid to them for investment, with the intention that the accumulated value will be used to purchase additional retirement benefits. AVCs are not included in the Pension Fund Accounts in accordance with Regulation 4(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

During the previous financial year, 2021/22, £1.6m in contributions were paid to Prudential. The capital value of all AVC's at year end, 31 March 2021 was £18.6m. The equivalent figures for 2021/22 are not available at the time of the publication of the draft accounts. This will be updated during the audit of the statement of accounts.

27. Policy Statements

The Fund has a number of policy statements which can be found on the [LPGS website](#). They have not been reproduced within the Accounts, as in combination they are sizeable, and it is not considered that they would add any significant value to most users of the accounts. The Statements are:

Investment Strategy Statement (ISS)
Administration and Communication Strategy
Funding Strategy Statement (FSS)

28. Compliance Statement

Income and other taxes

The Fund has been able to gain either total or partial relief from local taxation on the Fund's investment income from eligible countries. The Fund is exempt from UK Capital Gains and Corporation tax.

Self-investment

There has been no material employer related investment in 2021/22 (or 2020/21). There were occasions on which contributions were paid over by the employer later than the statutory date and these instances are technically classed as self-investment. In no instance were the sums involved material, and neither were they outstanding for long periods.

Calculation of transfer values

There are no discretionary benefits included in the calculation of transfer values.

Pension Increase

All pension increases are made in accordance with the Pensions Increase (Review) Order 1997.

Changes to LGPS

All changes to LGPS are made via the issue of Statutory Instruments by Central Government.

Leicestershire County Council Pension Fund (“the Fund”) Actuarial Statement for 2021/22

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). 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 severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Tom Hoare FFA

06 May 2022

For and on behalf of Hymans Robertson LLP

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2020/21 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Leicestershire County Council Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2022	31 March 2021
Active members (£m)	4,176	4,155
Deferred members (£m)	1,670	1,801
Pensioners (£m)	2,213	2,383
Total (£m)	8,059	8,339

The promised retirement benefits at 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £654m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £43m.

Financial assumptions

Year ended (% p.a.)	31 March 2022	31 March 2021
Pension Increase Rate	3.20%	2.85%
Salary Increase Rate	3.70%	3.35%
Discount Rate	2.70%	2.00%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.5 years	24.0 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.4 years	25.7 years

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2022	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	168
1 year increase in member life expectancy	4%	322
0.1% p.a. increase in the Salary Increase Rate	0%	16
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	151

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2022' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:

Tom Hoare FFA

26 May 2022

For and on behalf of Hymans Robertson LLP

Statement of Responsibilities for Leicestershire County Council Pension Fund

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of the financial affairs of its Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts



MR. L. BRECKON
CABINET LEAD MEMBER FOR CORPORATE RESOURCES
30 JUNE 2022

THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

The Director of Corporate Resources is responsible for the preparation of the Authority's Pension Fund Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Director of Corporate Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.
- Kept proper accounting records which were up to date,
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Leicestershire County Council Pension Fund as at 31 March 2022 and its income and expenditure for the year ended the same date.



C TAMBINI
DIRECTOR OF CORPORATE RESOURCES
30

JUNE

2022

**Independent auditor's report to the members of
Leicestershire County Council on the pension fund financial
statements of Leicestershire County Council Pension Fund**

To follow

GOVERNANCE COMPLIANCE STATEMENT

1.1 INTRODUCTION

This is the governance compliance statement of the Leicestershire Pension Fund. The Fund is required to publish a compliance statement under Regulation 73A of the Local Government Pension Scheme Regulations 1997 (as amended) and review that statement on an ongoing basis under Regulation 31 of the 2008 Regulations. Under Regulation 31 (3) (c) there is a requirement to measure the Fund's governance arrangements against a number of standards set out within guidance issued by DLUHC. The Fund's compliance with these can be viewed at the end of the document, [here](#).

In order to improve the transparency and auditability of governance arrangements the Fund has further produced its governance compliance statement to recognise the Scheme Advisory Board's recommendations set out within the Good Governance Phase 3 report

In accordance with the above, what follows is the Fund's assessment of its compliance with the standards as outlined.

1.2 FUNCTIONS AND RESPONSIBILITIES

The Local Pension Committee (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.

The LPC is made up of 13 members, ten of which are Employer Representatives with voting rights comprising of five County Councillors, representing Leicestershire County Council, two City Councillors representing Leicester City Council, two district councillors jointly representing the district councils, one member jointly representing De Montfort/Loughborough Universities. There are also three non-voting employee 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 employee representative position available annually and a vote will be held to fill any vacancies at the Annual Meeting of the Fund.

The LPC are advised and supported by the Director of Corporate Resources, Director of Law and Governance, Assistant Director of Strategic Finance and Property, Head of Pensions and Senior Finance and Legal Officers from Leicestershire County Council. As well as its Investment Advisor Hymans Robertson.

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.

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.

[The Local Pension Committee Terms of Reference.](#)

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.

The Board is made up of six voting members, three Employer Representatives (two elected members of Leicestershire County Council and one from Leicester City Council) and three employee representatives as well as one reserve employee representative role. 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.

The Board publishes an Annual Report which is available on the Fund's website. The Board focuses on the Fund's governance and administration processes, monitoring the Fund's compliance with statutory and regulatory guidance and working with officers to ensure the highest standards are met.

[Local Pension Board Terms of Reference](#)

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.

[Roles, Responsibilities and Delegated decisions.](#)

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.

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.

Further details can be found within the [Representation and Engagement](#) section of this statement.

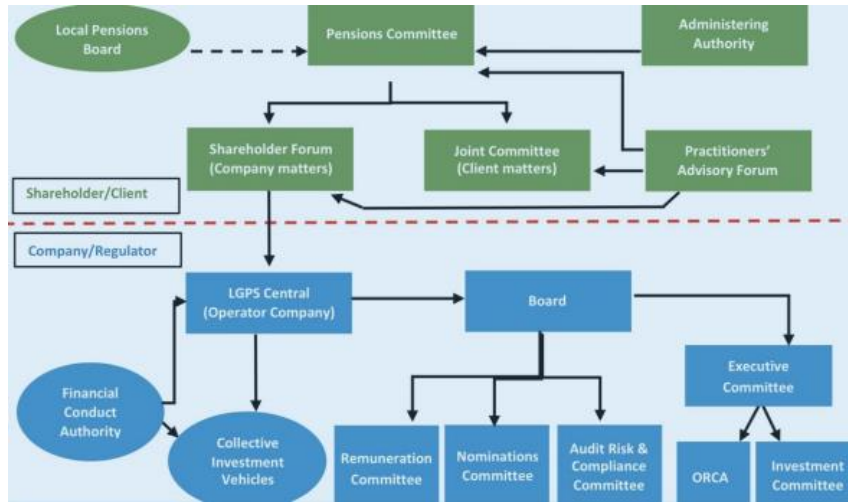
1.3 INVESTMENT POOLING

LGPS Central, an FCA-regulated pool company, was launched on 1 April 2018. Leicestershire Pension Fund together with eight partner pension Funds across the LGPS continue to work with the company to further develop the required business as usual governance oversight and monitoring arrangements.

The Fund recognises the potential conflict posed through the involvement of pooling with LGPS Central. Specific governance arrangements have been established with LGPS Central and other partner funds reflecting each partner authority's role as business owner and client of LGPS Central. These are managed through the following forums:-

The Shareholder Forum – The purpose is to oversee operation and performance of LGPS Central and to represent the ownership rights and interests of the shareholding Councils. The Forum is

independent of LGPS Central and its meetings are separate from Company Meetings and is enshrined within the Shareholders' Agreement.



The Joint Committee – A public forum for councils to provide oversight of the delivery of the objectives of the Pool, the delivery of client services, the delivery against its Business Case and to deal with common investor issues. The Company's investment performance and capability is overseen on a day to day basis by the Senior Fund Officers via the

Practitioner's Advisory Forum and on a bi-annual basis by the Joint Committee which is constituted of representatives from each of the Partner Funds.

The Chairman of the Local Pension Committee acts as the Fund's representative at both the Shareholders Forum and the Joint Committee and reports back to the Local Pension Committee as appropriate.

The Partner Funds and the Company work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver the strategic asset allocations in line with regulation and guiding principle. To hold the company to account and to meet FCA requirements for a regulated asset manager. The governance structure is designed to ensure sufficient independence from between Partner Funds and the Company during implementation and ongoing management of the Investment Sub-Funds.

The Investment Strategy Statement further sets out the Fund's approach to Pooling and the Pensions Committee and Board receives regular updates on the work of LGPS Central to enable Members to oversee and scrutinise its operations as set out in the respective Terms of References.

1.3.1 Dual interests as Administering Authority and Employer

Leicestershire County Council recognises its dual role as employer participating in the Fund and the Administering Authority legally tasked with the management of the Fund can create the potential for Conflicts of Interest. It is important that these potential conflicts are managed in order to ensure that no actual or perceived Conflict arises and that all of the Fund's employers are treated fairly and equitably. The Fund manages this risk through its Conflict of Interest Policy that was approved June 2021. The Policy and other related policies for the management of the Fund can be viewed [here](#).

Ultimately Fund is run for the benefit of its members and on behalf of all its employers. For that reason, the Fund's finances. are managed independently from Leicestershire County Council. The LGPS Senior Officer reviews the budget independently taking into account the full need of the service. The Budget and Business Plan is then considered by the Board before seeking approval by the Committee. Any spending controls in place for the County Council do not apply to the Fund, though

the Fund is mindful of the need to manage costs to minimise the financial burden on scheme employers.

1.4 SUFFICIENCY OF RESOURCES FOR SERVICE PLANNING AND DELIVERY

In order to ensure that the Fund has appropriate resource to deliver its statutory obligations it has adopted a three-stage approach:-

1.4.1 Business planning and budget setting.

The Fund operates a business plan which sets out the priorities for the Fund's services which is approved annually by the Local Pension Committee, with the oversight of the Pension Board. It is comprehensively reviewed, updated and agreed by the Pension Committee before the start of each financial year. If necessary, the plan is reviewed and updated on a more frequent basis.

The latest business plan and budget is publicly available [here](#).

The business plan takes into account the risks facing the Fund, performance of the Fund (including workloads) and anticipated regulatory changes. The business plan also includes the Fund's budget. Resource requirements (including staff recruitment, procurement and other specialist services) are determined by the requirements of the Fund's business plan. The business plan also sets out the Key Performance Indicators (KPIs) which will be used to monitor progress against the business plan, and the Board monitor it on a quarterly basis.

Progress against the business plan, including actual spend, is monitored by the Pension Committee on a regular basis and published within the Fund's Annual Accounts.

1.4.2 Service Delivery

The Fund publishes an Administration and Communication strategy which sets out how it will deliver the administration of the Scheme. The strategy includes:

- details of the structures and processes in place for the delivery of the pension administration function;
- expected levels of performance for the delivery of key Fund and employer functions;
- the Fund's approach to training and development of staff;
- the Fund's approach to the use of technology in pension administration.

The policy can be viewed [here](#).

1.5 MONITORING DELIVERY AND CONTROL ENVIRONMENT

The Fund recognises the importance of monitoring and reporting how it delivers progress against the business plan. This is done on the following ways:

Performance against KPIs is reported to the Local Pension Board on a quarterly basis. The Pension Committee further receives regular updates. KPI performance is reported in the Fund's annual report. Plans to address any workloads are added to the business planning process above.

The Pension Manager monitors cost and resource levels to balance value for money with service delivery, which is set out elsewhere in the report.

1.5.1 Internal Audit Plan

Every year the Fund's internal auditors carry out reviews to provide assurance that the Fund's processes and systems are appropriate for managing risks. One audit, outstanding from the previous year was concluded and four assurance audits were undertaken in 2021/22. The assurance grading was overall positive and there were no high importance recommendations. Final reports for all completed audits were also shared with the Fund's External Auditor (Grant Thornton LLP) in order to inform their audit risk assessment in preparation for their annual audit of the Fund's accounts.

In the year, Internal Audit reviewed several areas of the Fund's administration and investment. These areas included, contribution banding changes, contribution calculations, annual Pensions Increase, Pension Creation and Pension Pooling in relation to Transitions. Work was also undertaken on the biennial National Fraud Initiative (NFI) counter fraud data matching exercise. Progress continues to be made on the one remaining case identified during an earlier NFI exercise. In addition a review of progress on implementing recommendations from the Good Governance Project and the McCloud remedy were reviewed, with further work planned in 2022/23. Ongoing collaborative work with partner fund internal auditors, continues with Leicestershire staff providing feedback to the wider group. Internal Audit continue to review and comment on the Risk Register prior to Board and Committee meetings.

Officers also share the Risk Register with Internal Audit prior to Board and Committee meetings.

1.6 REPRESENTATION AND ENGAGEMENT

1.6.1 Local Pension Committee Membership and Attendance to March 2022.

The Local Pension Committee representation policy, as set out [above](#) recognises all scheme members and employers should be appropriately represented in the running in the Fund while at the same time ensuring that the Council, as the body with ultimate responsibility for running the Fund, maintains its representation on the key governance bodies. To this end the Fund's representation policy and the Council's constitution specify that the Council shall maintain an equal share of voting members on the Pension Committee.

	REPRESENTING	2021/22					ATTENDANCE
		June	September	November	January	March	
VOTING MEMBERS (EMPLOYER REPRESENTATIVES)							
MR. T. BARKLEY(CHAIRMAN)	Administering Authority	✓	✓	✓	Substitute sent	✓	80%
MR. D. GRIMLEY CC	Administering Authority	✓	✓	✓	✓	✓	100%
MR. K. MERRIE MBE CC	Administering Authority	✓	✓	✓	X	✓	80%
DR. R. K. A. FELTHAM CC	Administering Authority	✓	✓	✓	✓	✓	100%
MR. D. GAMBLE CC	Administering Authority	✓	X	X	✓	X	40%
CLLR. R. GOVIND (TO SEPTEMBER 2021)	Leicester City Council	✓	X				50%
CLLR. S. WADDINGTON (FROM DECEMBER 2021)	Leicester City Council				✓	✓	100%
CLLR. A. CLARKE	Leicester City Council	✓	✓	✓	✓	✓	100%
CLLR. M. GRAHAM MBE	District Councils	✓	✓	✓	✓	✓	100%
CLLR. C. FROST	District Councils	X	X	X	X	X	0%
MR. Z. LIMBADA	Universities	✓	X	✓	✓	X	60%
NON-VOTING MEMBER (SCHEME MEMBER REPRESENTATIVE)							
MR N. BOOTH	Elected 2019	✓	✓	X	✓	X	60%

Pension Fund Annual Report

MRS J. DEAN (TO DECEMBER 2021)	Elected 2018	X	x	✓			33%
MR. G. LAWRENCE (FROM DECEMBER 2021)	Elected 2021				✓	✓	100%
MR A. WILSON	Elected 2020	X	x	X	✓	✓	40%
Proportion of voting members not from the Administering Authority							5 out of 10 (50%)

1.6.2 Local Pension Board Membership and Attendance to March 2022

The Local Pension Board's Representation equally comprises three Employer Representations and three Employee Representatives. The Scheme Member Representatives represent active, deferred and pensioner Scheme members and are appointed by an open election process, as set out [above](#).

A Reserve Scheme Member Representative was first appointed December 2020, where a Scheme Member is unable to attend they will act as nominated substitute.

	REPRESENTING	MEETINGS 2021/22				ATTENDANCE
		May	August	November	February	
MRS. R. PAGE (CHAIRMAN)	Administering Authority	✓	✓	✓	✓	100%
MR. R. SHEPHERD	Administering Authority	✓	✓	✓	✓	100%
CLLR. E. PANTLING	Leicester City Council	X	X	x	X	0%
MRS. C. FAIRCHILD (VICE-CHAIR)	Term ends December 2023.	✓	✓	✓	✓	100%
MS. D. HALLER	Term ends December 2021 Resigned November 2021.	Reserve Substituted	x			0%
MS. R. GILBERT	Term ends December 2022.	✓	x	X	✓	50%
MR. M. SAROYA	Reserve Member up to December 2021. Elected Scheme Member Representative December 2021 to 2024	✓	x	✓	✓	75%

1.6.3 Engagement with Employers

The Fund carries out a range of activities that are designed to engaged employers. These are set out within the Fund's Administration and Communication Strategy and includes

- The Fund engages and consults with employers during the actuarial valuation and specifically on key strategies such as the Funding Strategy Statement;
- A regular employer bulletin provides updates on technical changes, process reminders and a calendar of key upcoming dates;
- Training sessions which can be provided on request covering the main areas of employer responsibility, for example year end returns, processing ill health cases and internal dispute resolution procedures; and
- The Fund is available to provide support on issues such as outsourcing services or workforce restructuring.

1.6.4 Engagement with Members

The Fund's Communication Strategy sets out how it engages with active, deferred and pensioner scheme members including:

- The Fund maintains a website which provides general advice, information and updates including copies of all current policies.
- Members have secure online access to their own pension records in order to run retirement estimates.
- Member's annual benefit statements are available online or in writing (including large text) on request.
- Scheme members are able to arrange one to one appointment, by phone or at our offices, with members of the pension team to discuss specific matters.

1.7 TRAINING

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by The Pensions Regulator and, accordingly, the increased emphasis on the role of Funds' Governing Bodies their knowledge and understanding

The Fund's Pensions Committee and Pensions Board training policy is reviewed and approved by the Pensions Committee, in accordance with the policy training activity undertaken is monitored, recorded and reported to each body. By implementing and participating in training, Committee and Local Pensions Board members will be better placed to make well-informed decisions and, consequently, will be able to comply with the increased requirements of the regulator and the overarching governance requirements of the scheme.

A major factor in the governance arrangements of the Fund is to ensure that the Committee and the Local Pension Board members and officers have the relevant skills and knowledge through application of the CIPFA Knowledge and Skills Framework. Arrangements for regular training are in place with training delivered through various means including in-house structured training events for

both Pensions Committee and the Local Pensions Board, conferences, training delivered at Committee meetings, as well as briefings and research material.

1.7.1 Training Policy

The Fund's Training Policy was first adopted in November 2019 and had been reviewed, updated and approved in March 2022 by the Committee. The policy 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. The training strategy sets out how those involved with the Fund will:

- Have their knowledge assessed; and
- Receive appropriate training to fill any knowledge gaps identified. The Fund will measure and report on progress against the training plans as set out below.

A copy of the policy can be found [here](#).

1.7.2 Evidencing Standards of Training

Details of the training undertaken by members of the Pension Committee and Pension Board are reported in this statement. Committee and Board members' subject knowledge is assessed on an annual basis. The results are analysed, and any gaps identified are addressed as part of the ongoing training plans. Targeted training will also be provided that is timely and directly relevant to the Pension Committee and Board's activities as set out in the business plan. Officers involved in the management and administration of the Fund are set annual objectives which will include an element of personal development. These objectives are monitored as part of each individual's annual appraisal. 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 training modules on Hymans Robertson Aspire Website (introduced 2021), 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.

The CIPFA requirement for continuous professional development for the Fund's s151 officer now includes a regular LGPS element. This requirement applies to the s151 officer for the Council. The Fund has complied fully with this requirement.

LOCAL PENSION COMMITTEE

		JOINT PENSION BOARD AND COMMITTEE TRAINING - GOVERNANCE AND ADMINISTRATION	GOOD GOVERNANCE AND THE PENSION REGULATOR CODE	ISC TRAINING PRIVATE DEBT/INFRASTRUCTURE	HYMANS ROBERTSON VALUATION	CLIMATE RISK REPORT TRAINING / WORKSHOP	ACTUARIAL VALUATION	IFM INFRASTRUCTURE
TOM BARKLEY CC	Leicestershire County Council	✓	✓	✓	✓	✓	✓	✓
CLLR R. GOVIND (TO NOVEMBER 2021)	Leicester City Council	x	✓	✓				
CLLR A. CLARKE	Leicester City Council	✓	✓	✓	x	✓	✓	✓
CLLR. M. GRAHAM	District Representative	✓	✓	✓	✓	✓	✓	✓
CLLR. FROST	District Representative	x	x			x	x	x
MR.Z. LIMBADA	Universities Representative	x	✓	✓	x	✓	x	x
MR GAMBLE (FROM MAY 2021)	Leicestershire County Council	✓	✓	x	x	✓	✓	✓
DR FELTHAM (FROM MAY 2021)	Leicestershire County Council	✓	✓		✓	✓	✓	✓
MR. MERRIE MBE (FROM JUNE 2021)	Leicestershire County Council	✓	✓		✓	✓	✓	✓
MR. GRIMLEY (FROM MAY 2021)	Leicestershire County Council	✓	✓	x	✓	✓	✓	✓
CLLR. S. WADDINGTON (FROM JANUARY 2022)	Leicester City Council				✓	✓	✓	✓
<u>SCHEME MEMBER REPRESENTATIVES</u>								
MR. A. WILSON	Employer Rep Elected 2019 AGM	x	✓		x	✓	✓	✓
MR. N. BOOTH	Employer Rep Elected 2020 AGM	✓	✓		✓	✓	x	x
MR. G. LAWRENCE (FROM DECEMBER 2021)	Employer Rep Elected 2021 AGM					✓	✓	✓
MS. J. DEAN (TO DECEMBER 2021)	Employer Rep Elected January 2018	✓	x		x			

Hymans Aspire Learning Training

The Fund introduced the Hymans Aspire Learning Academy during November 2021 and was designed to support the training needs of the Pension Committee, Local Pension Board and Fund Officers and supplements the Fund's own training plan. It consists of a series of video presentations with supplemental learning material and quizzes. Committee and Board progress to March 2022 is set out below.

	An introduction to the LGPS Module 1	LGPS Governance and Oversight Bodies Module 2	Administration and Fund Management Module 3	Funding and Actuarial Matters Module 4	Investments Module 5	Current Issues Module 6
<i>Local Pension Committee</i>						
<i>Tom Barkley CC</i>	P	P	S	S	S	S
<i>Cllr A. Clarke</i>	P	P	S	S	S	S
<i>Cllr. M. Graham</i>	C	C	C	C	C	C
<i>Cllr. Frost</i>	P	S	P	S	S	S
<i>Mr.Z. Limbada</i>	S	S	S	S	S	S
<i>Mr. A. Wilson</i>	C	C	C	C	C	C
<i>Mr. N. Booth</i>	C	S	S	C	C	C
<i>Mr. G. Lawrence (From December 2021)</i>	C	C	S	C	P	P
<i>Mr Gamble (from May 2021)</i>	S	S	S	P	S	S
<i>Dr Feltham (From May 2021)</i>	C	P	S	C	S	S
<i>Mr. Merrie MBE (from June 2021)</i>	C	C	C	C	C	C
<i>Mr. Grimley (from May 2021)</i>	C	C	C	C	C	C
<i>Cllr S. Waddington</i>	P	S	S	S	S	S

S – Subscribed P – In progress C – Completed

Progress from the Local Pension Board is compiled within its own Annual Report available on the Fund's Website.

In summary, the Fund invests significant resources into the development of its Committee and Local Pensions Board members, firmly believing that the benefits over the long term are essential to the effective governance and management of the Fund. The Fund further encourages Members to attend external events such as:

- The Pension Fundamentals
- LGPS Central Stakeholder events
- LGA Governance Conference

1.8 REVIEW AND COMPLIANCE WITH BEST PRACTICE

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.

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	Fully Compliant - All Investment Subcommittee will be full LPC members
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.



C TAMBINI
DIRECTOR OF CORPORATE RESOURCES
8 AUGUST

2022

GLOSSARY

A list of acronyms used within the report has been provided below:

AGM	Annual General Meeting
AVC	Additional Voluntary Contribution
CETV	Cash Equivalent Transfer Value
CIPFA	The Chartered Institute of Public Finance and Accountancy
CRR	Climate Risk Report
DLUHC	Department for Levelling Up, Housing and Communities
ESG	Environmental, Social and Governance
FCA	The Financial Conduct Authority
FSS	Funding Strategy Statement
FTE	Full Time Equivalent
IDRP	Internal Disputes Resolution Procedure
IFRS	International Financial Reporting Standards
ISS	Investment Strategy Statement
KPIs	Key Performance Indicators
LAPFF	Local Authority Pension Fund Forum
LGIM	Legal and General Investment Management
LGPS	Local Government Pension Scheme
LIBOR	London Interbank Offered Rate
LPB	Local Pension Board
LPC	Local Pension Committee
NAV	Net Asset Value
RI	Responsible Investing
SAB	LGPS Scheme Advisory Board - England and Wales
TCFD	Taskforce on Climate-related Financial Disclosures

Leicestershire Pension Fund Audit Progress Report

Year ending 31 March 2022

November 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Pensions Committee with a report on progress in delivering our responsibilities as the Pension Fund's external auditors.

Members of the Pensions Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at November 2022

Financial Statements Audit

We undertook our initial planning for the 2021/22 audit in March 2022 and began our work on your draft financial statements in late July. The results of our work to date are included in this report.

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously stated their intention to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. This is enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that came into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 is extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027/28.

As previously reported to the Corporate Governance Committee, we intended to report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts for the County Council and the Pension Fund by 30 November 2022 in line with the above deadline.

Members may be aware that followings findings that come to light late on in the 2020/21 reporting cycle, CIPFA established a Task and Finish Group to address an issue regarding the derecognition of parts of infrastructure assets following 'replacement' expenditure. For highways Authorities in particular, this presents a risk of material misstatement and has led to the delay in sign-off of residual 2020/21 opinions and has been a key consideration in audit work performed by firms in 2021/22.

The Department for Levelling Up, Housing and Communities are continuing to work on a Statutory Instrument (SI), with a plan to this being laid in Parliament on 30 November 2022 and coming into force on 25 December 2022. They continue to liaise with audit firms, and It therefore is hoped that this SI, together with updates to the CIPFA Code, will resolve the majority of the ongoing audit challenges related to Infrastructure Assets balances, thus avoiding any potential qualification of accounts.

Inevitably, based on the timing of the statutory instrument by Central Government, we are now in a position whereby we will be unable to give our opinion on the Statement of Accounts of the County Council and the Pension Fund by 30 November 2022. This is consistent for all Authorities, regardless of location or audit firm, unless they hold immaterial infrastructure assets (some Districts, Fire, Police etc).

Notwithstanding this issue, the audit of the Pension Fund financial statements is substantially complete. There are no matters of which we are aware that would require modification of our audit opinion on the Pension Fund financial statements. We have set out key findings in significant risk areas in this update.

We are working to agree a timetable which will allow us to finalise the audit for the County Council and Pension Fund and report to Corporate Governance Committee in the new year. However, we await more information on the issuance of the Statutory Instrument and what impact this will have on the level of audit work required on infrastructure and this is expected by the end of November.

Members of the Committee should be assured that this is outside the control of both Officers of the Authority and ourselves as Statutory Auditors, and that the County Council and Pension Fund will still be able to meet its statutory duty to publish its accounts by 30 November by publishing draft accounts and including a note stating that the audit has been delayed.

Results of Audit Work to date

The findings of our audit work to date, and the impact on our reporting, are summarised in the table below:

	Work performed	Summary of key findings
Management override of controls	<p>We have continued to apply our new approach to our testing of journal entries in 2021/22, utilising the inflo software. This provides the engagement team with effective assurance around the completeness of the population subject to testing and introduces more sophisticated risk assessment of journals for indications of management override of controls.</p> <p>We identified relevant journal entries for testing for the Pension Fund and have received responses. We are currently finalising our work in this area.</p>	Our work to date has not identified any significant issues from our audit work performed to date on management override of controls.
Valuation of level 3 investments	<p>We have undertaken detailed testing on the valuation of investments, which has included:</p> <ul style="list-style-type: none"> • evaluating management's processes for valuing Level 3 investments • Reviewing the nature and basis of estimated values and considering what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently requesting year-end confirmations from investment managers and custodians • for a sample of investments, testing the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciling those values to the values at 31 March 2022 with reference to known movements in the intervening period • in the absence of available audited accounts, evaluated the competence, capabilities and objectivity of the valuation expert • tested revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register • reviewing investment manager service auditor report on design effectiveness of internal controls 	Our work to date has not identified any material issues in the valuation of level 3 investments.

	Work performed	Summary of key findings
Other areas	Our work on non-significant risk areas of the audit, including material balances and transactions and other scoped areas is substantially complete for the pension fund and well progressed for the Council.	We have not identified any significant issues from our audit work performed to date in other areas.
IT audit	Our dedicated IT audit team have performed a follow up of the detailed IT general controls review undertaken in 2020/21.	The findings of the IT audit team notes that the majority of recommendations made in 2020/21 have been addressed by management. We have issued a detailed report to management setting out our findings.

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Corporate Governance Committee setting out our proposed approach in order to give an opinion on the County Council and Pension Fund 2021/22 financial statements and to report on the County Council's value for money arrangements in the Auditor's Annual Report</p>	September 2022	Completed
<p>Audit Findings Report</p> <p>This report communicates the findings from our work undertaken in order to give an opinion on the County Council and Pension Fund 2021/22 financial statements.</p>	TBC – anticipated January 2023	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	TBC – anticipated January 2023	Not yet due



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LEICESTERSHIRE PENSION FUND AGM – 12 DECEMBER 2022

REPORT OF THE LOCAL PENSION BOARD

ANNUAL REPORT 2021/2022

Purpose of the Report

1. The purpose of this report is to present to the Annual Report of the Local Pension Board for 2021/22.

Background

2. The Public Service Pensions Act 2013 requires the establishment of Local Pension Boards to assist local authorities with the effective management of local pension funds. The Department for Housing, Communities and Local Government (now the Department for Levelling Up, Housing and Communities) has issued regulations and reporting guidelines concerning the implementation of Local Pension Boards.
3. As part of the Fund's Independent Governance Review undertaken in 2020 a recommendation was for the Board to write an Annual Report as part of best practice. The report provides a summary of the work carried out by the Board, covering the period from April 2021 to March 2022.
4. The Annual Report was approved by the Local Pension Board on 17 August 2022.

Recommendation

5. That the Local Pension Board Annual Report for 2021/22 be noted.

Appendices

Appendix - Pension Board Annual Report

Equality and Human Rights Implications

None Specific

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Cat Tuohy
Democratic Services Officer
Telephone: (0116) 305 5483
Email: Cat.Tuohy@leics.gov.uk

LOCAL PENSION BOARD ANNUAL REPORT

What is the Local Pension Board

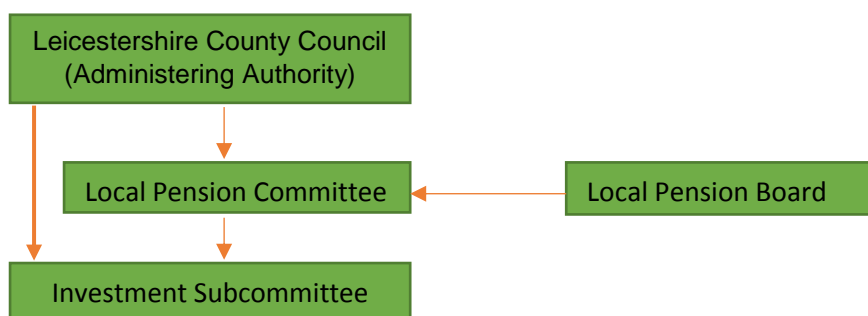
The Local Government Pension Scheme (LGPS) Regulations (“the Regulations”) established Leicestershire County Council as the administering authority for the Leicestershire Pension Fund, with responsibility for managing and maintaining the Fund.

The Regulations further required that Leicestershire County Council in its capacity as administering authority established a Local Pension Board. It’s purpose is to assist the Administering Authority in:-

- securing 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
- ensuring 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, however, they do perform activities to support the Local Pension Committee and can escalate issues with the Committee and the Pensions Regulator where it expresses concern.

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 31 March 2022 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. Deepak Bajaj
Leicester City Councillor

Scheme Member Representatives

Ms. Caroline Fairchild – Vice Chairman

Ms. Ruth Gilbert

Mr. M. Saroya

(Vacancy for Scheme Member Reserve Representative)

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 Leicestershire Pension Fund's Annual Report.

Foreword by the Chair of the Local Pension Board

On behalf of the Local Pension Board I am delighted to be able to present the third Annual Report of the Local Pension Board of the Leicestershire Pension Fund. This report covers the period from 1 April 2021 to 31 March 2022, to align with the Fund's Annual Report.

As a defined benefit scheme for our 99,000 Members the Leicestershire Pension Fund pays scheme members a retirement income based on salary and the number of years worked for the employer. The Fund invests contributions made by employers into long term investments, and though the market will always fluctuate investment performance does not affect Members pensions. As of 31 March 2022 the Fund contained £5billion of assets.

Throughout the year we have complemented the Administering Authority, ensuring compliance with the Public Service Pensions Act, the LGPS Advisory Board, the Chartered Institute of Public Finance and Accounting and The Pensions Regulator.

I was particularly pleased to note the Fund achieved a 'green flag' rating for all areas of the Government Actuary Departments Section 13 report that related to fund valuations as of 31 March 2019. This denotes there were no material issues that required remedial action.

The Board has not got any concerns about the Leicestershire Pension Fund or its Administration.

We will continue to support the Pensions Manager, and we are confident he will continue to administer the Fund efficiently and effectively despite ongoing pressures..

I would like to place on record the Board's appreciation for the support and transparent advice of the officers.

To keep the Annual Report succinct it is difficult to reflect the variety of issues we have considered during another busy year. If you want to find our more about our work I have attached a link. Please click [here](#).

Despite the continual challenges, I am looking forward to another successful year ahead

Mrs. R. Page CC

Chairman of the Local Pension Board

Approved: 17 August 2022

Member Attendance

The Board has met on four occasions during the year and attendance has been positive with employer and employee representatives freely giving their time and commitment.

	24 May 2021	23 August 2021	8 November 2021	16 Feb 2022
Mrs. R. Page	✓	✓	✓	✓
Mr. R. Shepherd	✓	✓	✓	✓
Cllr. D. Bajaj <i>Appointed March 2022</i>				
Ms. C. Fairchild	✓	✓	✓	✓
Ms. R. Gilbert	✓	✓	x	✓
Ms. D. Haller <i>Resigned November 2021</i>	x	x	x	
Mr. M. Saroya <i>Reserve Representative to December 2021 - Elected Board Representative December 2021</i>	Substitute for Ms. D. Haller	x	Substitute for Ms. D. Haller	✓

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.
- **Additional Voluntary Contributions** – The Board considered concerns regarding the Fund’s Additional Voluntary Contribution provider the Prudential.
- **Funding Strategy Statement Employer Risk and Exits** – The Board supported changes to the Funding Strategy Statement following regulation changes to employer risk and exits and proposed changes to the Fund’s policy on Employer Risk.
- **Cyber Risk** – The Board monitored the impact of cyber risk on the Pensions Section.
- **Continued Improvements and Systems** – The Board was updated at each meeting on the continuous improvements of the Pension Section.
- **Internal Audit work conducted during 2020-21 and Audit plan 2021-22** – The Board welcomed the outcome of the 2020-21 audit report which resulted in positive assurance grading with no high importance recommendations.
- **Funding Updates** – The Board received a Funding Update as at 31 March 2021 from the mid-valuation.
- **Pension Fund Policies** – Training, Administration and Communications, Distribution of Death Grant, Over and Underpayment policy, Conflict of Interest Policies- before seeking approval from the Local Pension Committee

- **Responsible Investment Update** – A report on the Fund’s progress of its 2021 Responsible Investment Plan. The Board noted the Fund supported engagement, rather than exclusion, as it was more compatible with the Fund’s fiduciary duty.
- **Member Self Service** – The Board received an update on improvements to the Self-Service system following training received
- **LGPS Scheme Advisory Board’s Good Governance Review** – Update reports to meetings on progress towards the Good Governance Phase 3 Report.
- **LGPS Central Joint Committee and Annual General Meeting Update** – The Board received an update on the work of LGPS Central the Fund’s asset pool, through the Fund’s role as co-owner of the company and as a recipient of its investment services.

Breaches

The Board has a responsibility to report any matter that appears to be materially significant.

The Pensions Manager, in agreement with the Chair of the Board self-reported a material breach to the Pensions Regulator in May 2021 due to delays in paying retirement benefits to the Fund’s AVC paying scheme members, resultant from the Prudential (the Fund’s AVC provider) delay in providing the Fund with accurate and timely data. The Pension Regulator requested an improvement plan by 30 June 2021 which were largely completed with a marked improvement. The Board agreed to continue to monitor the issue.

The Board wrote to four employers throughout the year in concern of outstanding bond or admission agreements. As a result, agreements were reached, and no breach was reported

There were no other significant issues of concern raised with, or by the Board, throughout the year. Furthermore, no issues were escalated to the Local Pension Committee.

Highlights

Below is a selection of highlights of the items considered this year:-

Additional Voluntary Contributions

The Board scrutinised the Prudential, the Fund’s Additional Voluntary Contribution (AVC) provider, following concerns raised by the Pensions Manager that they had breached service standards. Following a report on the matter we remained concerned due to delays in service and their lack of communication with members affected, following the migration of their systems. As a result we agreed to write to Prudential, setting out nine points and questions along with our concerns over the problems it could cause for members in receiving funding in a timely manner, inviting them to attend a meeting on the 23 August 2021.

We were pleased to note following our meetings and letter to Prudential, affected member cases had progressed, though we agreed to continue to monitor the situation.

Risk Management and Internal Controls

Throughout the year we continued to review the risk register at each of our meetings and were pleased to note changes had been made to the risk register arising from comments regarding Claim Management Companies, the 2016 cost cap, and its link to the McCloud case, and their inclusion within the report.

We continued to monitor employer risks including outstanding bond and admission agreements, having been made aware that 14 scheme members did not receive an annual benefit statement due to delays with two employers following TUPE transfers from existing Fund employers. We noted that once the admission agreements had been signed the scheme members would receive their annual benefit statement, and were assured that the delays were due to the employers, not administration of the Fund. We agreed to write to employers where appropriate to remind them of their duties.

We further supported the Fund's approach to not allow reviews of employer contributions, from employer requests, outside of the usual Fund valuation process. In exceptional cases where a Fund employer experienced genuine financial difficulty, we acknowledge the need for the Fund to look to review the contribution rate if it were to increase the chance of repayment. The risk would first be considered alongside risk to other Fund employers and would be assessed to consider putting additional security in place, which we agreed was fair.

Business Plan and Budget

Prior to the Budget and Business Plan's consideration and approval by the Local Pension Committee the Board scrutinised the report. We questioned the significant pressure on the Pension Section resultant from upcoming pieces of work over business as usual, which included the Fund's actuarial valuation, the pensions dashboard project, McCloud, the Good Governance project and the Pensions Regulator new Code of Practice.

The Pension Manager assured us that any issue with capacity would become apparent by the end of April when the Section received data from its employers and could clarify how many queries needed to be resolved ahead of the 31 August annual benefit statements statutory deadline, and that the management team would continue to monitor the situation.

Admission Agreements Transfers Out

The Pensions Manager regularly updated us regarding scheme member requests to transfer out to non-public service schemes. The Board recognised the 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 provided security for members before transfers were completed.

However we raised concern that even some Financial Conduct Authority approved schemes were not always in the best long-term interests for scheme members. 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 will continue to revisit.

Ultimately, we would encourage any scheme member considering transferring out to consider the costs, risks and loss of benefits involved, and to take independent financial advice as necessary.

Looking ahead to 2022/23.

The Board will maintain oversight of the Fund and continue to receive regular reports on admin, governance and risk. We will continue to receive reports on the ongoing actuarial valuation where appropriate.

It is clear that there are a lot of policies, initiatives and schemes in the pipeline outside of the Fund's control which we will monitor and support implementation of given the impact it may have on already heavy administration pressure. This will involve the Government's Pension Dashboard scheme, the impact of McCloud, the Scheme Advisory Board's Good Governance report, as well as a deep dive on the Pension Regulator's new code of practice, where we will review the Fund's compliance.

Training

The Fund's **Training Policy** was adopted in November 2019, and refreshed March 2022 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.

The Board undertook a comprehensive knowledge review and training programme in May. This provided each Member with a thorough information base to build upon.

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

	Joint Board and Committee Training 1 June 2021	Hymans Robertson Actuarial Valuation 23 July 2021	Admission Agreements and Full Transfers Out 6 January 2022	LGPS Conference Topics Update 16 February 2022
Mrs. R. Page	✓	✓	✓	✓
Mr. R. Shepherd	✓		✓	✓
Vacant Leicester City Council				
Ms. C. Fairchild	✓	✓	✓	✓
Ms. R. Gilbert	✓	✓	✓	✓
Mr. M. Saroya	✓	✓	✓	✓

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

In November 2021 the Fund introduced online training via the Fund's Independent Advisor Hymans Robertson. Members are recommended to complete certain topics on the Hymans Aspire Training depending on their knowledge/understanding. Progress within the modules is as follows.

	An Introduction to the LGPS	LGPS Governance and Oversight Bodies	Administration and Fund Management	Funding and Actuarial Matters	Investments
<i>Mrs. R. Page</i>	P	P	P	P	P
<i>Mr. R. Shepherd</i>	S	P	P	P	P
<i>City Council Vacancy</i>					
<i>Mr. M. Saroya</i>	C	S	S	P	S
<i>Ms. C. Fairchild</i>	C	C	C	C	C
<i>Ms. R. Gilbert</i>	C	C	S	C	C

S – Subscribed

P – In progress

C - Completed

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LEICESTERSHIRE COUNTY COUNCIL PENSION FUND

ANNUAL GENERAL MEETING – DECEMBER 12TH 2022

REPORT OF LOCAL PENSION COMMITTEE EMPLOYEE REPRESENTATIVES

1. The provision of a good defined benefit pension scheme open to all staff such as the Local Government Pension Scheme is a very valuable benefit. Thus the performance of the Leicestershire Fund's investments is important to ensure that the scheme can meet its liabilities to pay pension benefits and grants to pensioners and other beneficiaries, and remains open to further accrual for existing and new employees.
2. The value of the Fund up to the end of March 2022 showed a total Fund value of £5.790 billion. This is a very significant increase of over £1.4 billion compared to the previous actuarial review date of March 2019 with equity investment returns being particularly strong in 2021/22.
3. It should also be noted that the discount rate has widened significantly which has had the effect of lowering the technical measurement of liabilities though not the actual pensions to be paid.
4. The latest actuarial valuation of the fund showed that as of 31st March 2022, the assets represented funding level at 105% of the liabilities at the revised CPI assumption of 2.9%, which represented a significant improvement from the 89% valuation in 2019. This means that the Leicestershire Fund's pensions benefits liabilities can currently be referred to as 'fully funded'.
5. It should be noted that although the funding position as at 31st March 2022 was encouraging, the total funding level is only at a single point in time and the markets continue to fluctuate during a turbulent period for the global economy. Pensions require a very long perspective (a few current scheme members can expect to be still receiving pension benefits in 80 years' time) and the fund should be careful about relaxing employer contributions too much based on a single snapshot in time.
6. As part of their Responsible Investment (RI) obligations, Local Government Pension Schemes (LGPSs) have always been required to take account of Environmental, Social & Governance (ESG) factors in their investment decision-making. In common with most LGPSs, the Leicestershire Pension Scheme has recognised climate change as a key ESG risk:
 - a) As employee representatives, we have sought to support & influence the Scheme in its efforts to reconcile increasing climate-related risk with its 'fiduciary' duty to maximise returns from investment through the development of a Net Zero Climate Strategy.
According to the training that the Scheme provides to new Local Pensions Committee members, the pensions industry in general is rapidly coming to the view that a shift to a more environmentally sustainable form of investing need not come at the expense of returns on investment, or the continued ability to pay out pension benefits.

- b) The Leicestershire Local Pensions Committee agreed a revised Responsible Investment Plan in January 2022. Along with all the Leicestershire Pension Fund's key funding and investment strategy documents, this is available to scheme members on the Fund's website here:

<https://leicsmss.pensiondetails.co.uk/home/scheme-member/lgps/fund-admin-and-guidance/pension-fund-and-finance>

As employee representatives, we have sought to keep the Fund to its timetable for developing a Net Zero Climate Strategy and amending its Investment Strategy Statement accordingly. We have also monitored its efforts to consult scheme members on proposed carbon reduction targets and on the final draft document. In doing so, we have noted that a substantial proportion of scheme members appear to favour firmer action to withdraw investment from companies that are causing the most damage to the environment, and direct investment towards the renewable energy industry. We encourage Scheme members to comment on the draft Strategy via the Fund's ongoing consultation process which closes on 5th February 2023:

<https://leicsmss.pensiondetails.co.uk/home/all-news>

- c) It is acknowledged that the Leicestershire Pension Fund's investments in companies that are high carbon-emitters is gradually declining over time. However, we believe that timely completion of its RI Plan will ensure that the Fund's contracted investment managers are able to take fuller account of climate-related risks and opportunities in investing sustainably for the future benefit of scheme members and their employers.

It is encouraging to note that some of the investment managers contracted by the Scheme, and in particular the LGPS Central pool that Leicestershire is a member of, are developing robust approaches to RI, e.g. Aegon Asset Management who operate an investment fund product that:

- i) has climate guidelines and milestones in place as a pathway towards net zero carbon alignment,
- ii) directs investments to companies with a robust and credible plan towards net-zero,
- iii) aims to deliver a lower carbon footprint than the broader market.

7. Employees/pensioners were represented at all Local Pensions Committee & Investment Sub-Committee meetings during the past year. We would like to thank the LCC Pensions Section for their efficient administration of the benefits of the Fund, and the greater access to individual pension information provided via their online service.

8. To conclude, the Employee representatives are satisfied that the Fund is currently being managed in a professional manner in the best interests of the Scheme members and beneficiaries.

Nick Booth
Geoff Lawrence
Ashley Wilson

Employee Representatives